



**NPC Resources Berhad**

(Company No: 199901027413 (502313-P))



**ANNUAL REPORT 2019**

# Contents

02	Corporate Information
03	Directors' Profile
06	Chairman's Statement
09	Statement of Management Discussion and Analysis
13	Corporate Governance Overview Statement
21	Sustainability Statement
22	Statement of Directors' Responsibility for Preparing the Financial Statements
23	Additional Compliance Information
25	Audit Committee Report
33	Statement on Risk Management and Internal Control
35	Financial Statements
155	Shareholdings Statistics
159	List of Properties





## CORPORATE INFORMATION

### BOARD OF DIRECTORS

**Datuk Loo Ngin Kong**  
(Executive Chairman)

**Dato' Seri Tengku Dr. Zainal Adlin Bin Tengku Mahamood**  
(Independent Non-Executive Deputy Chairman)

**Dato' Loo Pang Kee**  
(Executive Director/Group Managing Director)

**Wong Siew Ying**  
(Executive Director)

**Lim Ted Hing**  
(Independent Non-Executive Director)

**Dato' Ooi Sek Min**  
(appointed on 25 February 2020)  
(Independent Non-Executive Director)

**Tan Sri Dato' Sri Koh Kin Lip, JP**  
(Non-Independent Non-Executive Director)

**Tan Vun Su**  
(Executive Director)

### AUDIT COMMITTEE

**Lim Ted Hing** (Chairman)  
**Dato' Ooi Sek Min** (Member)  
**Tan Sri Dato' Sri Koh Kin Lip, JP** (Member)

### COMPANY SECRETARIES

**Dorothy Luk Wei Kam** (MAICSA 7000414)  
**Tan Vun Su** (MIA 8095)

### REGISTERED OFFICE

Lot 9, T3  
Taman Tshun Ngen  
Mile 5, Jalan Labuk  
90000 Sandakan, Sabah  
Tel : +6089 274 488  
Fax : +6089 226 711

### SHARE REGISTRAR

BoardRoom Share Registrars Sdn. Bhd.  
11th Floor, Menara Symphony  
No. 5, Jalan Prof. Khoo Kay Kim  
Seksyen 13, 46200 Petaling Jaya  
Selangor Darul Ehsan  
Tel : +603 7890 4700  
Fax : +603 7890 4670

### INDEPENDENT AUDITOR

Ernst & Young PLT  
Chartered Accountants  
16th Floor, Wisma Khoo Siak Chiew  
Jalan Buli Sim Sim  
90000 Sandakan, Sabah

### PRINCIPAL BANKERS

AmBank (M) Berhad  
AmBank Islamic Berhad  
Maybank Islamic Berhad  
OCBC Bank (Malaysia) Berhad  
RHB Bank Berhad  
RHB Islamic Bank Berhad

### SOLICITOR

M.F. Poon, Hiew & Associates  
Advocates & Solicitors  
Mezzanine Floor, Lot 1 & 2,  
Block B, Taman Grandview,  
Jalan Buli Sim-Sim.  
90000 Sandakan, Sabah

### STOCK EXCHANGE LISTING

Main Market of the  
Bursa Malaysia Securities Berhad



## DIRECTORS' PROFILE

**Datuk Loo Ngjin Kong**, a Malaysian citizen, male, aged 83, was appointed as Executive Chairman of NPC on 31 January 2002. He has over 40 years' experience in the fields of oil palm plantation and palm oil milling. He started his business venture in the plantation industry in the 1960s and 1970s when he was involved in oil palm cultivation and contracting works for Federal Land Development Authority ("FELDA") in Pahang Darul Makmur and Low Nam Hui Sdn. Bhd. and its subsidiaries and Johor Tenggara Development Authority in Johor Darul Takzim. He expanded his business to Sabah in 1981 when he acquired Growth Enterprise Sdn. Bhd., now a subsidiary of the Company. He also sits on the Board of various private limited companies. He is the father of Dato' Loo Pang Kee, a director and a substantial shareholder of the Company and the husband of Wong Siew Ying, a director and a deemed substantial shareholder of the Company. Save as disclosed in note 30 to the Financial Statements, he has no other conflict of interest with the Company. He has never been convicted for any offence within the past 5 years and has no sanctions or penalties imposed by any regulatory bodies during the financial year ended 31 December 2019. He attended all the five (5) board meetings held during the financial year from 1 January 2019 to 31 December 2019.

---

**Dato' Seri Tengku Dr. Zainal Adlin bin Tengku Mahamood**, a Malaysian citizen, male, aged 79, was appointed as Non-Executive Deputy Chairman of NPC on 31 January 2002. He was redesignated as Independent Non-Executive Deputy Chairman on 12 July 2004. He obtained his Advanced Course in Local Government Administration Certificate from the University of Birmingham, United Kingdom and Institute of Local Government Studies, Sigtuna, Sweden in 1967. In 1981, he obtained the Top Management Programme Certificate from the Asian Institute of Management, and in 1995 was conferred Doctor of Philosophy (Hon.) from University Kebangsaan Malaysia. He began his career as a professionally trained pilot in the late fifties and early sixties. He subsequently served in the Kelantan Civil Service and the Malaysian Home and Diplomatic Service and had served in the capacity of Assistant District Officer, acting District Officer and Assistant State Secretary of Kelantan from 1961 to 1967 and was seconded from the Home and Diplomatic Service to the Sabah State Government for five (5) years from 1968 to 1973 in the capacity of Chief Executive Officer of the newly formed Sabah State Housing Commission. From 1974 to prior to retirement from Government service in 1996, he served the Yayasan Sabah in various capacities including Group Projects Development Manager, Deputy Director, Group Deputy Managing Director and Corporate Advisor. He was appointed as the Chairman of the Sabah Tourism Board by the Sabah State Government from May 2000 to May 2013. He was then appointed as the Chairman of The Sabah Parks Board of Trustees since 1 June 2013 until 2018. He is the Past Chairman of the World Wide Fund for Nature (WWF) Malaysia. He has no family relationship with any other directors or major shareholders of the Company nor any conflict of interest with the Company. He has never been convicted for any offence within the past 5 years and has no sanctions or penalties imposed by any regulatory bodies during the financial year ended 31 December 2019. He attended three (3) out of five (5) board meetings held during the financial year from 1 January 2019 to 31 December 2019.

---

**Dato' Loo Pang Kee**, a Malaysian citizen, male, aged 51, is the co-founder of NPC Resources Berhad. He has served as the Group Managing Director cum CEO since 31st January 2002. Dato' Loo has over 30 years of extensive background in the oil palm plantation and related industries. He plays a key role in spearheading the expansion and new-business growth of the entire organisation. He is an alumnus of Harvard Business School. He is the son of Datuk Loo Ngjin Kong, a director and a substantial shareholder of the Company. Save as disclosed in Note 30 to the Financial Statements, he has no conflict of interest with the Company. He has never convicted for any offence in the past 5 years and has no sanctions or penalties imposed by any regulatory bodies during the financial year ended 31 December 2019. He attended four (4) out of five (5) board meetings held during the financial year from 1 January 2019 to 31 December 2019.





## **DIRECTORS' PROFILE** (cont'd)

**Wong Siew Ying**, a Malaysian citizen, female, aged 66, was appointed as Executive Director of NPC on 31 January 2002. She has played an instrumental role in the management of the NPC group of companies over the last 30 years and her areas of responsibility include managing the Group's financial affairs, project funding requirements and credit management. She is the wife of Datuk Loo Ngjin Kong, a director and a substantial shareholder of the Company. Save as disclosed in note 30 to the Financial Statements, she has no other conflict of interest with the Company. She has never been convicted for any offence within the past 5 years and has no sanctions or penalties imposed by any regulatory bodies during the financial year ended 31 December 2019. She attended four (4) out of five (5) board meetings held during the financial year from 1 January 2019 to 31 December 2019.

---

**Lim Ted Hing**, a Malaysian citizen, male, aged 65, was appointed as the Independent Non-Executive Director of NPC on 25 February 2002. He currently sits on the Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee. He is a member of the Malaysian Institute of Accountants and a Fellow of the Institute of Chartered Accountants in England and Wales ("ICAEW"). He obtained his Fundamentals of Accounting from the North East London Polytechnic in 1977. Upon completion, he joined Malvern & Co., a firm of chartered accountants based in London, as an Articled Clerk during which he completed the ICAEW professional examinations in 1983. He joined Ernst & Young in 1985 and was the Senior Manager of its office in Sandakan prior to joining Syarikat Tekala Sdn. Bhd. in 1994 as the Group Financial Controller. Later in June 1996, he was appointed as an Executive Director/Chief Operating Officer of Tekala Corporation Berhad ("Tekala"), a company listed on the Main Market of Bursa Malaysia, and its subsidiaries. In January 2013, he was appointed as the Group Managing Director/Chief Executive Officer of Tekala. In July 2017, WMG Holdings Bhd. ("WMG") reverse took over Tekala and assumed its listing status. He is an Executive Director of WMG Group and has been appointed as Exco Chairman in September 2017. On 14 August 2019, he was appointed as an Independent Non-Executive Director of Innoprise Plantations Berhad ("IPB"). Other than his business interest in WMG Group and IPB, he also sits on the board of several other private limited companies. He has no family relationship with any other directors or major shareholders of the Company nor any conflict of interest with the Company. He has never been convicted for any offence within the past 5 years and has no sanctions or penalties imposed by any regulatory bodies during the financial year ended 31 December 2019. He attended all the five (5) board meetings held during the financial year from 1 January 2019 to 31 December 2019.

---

**Dato' Ooi Sek Min**, a Malaysian citizen, male, aged 51, was appointed as the Independent Non-Executive Director of NPC on 25 February 2020. He currently sits on the Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee. He is a member of the Malaysian Institute of Accountants, a member of CPA Australia and a Registered Estate Negotiator of The Board of Valuers, Appraisers and Estate Agents Malaysia. He obtained his Master of Business Administration (Finance) from University of Hull, United Kingdom in year 1995. He began his career in Price Waterhouse (now known as PricewaterhouseCoopers) from year 1993 to 1997. In 1997, he joined SJ Securities Sdn Bhd as commissioned dealer before joining Elite International as General Manager in year 2004. Currently, he is a Chief Executive Officer of Zens Group and an Advisor of Business Development & International Properties for Carey Real Estate Sdn Bhd. He has no family relationship with any other directors or major shareholders of the Company nor any conflict of interest with the Company. He has never been convicted for any offence within the past 5 years and has no sanctions or penalties imposed by any regulatory bodies during the financial year ended 31 December 2019.



## **DIRECTORS' PROFILE** (cont'd)

**Tan Sri Dato' Sri Koh Kin Lip, JP**, a Malaysian citizen, male, aged 71, was appointed as the Non-Independent Non-Executive Director of NPC on 12 July 2007. He graduated from Plymouth Polytechnic (now known as Plymouth University), UK with a Higher National Diploma in Business Studies and a Council's Diploma in Management Studies. He began his career in Standard Chartered Bank, Sandakan as a trainee assistant. In 1978, he joined his family business and was principally involved in administrative and financial matters. In 1985, he assumed the role as Chief Executive Officer of the family business. In 1987 he was pivotal and instrumental in the formation of Rickoh Holdings Sdn. Bhd., the flagship company of the family businesses. Rickoh Holdings Sdn Bhd and group of companies had since continued to grow via diversifying their business activities which comprise, among others, properties investments/holdings, property development, securities investments, oil palm plantations, sea and land transportation for crude palm oil and palm kernel, information technology, hotel business, car park operator, insurance agency, trading in golf equipment and accessories, river sand mining, bricks manufacturing and quarry operations. Currently, he is a Senior Independent Non-Executive Director of Cocoaland Holdings Berhad and IOI Properties Group Berhad which are companies listed on the Main Market of Bursa Malaysia. He has no family relationship with any other directors or major shareholders of the Company. Save as disclosed in note 30 to the Financial Statements, he has no other conflict of interest with the Company. He has never been convicted for any offence within the past 5 years and has no sanctions or penalties imposed by any regulatory bodies during the financial year ended 31 December 2019. He attended all five (5) board meetings held during the financial year from 1 January 2019 to 31 December 2019.

**Tan Vun Su**, a Malaysian citizen, male, aged 53, was appointed as Executive Director of NPC on 7 November 2008. He joined the NPC Group in October 1998 as Group Accountant. After completing his G.C.E. 'A' Level at Raffles Junior College, Singapore in 1986, he returned to Malaysia and joined KPMG, Sandakan Office as an audit trainee in 1987. He obtained his professional qualification in Accountancy with the Malaysian Association of Certified Public Accountants ("MACPA") in June 1992. He is also a member of the Malaysian Institute of Accountants. In 1987, he started his career with KPMG as an audit trainee by signing a four (4) year articleship with the firm to undertake the professional examinations of MACPA. He has about seven (7) years of audit working experience serving a wide variety of clients and was seconded to KPMG, Kuala Lumpur Office from 1990 to 1991 to gain more audit exposure. In 1994, he joined Coopers and Lybrand, Kota Kinabalu as an Assistant Audit Manager before joining Sabah Shipyard Sdn. Bhd., Labuan as Accountant in 1995. In 1997, he joined TimberMaster Timber Complex (Sabah) Sdn. Bhd. as Accountant where he was in charge of the finance and account department prior to joining the NPC Group of companies. He is currently overseeing the finance and accounting functions of the NPC Group. He has no family relationship with any other directors or major shareholders of the Company nor any conflict of interest with the Company. He has never been convicted for any offence within the past 5 years and has no sanctions or penalties imposed by any regulatory bodies during the financial year ended 31 December 2019. He attended all the five (5) board meetings held during the financial year from 1 January 2019 to 31 December 2019.



## CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, it gives me great pleasure to present the Annual Report of the Group and the Company for the financial year ended 31 December 2019.

### BUSINESS DEVELOPMENTS

In Sabah, the Group currently operates approximately 11,669 hectares of plantation land and one palm oil processing mill which has a production capacity of 75 tonnes of FFB per hour, of which 7,660 hectares are located in the Sandakan region and 4,009 hectares in the Banggi Island of Sabah. The palm oil processing mill owned by the Group is located at Kilometre 70, Sandakan-Telupid-Kota Kinabalu Highway in the district of Labuk-Sugut ("Berkat mill").

Todate, the Group has a total plantation land area of 45,064 hectares in Kalimantan Timur, Indonesia, 42,656 hectares of which have been issued with certificates of Hak Guna Usaha by the Indonesian authority ("HGU certificates"). For the financial year 2019, the Group's total planted hectareage in Indonesia was 17,408 hectares, of which 3,120 hectares were allotted to Plasma Schemes. The Group also operates one palm oil processing mill which has a production capacity of 60 tonnes of FFB per hour and is located at Desa Senambah, Kecamatan Muara Bengkal, Kabupaten Kutai Timur, Kaltim ("Nala mill").

### INDUSTRY DEVELOPMENTS

The Malaysian oil palm industry in 2019 has shown a better performance as compared to that of in 2018. Improvements witnessed in key performance indicators, namely crude palm oil production, exports and palm oil stocks. Overall, CPO production, exports and imports of palm oil increased while palm oil stocks, CPO prices and total export earnings of oil palm products declined. Meanwhile, yield of fresh fruit bunches (FFB) witnessed a marginal increase.

Oil palm planted area in 2019 increased to 5.90 million hectares, an increase of 0.9% as against 5.85 million hectares in the previous year. Sarawak remained as the largest oil palm planted state for the third year, with 1.59 million hectares or 26.9% of the total Malaysian oil palm planted area, followed by Sabah with 1.54 million hectares or 26.2%. Oil palm planted in Peninsular Malaysia amounted to 2.77 million hectares or 46.9%.

In 2019, CPO production increased marginally by 1.8%, to 19.86 million tonnes as against 19.52 million tonnes recorded in 2018. The increase was due to higher FFB processed, up by 0.5% arising from higher FFB yield which increased by 0.2%. Better oil extraction rate (OER) performance, which was recorded higher by 1.3% to 20.21 percent as compared to 19.95 percent achieved in 2018 also contributed to higher CPO production. CPO production in Peninsular Malaysia and Sarawak increased by 3.8% and 1.4% to 10.58 million tonnes and 4.24 million tonnes respectively. However, CPO production in Sabah declined by 2.0% to 5.04 million tonnes.

Malaysia's FFB yield increased marginally by 0.2% to 17.19 tonnes per hectare in 2019 as against 17.16 tonnes per hectare in 2018. FFB yield in Peninsular Malaysia, which increased by 2.9% to 17.95 tonnes per hectare in 2019, offsetting the FFB declines in both Sabah and Sarawak of 2.8% to 17.66 tonnes per hectare from 18.16 tonnes per hectare and 1.1% to 15.56 tonnes per hectares from 15.74 tonnes per hectare in 2018 respectively.

In 2019, National OER performance recorded an increase of 1.3% to 20.21 percent as against 19.95 percent in 2018, mainly due to better quality of FFB processed by palm oil mills. All Regions; namely Peninsular Malaysia, Sabah and Sarawak recorded a higher OER achievement by 1.2%, 1.8% and 0.9% to 19.93 percent, 20.97 percent and 20.03 percent from 19.69 percent, 20.60 percent and 19.85 percent respectively.



## CHAIRMAN'S STATEMENT (cont'd)

### INDUSTRY DEVELOPMENTS (cont'd)

Total Malaysian exports of oil palm products in 2019 amounted to 27.88 million tonnes, higher by 12.1% from 24.88 million tonnes exported in 2018. Total export revenue, however, declined by 4.0% to RM64.84 billion as compared to the RM67.52 billion in 2018 due to lower prices in world trade. In 2019, palm oil export earnings alone declined by 1.6% to RM38.03 billion as against RM38.66 billion in 2018. In contrast, palm oil export volume increased sharply by 12.0% to 18.47 million tonnes compared to the previous year due to higher demand, particularly from India, China, the European Union (EU), Vietnam and Turkey.

Palm oil stocks in December 2019 was lower by 1.21 million tonnes or 37.5% to 2.01 million tonnes vis-à-vis 3.22 million tonnes recorded in December 2018. The lower stocks was mainly due to higher palm oil exports, which was increased by 1.98 million tonnes or 12.0%.

In 2019, the prices of all oil palm products were traded lower. CPO price traded lower by 6.9% or RM153.50/tonne to RM2,079.00/tonne compared to RM2,232.50/tonne in 2018. The highest traded price for 2019 was in December at RM2,813.00/tonne, while the lowest was in July at RM1,879.00/tonne. Although CPO price was traded lower in 2019, the price was on an upward trend, especially towards the last quarter. The lower CPO price during the year was mainly due to weaker prices of soyabean oil and Brent crude oil in the world market. Palm oil prices are impacted by soyabean oil prices as they compete for a share in the global vegetable oils market and by the movement of Brent crude oil prices, as palm is used as feedstock to produce biodiesel.

Prices of processed palm oil products in the global market were also traded lower in 2019. RBD palm oil price traded lower by RM52.00 or 2.3% to RM2,245.50/tonne, RBD palm olein price was lower by RM92.00 or 4.0% to RM2,236.50/tonne, RBD palm stearin price was lower by RM63.00 or 2.8% to RM2,169.00/tonne and PFAD price was lower by RM115.00 or 6.0% to RM1,807.00/tonne.

The average price of palm kernel (PK) in 2019 declined by 33.6% or RM613.50/tonne to RM1,214.00/tonne compared to RM1,827.50/tonne in 2018. The lower PK price was mainly due to lower domestic price of crude palm kernel oil (CPKO). The CPKO price in 2019 declined by RM1,108.00/tonne or 29.7% to RM2,626.50/tonne from RM3,734.50/tonne in 2018. The lower CPKO prices in 2019 were in tandem with the weaker world palm kernel oil (PKO) prices, which was lower by 27.9% to US\$668/tonne. Prices of coconut oil were lower by 26.3% to US\$738/tonne in 2019 (coconut oil and PKO are sources of lauric oils).

The average FFB price at 1% oil extraction rate (OER) was lower by 10.9% at RM21.17 in 2019 as against RM23.75 in 2018. This was in tandem with the lower prices of CPO and PK. Based on National OER, the average price of FFB was equivalent to RM422/tonne in 2019 as against RM468/tonne in 2018.

*(Source: Overview of the Malaysian Oil Palm Industry 2019 by the MPOB)*

### CORPORATE DEVELOPMENT

Apart from the prior year completion of the amalgamation of the operations of the PT Sawit Nusantara Makmur Utama ("SNMU") Group into its existing operations in Kalimantan, Indonesia, there is no other major corporate development undertaken by NPC in year 2019.

### CAPITAL MANAGEMENT

The Group continues to manage its capital structure in a proactive manner to support its business and to enhance returns to shareholders while optimizing the gearing levels and providing for capital investment funding requirements.





## **CHAIRMAN'S STATEMENT** (cont'd)

### **ACKNOWLEDGEMENT**

On behalf of the Board of Directors, I would like to express our sincere gratitude to the management and valued employees of the Group who have continued with their commitment, dedication and co-operation in contributing to this financial year's results.

I would also like to express our sincere appreciation for the long-standing support, co-operation, commitment and guidance of our valued customers, suppliers, business associates, bankers and regulatory authorities.

Lastly, to the shareholders of the Company, we thank you for your faith in us and for your unwavering and continuous support to the Group.

Thank you.

**Datuk Loo Ngin Kong**  
*Executive Chairman*



## STATEMENT OF MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW OF GROUP’S BUSINESS AND OPERATIONS

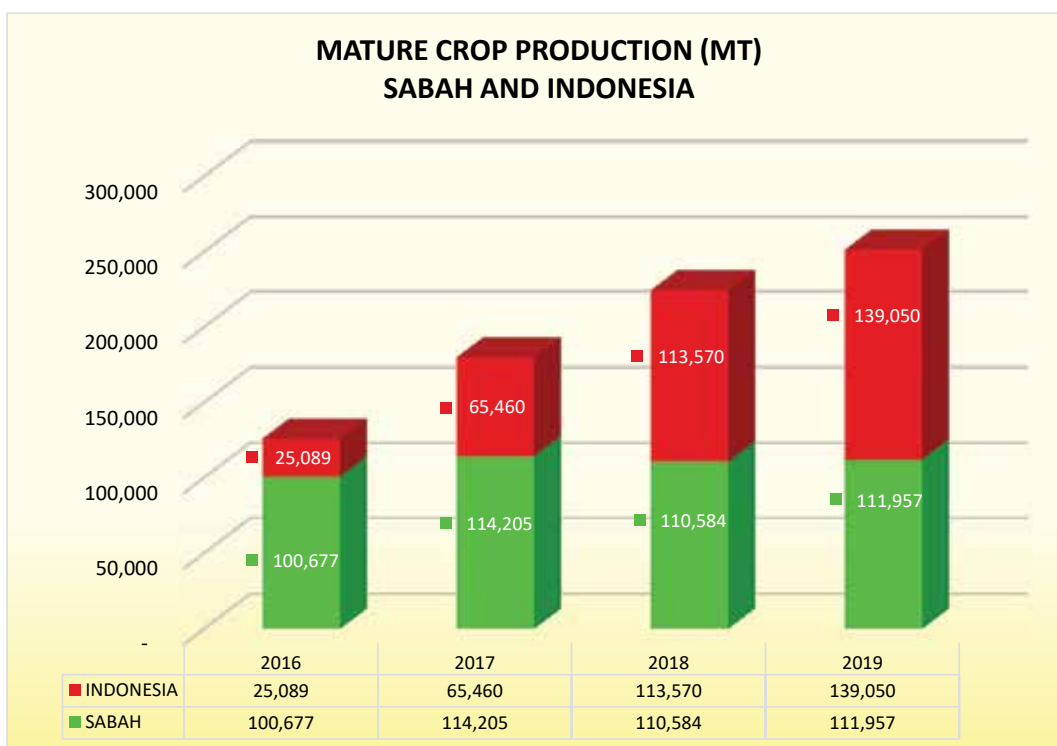
NPC RESOURCES BERHAD is principally an investment holding company while its subsidiaries are involved in investment holding, provision of management services, operation of oil palm plantations and palm oil mills, trading of fresh fruit bunches (“FFB”), provision of transportation services, property letting and operation of hotel. The Company was listed on the Main Board of the Kuala Lumpur Stock Exchange on 7 May 2002.

In Sabah, the Group currently operates approximately 11,669 hectares of plantation land and one palm oil processing mill which has a production capacity of 75 tonnes of FFB per hour, of which 7,660 hectares are located in the Sandakan region and 4,009 hectares in the Banggi Island of Sabah. The palm oil processing mill owned by the Group is located at Kilometre 70, Sandakan-Telupid-Kota Kinabalu Highway in the district of Labuk-Sugut (“Berkat mill”).

**As at 31 December 2019**, the Group has a total plantation land area of 45,064 hectares in Kalimantan Timur, Indonesia, 42,656 hectares of which have been issued with certificates of Hak Guna Usaha by the Indonesian authority (“HGU certificates”). For the financial year 2019, the Group’s total planted hectareage in Indonesia was 17,408 hectares, of which 3,120 hectares were allotted to Plasma Schemes. The Group also operates one palm oil processing mill which has a production capacity of 60 tonnes of FFB per hour and is located at Desa Senambah, Kecamatan Muara Bengkal, Kabupaten Kutai Timur, Kaltim (“Nala mill”).



### OPERATIONAL REVIEW





## STATEMENT OF MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

### OPERATIONAL REVIEW (cont'd)

#### *Estates operation*

For the financial year ended 2019, the Group achieved total FFB production of 251,006 mt, which was 11.97% higher than the previous reporting year of 224,154 mt. The significant increase in FFB production was mainly contributed from Indonesian operations totaling 139,050 mt which was 22.43% higher than the prior year production. The increase was mainly due to the larger areas attaining maturity.

#### *Mills operations*

The Group currently operates 2 palm oil mills with a combined FFB processing capacity of 135 mt/hour, one located at Labuk-Sugut, Sabah and another one located at Kalimantan Timur, Indonesia.

The Group reported total CPO production of 88,063 tonnes (2018: 82,123 tonnes) and PK production of 16,542 tonnes (2018: 17,026 tonnes). The total FFB processed by the Group for 2019 was 377,389 tonnes (2018: 385,156 tonnes). The marginal decrease of 2.01% in FFB processed was mainly due to the decrease in FFB production from Sabah operations.

The average OER of the Group was higher at 23.33% (2018: 21.32%) mainly contributed from the improving OER of Nala mill at 24.72% (2018: 22.45%). Meanwhile the KER of the Group was slightly lower at 4.38% (2018: 4.42%) mainly due to crops processed by Nala mill harvested from young mature phases with low kernel contains.

Overall, the average CPO price realised by the Group was RM1,897 per tonne representing a 13.29% decrease as compared to RM2,188 per tonne realised in 2018, meanwhile the average PK price realised was RM977 per tonne (2018: RM1,617 per tonne). The lower PK prices in 2019 were in tandem with the weaker world palm kernel oil (PKO) prices. The Group expects Indonesian operations to contribute positively to the future performance of the NPC Group.

#### *Capital Expenditure*

The Group recorded a capital expenditure of RM41.959 million in property, plant and equipment in the current year as compared to RM53.292 million in the previous year. The decrease was mainly due to the new planting development areas are reaching maturity stages. All capital expenditures are funded by internally generated funds and borrowings.

For replanting expenditure, the Group has replanted 400.67 hectares of oil palm with high yielding materials during the financial year in the Sabah operations. The Group is adopting best practice replanting management in accordance with Malaysian Sustainable Palm Oil ("MSPO") guidance where old palm stands are felled, chipped and left to decompose at site. The Group will continue to accelerate the replanting programme, targeting 500 hectares per year in order to achieve the desired oil palm age profile for the Group.





## STATEMENT OF MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

### FINANCIAL REVIEW

FINANCIAL YEAR	2015	2016	2017	2018	2019
<b>FINANCIAL RESULTS (RM'000)</b>					
Revenue	317,758	287,532	246,977	228,369	225,302
(Loss)/Profit before tax	(8,421)	55,021	36,609	(50,226)	(18,113)
Income tax (expense)/benefit	(4,712)	(4,808)	(7,136)	(13,878)	4,239
(Loss)/profit after tax	(13,133)	50,213	29,473	(64,104)	(13,874)
Attributable to:					
Owners of parent	(13,423)	50,555	32,964	(48,229)	(12,242)
Non-controlling interests	290	(342)	(3,491)	(15,875)	(1,632)
<b>FINANCIAL STATISTICS</b>					
Net (loss)/earning per share (sen)	(11.21)	42.25	28.15	(41.26)	(10.48)
Dividend per share (sen)	1.00	1.00	1.00	-	-
Net assets per share (sen)	2.56	2.64	2.83	2.25	4.44
Gearing ratio (Net Debt/Equity) (%)	124.0	105.0	118.0	165.0	87.0

FINANCIAL YEAR	2015	2016	2017	2018	2019
<b>ASSETS (RM'000)</b>					
Property, plant and equipment	572,903	551,203	785,019	773,713	1,231,892
Land use rights	30,749	30,492	63,119	63,461	-
Other asset	125,158	153,495	70,712	72,509	103,572
	<b>728,810</b>	<b>735,190</b>	<b>918,850</b>	<b>909,683</b>	<b>1,335,464</b>
Current assets	80,399	87,031	76,635	61,398	61,379
<b>TOTAL ASSETS</b>	<b>809,209</b>	<b>822,221</b>	<b>995,485</b>	<b>971,081</b>	<b>1,396,843</b>

<b>EQUITY AND LIABILITIES (RM'000)</b>					
Share capital	120,000	120,000	120,000	120,000	120,000
Reserves	186,492	201,133	202,768	142,595	398,946
	<b>306,492</b>	<b>321,133</b>	<b>322,768</b>	<b>262,595</b>	<b>518,946</b>
Non-controlling interests	890	(4,492)	14,159	(668)	37,133
Total equity	<b>307,382</b>	<b>316,641</b>	<b>336,927</b>	<b>261,927</b>	<b>556,079</b>
Non-current liabilities	250,714	270,681	323,456	181,603	290,064
Current liabilities	251,113	234,899	335,102	527,551	550,700
Total liabilities	<b>501,827</b>	<b>505,580</b>	<b>658,558</b>	<b>709,154</b>	<b>840,764</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>809,209</b>	<b>822,221</b>	<b>995,485</b>	<b>971,081</b>	<b>1,396,843</b>





## STATEMENT OF MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

### FINANCIAL REVIEW (cont'd)

The Group's revenue for financial year 2019 decreased marginally by 1.34% to RM225.302 million as compared to previous reporting year of RM228.369 million. This was due mainly to lower average CPO and PK realised price from the plantation segment.

Loss net of tax decreased to RM13.874 million as compared to loss net of tax in last financial year of RM64.104 million mainly due to higher FFB production of 251,006 mt, which was 11.97% higher than the previous reporting year of 224,154 mt and higher mill contribution.

The gearing ratio improved by 47% from 1.65 to 0.87 times due to improvement of total equity from the asset revaluation surplus during the financial year under review. The Group continues to manage its capital structure in a proactive manner to support its business, enhance returns to shareholders, optimise the gearing levels and provide for capital investment funding requirements.

### OPERATIONAL AND FINANCIAL RISKS

#### *Operational Risks*

The Group's operational risks are greatly affected by the weather. As per the "Overview of the Malaysian Oil Palm Industry 2019" by the MPOB, Sabah CPO and FFB production decreased marginally due to decreasing in Sabah oil palm planted area from 1.55 million hectares to 1.54 million hectares.

The Group was also subjected to the CPO & PK price fluctuations in the world market. In 2019, the CPO price traded lower due to weaker prices of soyabean oil and Brent crude oil in the world market. Palm oil prices are impacted by soyabean oil prices as they compete for a share in the global vegetable oils market and by the movement of Brent crude oil prices, as palm is used as feedstock to produce biodiesel. The Group sells CPO using the monthly MPOB's Peninsular Malaysia Average price mechanism on long term contracts in Sabah and on spot basis in Indonesia.

On the other hand, the plantation segment depends greatly on the labour supply. Despite the severe labour shortages experienced in 2018/2019 throughout many industrial sectors in Malaysia including the Plantation Sector, the Management has made good progress in terms of completing the majority of its upkeep programmes on time throughout the Group's estates and investing in people which include offering better performance rate in order to attract and retain a highly skilled and talented workforce.

#### *Financial Risks*

The Group's financial risks are set out in Note 31 under the Notes to the financial statements.

### PROSPECTS AND OUTLOOK

#### *Plantation segment*

Given the recent recovery in CPO prices, the Group's plantation segment is expected to register an improved result for the next financial year. There are significant revenue and profit contribution from the Group's plantation operations in Indonesia for the next financial year as more plantation areas are reaching maturity stage.

#### *Hotel segment*

The prospect of the hotel segment is expected to be extremely challenging due to the recent Coronavirus pandemic which the Sabah State Government had decided to temporarily suspend all scheduled and chartered flights from overseas to Sabah with immediate effect until further notice. Following the implementation of Movement Control Order ("MCO"), the hotel operation is temporarily closed since 18 March 2020 and resumed operation on 01 June 2020. Nevertheless, the Management of hotel is proactively taking cost cutting measures to lower down operating cost and to offer special room rates to moderate the overall impacts.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

The Board is pleased to present this statement to provide shareholders and stakeholders with some insights into how the Board has applied the three (3) principles which are set out in the Malaysian Code on Corporate Governance (the "MCCG"):

- (a) Board leadership and effectiveness;
- (b) Effective audit and risk management; and
- (c) Integrity in corporate reporting and meaningful relationship with stakeholders.

The Board has assessed that the Group has complied with the provisions and applied the main principles of MCCG for the financial year ended 31 December 2019 except for:

- i) Practice 4.1 (The Board comprises at least half of independent directors)
- ii) Practice 4.3 (The Board has a policy which limits the tenure of independent directors to 9 years)
- iii) Practice 6.1 (The remuneration policies made available on the website)
- iv) Practice 7.2 (The Board discloses on a named basis the top 5 senior management's remuneration in bands of RM50,000)

The occurrence of deviations to the practice by the Group with the reasons and alternative actions are explained in the Corporate Governance Report.

### PRINCIPLES A: BOARD LEADERSHIP AND EFFECTIVENESS

#### I. Board Responsibilities

The Board plays a primary role in corporate governance by setting out the strategic direction of the Group, establishing goals and monitoring the achievement of the goals. A structured risk management process has also been established to better identify, formalise, monitor within the various operating units and manage the business risks affecting the Group. The key responsibilities of the Board are disclosed in Corporate Governance Report 2019.

#### Roles of Chairman and CEO

The Group Managing Director, Dato' Loo Pang Kee, who assumes the role of CEO, focused on the business and day-to-day management of the Group. There has been a clear division of the roles of Chairman and CEO in their responsibilities and influence, and the Board is satisfied that no one individual can influence board discussions and decision-making. In matters which have potential conflict of interests involving the Chairman of the Group, the Deputy Chairman, Dato' Seri Tengku Dr. Zainal Adlin bin Tengku Mahamood who is a non-executive independent director will assume the role of the Chairman in the board meetings.

#### Company Secretaries

The Company Secretaries are responsible to provide clear and professional advice to the Board on all governance matters and assist the Board on the implementation of an effective corporate governance system. Apart from playing an active role in advising the Board on governance and regulatory matters, the Company Secretaries through the Executive Chairman and the Group Managing Director, manage all board and committee meeting logistics, attend and record minutes of all meetings accurately.

The Board recognises the strong and positive support of the Company Secretaries for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. Directors are informed and are aware that they may take independent professional advice, if necessary and appropriate in furtherance of their duties, at the expense of the Group. The Company Secretaries are members of the Malaysian Institute of Accountants (MIA) or the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) and undertake continuous professional development annually.



## **CORPORATE GOVERNANCE OVERVIEW STATEMENT** (cont'd)

### **PRINCIPLES A: BOARD LEADERSHIP AND EFFECTIVENESS** (cont'd)

#### **I. Board Responsibilities** (cont'd)

##### **Board Charter**

The Board is guided by the Board Charter which sets out the role, composition and responsibilities of the Board and is posted on the Company's corporate website ([www.npc.com.my](http://www.npc.com.my)). The Board will review the Board Charter annually to ensure it remains consistent with the Board's objectives and responsibilities. In carrying out its role and responsibilities, the Board is further guided by the existing code of conduct formalised in the Group's Human Resource Handbook and its compliance is to be strictly observed throughout the Group.

##### **Code of Conduct and Whistleblowing**

The Board continues to adhere to the Code of Conduct for Directors which sets out the standard of conduct expected of Directors, with the aim to cultivate good ethical conduct that in turn promotes the values of transparency, integrity, accountability and social responsibility.

The Board recognises the importance of adhering to and complying with the provisions of the Code of Conduct in their day-to-day functioning. Thus, the Board collectively and individually acts within the authority conferred upon them in the best interest of the Group.

The Group communicates the Code of Conduct for Directors and the Code to all employees upon their appointment/employment. In addition, the Group encourages its employees to raise genuine concerns about possible improprieties in matters of financial reporting, compliance, suspected violations of the Code and to disclose any improper conduct or other malpractices within the Group (i.e. whistleblowing) in an appropriate way.

The Code is to provide an avenue for all employees of the Group to raise concerns about any improper conduct within the Group without fear of retaliation and to offer protection for such persons who report such concerns.

#### **II. Board Composition**

The Board has four standing committees; the Audit Committee ("AC"), the Remuneration Committee ("RC"), Nomination Committee ("NC") and Risk Management Committee ("RMC"). The Board of Directors delegates certain responsibilities to the Audit Committee in order to enhance business and operational efficiency.

The Board is well balanced in size and composition and the interest of shareholders of the Company are fairly represented through the current composition. The Board recognises the importance and contribution of its non-executive directors ("NEDs"). They represent the element of objectivity, impartiality and independent judgement of the Board. This ensures that there is sufficient check and balance at the Board level. The Independent NEDs bring a wide range of experience and expertise to the Group's affairs, and carry significant weight in the Board's decisions. The Independent NEDs are encouraged to challenge management and help develop proposals on strategy.

The Board will undertake an annual assessment and seek annual shareholder's approval through a two-tier voting process to retain independent directors who have served the Board beyond (twelfth) 12 years to ensure the objectivity in the decision-making process. The Board and its NC assessed the independence of all the Independent NEDs based on the criteria prescribed under the Main LR in which an Independent Director should be independent and free from any business or other relationship which could interfere with the exercise of independent judgement, or the ability to act in the best interest of the Group.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

### PRINCIPLES A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

#### II. Board Composition (cont'd)

##### Diverse Board

The Board is aware of the importance of board diversity and the recommendations of the board gender diversity objectives stated in the Corporate Governance Blueprint 2011 which targets at least 30% women participation at the board by year 2018. The Board always practices the policy of non-discrimination on the basis of race, religion and gender.

The Board will continue to review the suitability and credibility of potential women candidates for the Board to reach 30% women participation. However, the Board, especially the Nomination Committee, believes that it is more important to have the right mix of skills, experience and cultural background at the board instead of the percentage itself in order to enable the Board to perform effectively.

##### Board Meetings

The Board had held 5 meetings during the financial year ended 31 December 2019. Details of the attendance of the Directors at the Board Meetings are as follows:

NAME	MEETINGS ATTENDED	MAXIMUM POSSIBLE MEETINGS TO ATTEND
1. Datuk Loo Ngin Kong	5	5
2. Dato' Seri Tengku Dr. Zainal Adlin Bin Tengku Mahamood	3	5
3. Dato' Loo Pang Kee	4	5
4. Wong Siew Ying	4	5
5. Lim Ted Hing	5	5
6. Tan Sri Dato' Sri Koh Kin Lip, JP	5	5
7. Tan Yun Su	5	5
8. Dr. Edmond Fernandez ( <i>demised on 19 December 2019</i> )	5	5

The Board's deliberations of issues discussed and decisions reached were recorded in the minutes of meetings. Minutes of each board meeting are circulated to all Directors for their perusal prior to confirmation of the minutes before the commencement of the next Board meeting.

In the interval between Board meetings, for matters requiring urgent Board decisions, Board approvals were sought via circular resolutions which were attached with sufficient information required for an informed decision.

##### Directors' Continuing Development

All Directors have attended the Mandatory Accreditation Programme as required by Bursa Malaysia.

The Directors are required to attend talks, seminars, workshops, conferences and other training programmes to update themselves on, inter-alia, areas relevant to the Group's operations; Directors' responsibilities and corporate governance issues, new business development, as well as on changes to statutory requirements and regulatory guidelines.





## **CORPORATE GOVERNANCE OVERVIEW STATEMENT** (cont'd)

### **PRINCIPLES A: BOARD LEADERSHIP AND EFFECTIVENESS** (cont'd)

#### **II. Board Composition** (cont'd)

##### **Directors' Continuing Development** (cont'd)

Details of training attended by Directors for the financial year ended 31 December 2019 are as follows:

##### **Conference/Seminar/Workshop**

- Corporate Governance: New Perspectives & Developments for Board of Directors & Secretaries organised by The Malaysia Institute of Chartered Secretaries and Administrators
- Companies Act 2016. Replacing the M&A with a New Constitution organised by Companies Commission of Malaysia
- Sabah Land Laws + Land Transactions organised by Bridgeknowledge
- 11th Durian Training Course for Immature Planting organised by Saliran Mampan Sdn. Bhd.
- The Role of The Board In Strategy & Risk Management Oversight organised by Institute of Corporate Directors Malaysia
- Evaluating Effective Internal Audit Function – Audit Committee's Guide on How To organised by The Institute of Internal Auditors Malaysia
- Talk entitled "Diabetes and its complications. How can we help to reduce it?" organised by Fraser & Neave Holding Bhd and Cocoaland Holdings Berhad
- Maybank Premier Market Talk 2019 "Volatility : Friend or Foe"
- Directors' Continuing Education Programme 2019 organised by Fraser & Neave Holding Bhd and Cocoaland Holdings Berhad
- 2020 Budget and Tax Conference organised by Ernst & Young

##### **Nomination Committee**

In Compliance with the Listing Requirements, a Nomination Committee was established by the Board on 22 November 2002. The Committee comprises two Independent NEDs. The members as at the date of this Annual Report are:

1. Mr. Lim Ted Hing – Chairman
2. Dato' Ooi Sek Min – Member

The NC is entrusted to formally and transparently review annually the Board structure, size and composition; to nominate candidates to fill vacancies; and recommend for re-election of Directors who are retiring. All Directors will be subject to the same assessment criteria and process. The Board through this Committee ensures that there is an appropriate induction and training programme for new Board members.

The Committee is entitled to the services of the Company Secretaries who must ensure 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 regulatory requirements.



## **CORPORATE GOVERNANCE OVERVIEW STATEMENT** (cont'd)

### **PRINCIPLES A: BOARD LEADERSHIP AND EFFECTIVENESS** (cont'd)

#### **II. Board Composition** (cont'd)

##### **Nomination Committee** (cont'd)

In making recommendations and performing its annual review, the NC considers the directors'

- (a) mix of skills, knowledge, expertise and experience;
- (b) professionalism and integrity; and
- (c) in the case of audit committee members, each member's ability to discharge responsibilities and functions as required such as the ability to read, analyse and interpret financial statements.

The full Committee met twice during the financial year. The meeting on 28 February 2019 was to assess the effectiveness of the Board, Board Committees and the contribution of individual director.

##### **Board Evaluation**

The Board evaluation carried out by the NC comprises Board Skills Matrix Evaluation, Board and Board Committee Evaluation and Audit Committee Evaluation. The annual evaluation was formally and objectively carried out to determine the effectiveness of the board, the committees and each individual director.

##### **Reappointment and Re-election of Directors**

In accordance with Company's Constitution, all Directors who are appointed by the Board are subject to election by shareholders at the next Annual General Meeting after their appointment. The Constitution also provide that at least one third of the remaining Directors be subject to re-election by rotation at each Annual General Meeting and that all Directors shall retire from office at least once every three (3) years but shall be eligible for re-election.

Pursuant to Practice 4.2 of the MCCG 2017, any independent director who has served in that capacity for more than nine years and is to be retained by the Board in that capacity is subject to shareholders' approval at every Annual General Meeting.

On 22 April 2019, the NC met to consider and recommend the:-

- (a) proposed re-election of Dato' Loo Pang Kee, retiring as a director pursuant to Article No. 93, at the conclusion of the 19th Annual General Meeting;
- (b) proposed re-election of Mr. Lim Ted Hing, retiring as a director pursuant to Article No. 93, at the conclusion of the 19th Annual General Meeting; and
- (c) proposed re-election of Dr. Edmond Fernandez, retiring as a director pursuant to Article No. 93, at the conclusion of the 19th Annual General Meeting; and
- (d) proposed to retain Dr. Edmond Fernandez, Dato' Seri Tengku Dr. Zainal Adlin Bin Tengku and Mr. Lim Ted Hing to continue act as Independent Non-Executive Directors.

#### **III. Remuneration Framework**

The Board has in place a remuneration framework for the Board which is clear and transparent, designed to provide fair and competitive remuneration package for the Board of the Company to ensure the same remain competitive, appropriate, and in alignment with the prevalent market practices.

##### **Remuneration Committee**

The Remuneration Committee is in place since 2002 and assumes the roles of reviewing and recommending to the Board the remuneration framework for retaining and rewarding the Board with due regard to their skills, experience, complexities and the performance of the Group as a whole.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

### PRINCIPLES A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

#### III. Remuneration Framework (cont'd)

The details of the remuneration for the Directors of the Company and a subsidiary during the financial year ended 31 December 2019 are as follows:

	Company				Subsidiary	Group
	Fee RM'000	Salaries, Bonus & Others*	Benefits- in-kind RM'000	Total RM'000	Salaries, Bonus & Others RM'000	Total RM'000
<b>Executive Directors</b>						
Dato' Loo Pang Kee	10	817	29	856	1,265	2,121
Datuk Loo Ngin Kong	10	835	29	874	-	874
Wong Siew Ying	10	557	1	568	-	568
Tan Yun Su	10	490	-	500	-	500
<b>Total</b>	<b>40</b>	<b>2,699</b>	<b>59</b>	<b>2,798</b>	<b>1,265</b>	<b>4,063</b>
<b>Non-Executive Directors</b>						
Lim Ted Hing	10	122	-	132	-	132
Dr. Edmond Fernandez (demised)	-	110	-	110	-	110
Tan Sri Dato' Sri Koh Kin Lip, <i>JP</i>	10	106	-	116	-	116
Dato' Seri Tengku Dr. Zainal Adlin Bin Tengku Mahamood	10	52	-	62	-	62
<b>Total</b>	<b>30</b>	<b>390</b>	<b>-</b>	<b>420</b>	<b>-</b>	<b>420</b>

Notes:

\* The salaries, bonus & others are inclusive of allowance and employer's provident fund contributions.

The number of Directors whose remuneration during the financial year ended 31 December 2019 falls within the following bands is as follows:

Directors' Remuneration RM	NUMBER OF DIRECTORS	
	Executive	Non-Executive
50,001 to 100,000	-	1
100,001 to 150,000	-	3
500,001 to 550,000	1	-
550,001 to 600,000	1	-
850,001 to 900,000	1	-
2,100,001 to 2,150,000	1	-



## **CORPORATE GOVERNANCE OVERVIEW STATEMENT** (cont'd)

### **PRINCIPLES B: EFFECTIVE AUDIT AND RISK MANAGEMENT**

#### **I. Risk Management and Internal Control Framework**

The Board assumes its responsibility for ensuring the maintenance of a sound system of internal control and risk management. This is supported by a Risk Management Committee to determine the Group's level of risk tolerance and actively identify, assess and monitor key business risks to deliver long term shareholders value without compromising the interests of minority shareholders and other stakeholders. The details of the Risk Management and Internal Control Framework are set out in the Statement on Internal Control and Risk Management of this Annual Report.

#### **Audit Committee**

The Audit Committee was formed by the Board since 2002 with two (2) Independent NEDs and one Non-Independent NED. The AC is chaired by an Independent NED, Mr. Lim Ted Hing. The AC members are financially literate, possess the appropriate level of expertise and experience and have a strong understanding of the Group's business in order to drive the success of the Group.

The Board has a policy to require key audit partner to observe a cooling-off period at least two (2) years before being appointed as a member of the AC and is formalised into the Terms of Reference of AC. It is an existing practice for AC to assess the suitability, objectivity and independence of the external auditor annually.

#### **Internal audit**

The Group's internal audit function is carried out by an external independent accounting firm and an in-house Internal Audit ("IA") Department. They report directly to the AC on its activities based on the approved annual Internal Audit Plan. The internal audit function is independent of management and has full access of all Group's entities, records and personnel. The internal audit personnels are free from any relationships or conflict of interest which could impair their objectivity and independence. The details of internal audit function are set out in the Statement on Internal Control and Risk Management of this Annual Report.

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

### **PRINCIPLES C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS**

#### **I. Communication with Stakeholders**

The Board believes in clear and regular communication with its stakeholders and institutional investors. Besides the various announcements made during the financial year and release of financial results on a quarterly basis, the Board anticipates through its Eighteenth Annual Report to provide stakeholders with an overview of the Group's performance and its business activities.

The Group has also established corporate website [www.npc.com.my](http://www.npc.com.my) for stakeholders and the public to access corporate information, financial statements and current corporate developments.





## **CORPORATE GOVERNANCE OVERVIEW STATEMENT** (cont'd)

### **PRINCIPLES C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS** (cont'd)

#### **II. Conduct of General Meetings ("AGM")**

The Board understands that the AGM is the principal forum for dialogue with shareholders. Hence opportunities will be made for shareholders to raise questions pertaining to the business activities of the Group during the AGM.

The notice of AGM is circulated to the shareholders at least 28 days prior to the meeting. Each item of special business included in the notice of the meeting will be accompanied by an explanatory statement for the proposed resolution to facilitate full understanding and evaluation of issues involved.

Shareholders are encouraged to post questions and to seek clarifications in relation to AGM's agenda by way of posting the enquiries through our Contact section of our corporate website before the commencement of the AGM. These enquiries will be read out and answered at the AGM. All directors of the Company are present at the AGM to provide opportunity for shareholders to effectively engage with each director.

The Company will continue to explore the leverage of technology, to enhance the quality of engagement with its shareholders and facilitate further participation by shareholders at AGMs of the Company.

#### **COMPLIANCE STATEMENT**

The Group had substantially complied with the relevant Principles and Practices of the MCCG 2017 as at date of this statement except for those which have been stated otherwise with justifications and mitigation steps taken to address the non-compliance.

The CG Overview Statement was approved by the Board of Directors dated 19 May 2020.



## SUSTAINABILITY STATEMENT

The Group recognises the importance of the Sustainability and Corporate Social Responsibility (“CSR”) and has made business sustainability integral to our way of conducting business in achieving our short and long term business aims. The Board values the responsibility of NPC for the impacts of its activities on its material economic, environmental and social risks and opportunities, and has used sustainability as a guiding principle in its decision-making and development processes.

Berkat mill and Group plantations in Sabah region have obtained sustainability certification under the Malaysian Sustainable Palm Oil Certification (“MSPO”) scheme. MSPO is Malaysia’s national sustainability certification scheme which aims to promote sustainable management in the palm oil industry.

### Economic

The Group continues to maintain self-sufficiency in energy inputs in our palm oil mills. In an effort to reduce water wastage and lower the cost of water consumption, the Group uses the Teknologi Enviro-Kimia (TEK) water treatment for plantation workers’ usage and drinking consumption.

The Board ensures that all Company employees reduce its energy and water usage. It is a standard practice in the offices for employees to record all use of office supplies. This is to enable better management of wastages to paper, stationery and other materials which would contribute to Company expenses as well as labour when replenishing the supply.

### Environmental

The Group practice a standard of zero- burning in all their land clearing, development and re-development activities. It also carries out soil and water conservation methods tailored to the topography and drainage characteristics of the land. The TEK water treatment used in the plantation also works to protect the environment from unnecessary usage of clean and drinking water by filtering and treating of impure water. Where practical, buffaloes are used for infield FFB evacuation thus reducing the consumption of non-renewable fuel.



The Palace Hotel (TPH) owned by the wholly-owned subsidiary, The Palace Ventures Sdn Bhd (TPVSB) has been practicing energy efficiency and waste management to 4R – Respect, Reduce, Reuse & Recycle in resource conservation, water management and biodiversity. These practices minimise carbon footprints impact on the environment. The Hotel is a Green Hotel certified by the Ministry of Culture and Tourism and established as Highly Commended in the Asia Pacific Green Hotelier Award. It is recognised as a Litter Free Hotel by Kota Kinabalu City Hall, Blue Ribbon recognition as a Smoke Free Hotel certified by Ministry of Health Malaysia and bench-marked by EarthCheck, Australia.

### Social

The Group values the contribution of its labours force and has undertaken various efforts to improve its social initiatives. In improving the welfare of its workers, there are several clinics established in the plantations and palm oil mills for Group workers’ medical and health needs. The Group is fully committed to promoting accessibility to health care. In addition to the clinics, every plantation division in Sabah also houses a childcare facility (crèche).

As for improving the level of education in the Group, the Group in combination with the Humana Child Aid Society Sabah (UNHCR) has constructed a school in Division 1 of the Group plantation in Sabah. It allows for the children of plantation workers who reside too far from local schools to receive education. Besides that, the Group also encourages and sends management level employees for periodic skills updating and seminars.

NPC is strongly against the use of children for work and is fully committed to eradicating the occurrence of child labour in its workforce, which includes employees, contractors, and volunteers and any other comparable form that constitutes as labour according to local and international laws, within its Group and subsidiaries.



## **STATEMENT OF DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS**

The Directors are required by the Companies Act 2016 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and their results and cash flows for the financial year then ended, including the profit or loss of the Group for that financial year. Under that Law, the Directors are required to prepare the Group financial statements in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

In preparing the financial statements, the Directors have:

- selected appropriate accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- stated whether MFRSs as adopted by the MASB and applicable Malaysian Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and Parent Company financial statement respectively;
- provided additional disclosures when compliance with the specific requirements in MFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- prepared the financial statements on the going concern basis, unless it is inappropriate to presume that the Group and the Company will continue in business stated whether applicable accounting standards have been followed and made a statement to the effect in the financial statements, subject to any material departures being disclosed and explained in the financial statements.

The Directors are responsible for ensuring that proper accounting records that are sufficient to show and explain the Groups' transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company are kept, which enable them to ensure that the financial statements comply with the requirements of the Companies Act 2016 and the applicable approved accounting standards in Malaysia. They are responsible for taking reasonable steps to safeguard the assets of the Group and the Company, for prevention and detection of fraud and other irregularities.

The Directors consider that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and the Company's performance, business model and priorities. Each of the Directors, whose names and functions are set out on pages 3 to 5 of the NPC Annual Report 2019, confirms that, to the best of their knowledge, the financial statements, which have been prepared in accordance with the MFRS and the requirements of the Companies Act 2016 in Malaysia so as to give true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole.



## ADDITIONAL COMPLIANCE INFORMATION

The following additional information is provided in compliance with the Listing Requirement of the Bursa Malaysia:-

### 1. Share Buybacks

During the financial year, a total of 12,000 ordinary shares were purchased and retained as Treasury Shares. The details of the Company's Share Buy Back exercise for the financial year ended 31 December 2019 are as follows:

Month	No. of shares Purchased and Retained as Treasury Shares	Purchase Price Per Share (RM)		Average Cost Per Share (RM)*	Total Cost (RM)
		Lowest	Highest		
		February	12,000		
	12,000				22,541

\* Inclusive of transaction charges

As at 31 December 2019, the cumulative total number of shares held as Treasury Shares was 3,137,200. None of the Treasury Shares were resold or cancelled during the financial year.

### 2. Options, Warrants or Convertible Securities

There were no options, warrants or convertible securities issued during the financial year.

### 3. American Deposit Receipt ('ADR') or Global Deposit Receipt ('GDR') Programme

During the financial year, the Company did not sponsor any ADR or GDR programme.

### 4. Imposition of Sanctions/Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant authorities.

### 5. Audit and Non-Audit Fees

- i. The amounts of audit fees paid/payable to the external auditors for services rendered to the Company and the Group for the year were RM220,000 and RM572,000 respectively.
- ii. The amount of non-audit fees paid/payable to the auditors for the services rendered to the Company and the Group for the year were RM13,000 and RM105,000 respectively.

### 6. Profit Estimate, Forecast or Projection

No material variance arose between the audited results for the financial year and the unaudited results previously announced. There were no profit estimate, forecast or projection for the financial year ended 31 December 2019.





## **ADDITIONAL COMPLIANCE INFORMATION** (cont'd)

The following additional information is provided in compliance with the Listing Requirement of the Bursa Malaysia:-  
(cont'd)

### **7. Profit Guarantee**

During the financial year, there was no profit guarantee given by the Company.

### **8. Material Contracts**

There were no material contracts entered into by the Company and/or its subsidiaries which involved Directors' and major shareholders' interest either still subsisting at the end of the financial year.

### **9. Recurrent Related Party Transactions**

The details of the related party transactions are set out in note 30 to the financial statements.

## AUDIT COMMITTEE REPORT

### COMPOSITION OF THE AUDIT COMMITTEE

The members of the Audit Committee and their respective designations are as follows:-

NAME	DESIGNATION	DIRECTORSHIP
1. Lim Ted Hing	Chairman	Independent Non-Executive Director
2. Dato' Ooi Sek Min (appointed on 25 February 2020)	Member	Independent Non-Executive Director
3. Dr. Edmond Fernandez (demised on 19 December 2019)	Member	Independent Non-Executive Director
4. Tan Sri Dato' Sri Koh Kin Lip, JP	Member	Non-Independent Non-Executive Director

The Audit Committee was formed by the Board of Directors on 19 March 2002.

The Chairman of the Audit Committee, Mr. Lim Ted Hing is a Chartered Accountant with the Malaysian Institute of Accountants (MIA).

The Company has complied with the Malaysian Code of Corporate Governance 2017 and Paragraph 15.09 of the Bursa Malaysia Listing Requirements which require that all members of the audit committee should be non-executive directors.

### Terms of reference

The Audit Committee is governed by the following terms of reference:

#### 1. Composition of the audit committee

The Audit Committee shall be appointed by the Board of Directors from among their numbers and shall comprise at least three directors, all must be non-executive directors with a majority of them shall be independent of other fellow directors, substantial shareholders, senior management and operating executives and unencumbered by any relationships that might, in the opinion of the Board of Directors, be considered conflict of interest. The members of the Audit Committee shall elect a chairman from among themselves who shall be an independent director.

All members of the audit committee should be financially literate and at least one member of the audit committee:-

- (a) must be a member of the Malaysian Institute of Accountants (MIA); or
- (b) if he is not a member of the MIA, he must have at least 3 years' working experience and:-
  - (i) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
  - (ii) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
  - (iii) fulfills such other requirements as prescribed or approved by Bursa Malaysia.

No alternate director shall be appointed as a member of the audit committee and provided, further, prior appointment of a former key audit partner as a member of the audit committee, he/she is subject to observe a cooling-off period of at least 2 years before the appointment.



## **AUDIT COMMITTEE REPORT** (cont'd)

### **Terms of reference** (cont'd)

The Audit Committee is governed by the following terms of reference: (cont'd)

#### **2. Authority**

The Audit Committee is authorised by the Board of Directors to:

- (a) investigate any matters within its terms of reference;
- (b) have the resources required to perform its duties;
- (c) have full and unrestricted access to any information pertaining to the Group;
- (d) have direct communication channels with the external auditors, internal auditors and person (s) carrying out the internal audit function or activity;
- (e) be able to obtain independent professional advice and other advice; and
- (f) be able to convene meetings with the external auditors, the internal auditors, the person (s) carrying out the internal audit function or activity or all, excluding the attendance of other directors and employees of the Group, whenever deemed necessary.

#### **3. Duties**

The duties of the Committee should include the following:

- (a) to recommend the nomination of a person or persons as external auditors, and to consider the audit fee and any questions of re-appointment, resignation or dismissal of external auditors;
- (b) to assess the suitability, objectivity and independence of external auditors by reviewing the terms of engagement for the services rendered by them;
- (c) to discuss with the external auditors before audit commences, the nature and scope of the audit contained in the audit plan, and ensure coordination where more than one audit firm is involved;
- (d) to review the assistance given by the Company and its officers to the external and internal auditors;
- (e) to review the adequacy and the integrity of the Group's internal control systems and management information systems with the external auditors;
- (f) to review the quarterly and year-end financial statements of the Company prior to the approval by the Board; focusing particularly on:
  - (i) any changes in or implementation of major accounting policies and practices;
  - (ii) significant and unusual events;
  - (iii) significant adjustments arising from the audit;
  - (iv) the going concern assumption; and
  - (v) compliance with applicable Financial Reporting Standards in Malaysia and other legal requirements;
- (g) to discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of management where necessary);
- (h) to review the external auditors' audit report, management letter and management's response;
- (i) to perform the following in respect of the internal audit function:
  - (i) review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
  - (ii) review the internal audit program, processes and results of the internal audit program, process or investigation undertaken and where necessary ensure that appropriate actions taken on the recommendations of the internal auditors;
  - (iii) review any appraisal or assessment of the performance of the internal audit function;
  - (iv) approve any appointment or termination of internal auditors; and
  - (v) inform itself of resignation of internal auditors and provide the resigning internal auditors an opportunity to submit reasons for resigning;



## **AUDIT COMMITTEE REPORT** (cont'd)

### **Terms of reference** (cont'd)

The Audit Committee is governed by the following terms of reference: (cont'd)

### **3. Duties** (cont'd)

The duties of the Committee should include the following: (cont'd)

- (j) to consider any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- (k) to consider the major findings of internal investigations and management's response; and
- (l) to report the above to the Board and consider other topics as defined by the Board.

### **4. Quorum and procedures for meetings**

The Audit Committee meetings shall not be less than four times a year. In addition, the Chairman may call for additional meetings at any time at the Chairman's discretion.

Representatives of external auditors may be required to be in attendance at meetings where matters relating to the audit of the statutory accounts are to be discussed. However, at least twice a year, the Audit Committee shall meet with the external auditors without any executive Board Members present, if deemed necessary.

The Committee shall meet at least once annually with the internal auditors to discuss the internal audit findings for the financial year without any executive Board Members present, if deemed necessary.

Other appropriate officers of the Group may be invited to attend, except for those portions of the meetings where their presence is considered inappropriate, as determined by the Chairman of the Audit Committee.

The quorum for the meeting shall be any two members, one of whom shall be an independent director.

The Company Secretaries shall be Secretaries to the Audit Committee. The Secretaries in conjunction with the Chairman, shall draw up agenda, which shall be circulated together with the relevant support papers, at least one (1) week prior to each meeting to the members of the Committee.

The Committee shall regulate the manner of proceedings of its meetings, having regard to normal conventions on such matter.

Minutes of each meeting shall be kept and distributed to each member of the Audit Committee. The Audit Committee Chairman shall report on each meeting to the Board of Directors.

### **5. Retirement and resignation**

In the event of any vacancy in an audit committee resulting in the non-compliance of subparagraphs 15.19 of Bursa Malaysia Listing Requirements, the vacancy must be filled within 3 months.

### **6. Review of the audit committee**

The Board of Directors must review the term of office and performance of the Audit Committee and each of its members annually to determine whether such audit committee and members have carried out their duties in accordance with their terms of reference.



## **AUDIT COMMITTEE REPORT** (cont'd)

### **Terms of reference** (cont'd)

The Audit Committee is governed by the following terms of reference: (cont'd)

### **7. External Auditor Assessment**

#### **(a) Introduction**

The Board of Directors recognises that the external auditor plays a vital role in the process of accountability for shareholders and the effective functioning of the capital market by the provision of consistent and reliable financial reporting.

The Audit Committee is assisting the Board's oversight function in ensuring the integrity of NPC Group's financial statements as well as in engaging and overseeing the external auditor. The Committee is responsible for reviewing, assessing and monitoring the performance, suitability and independence of external auditors.

#### **(b) Objective**

The objective of this External Auditor Policy is to outline the guidelines and procedures for the Audit Committee to review, assess and monitor the performance, suitability and independence of NPC Group's External Auditor as a measure for ensuring financial statements are a reliable source of information.

#### **(c) Selection and Appointment**

The Board has delegated to the Committee the responsibility for the appointment, remuneration and removal of external auditor.

Pursuant to Section 271 (1) of the Companies Act 2016, the Company shall appoint or re-appoint the external auditors of the Company for each financial year. The Board will conduct the said appointment or re-appointment at each Annual General Meeting, and the external auditors so appointed shall, hold office until the conclusion of the next Annual General Meeting of the Company.

Should the Committee determines a need for a change of external auditors, the Committee will follow the following procedures for selection and appointment of new external auditors:-

- (i) the Committee to identify the audit firms who meet the criteria for appointment and will request for their proposals of engagement for considerations;
- (ii) the Committee will assess the proposals received and shortlist the suitable audit firms;
- (iii) the Committee will meet and/or interview the shortlisted candidates;
- (iv) the Audit Committee may delegate or seek the assistance of the Chief Financial Officer to perform items (i) to (iii) above;
- (v) the Committee will recommend the appropriate audit firm to the Board for appointment as external auditors; and
- (vi) the Board will if deemed appropriate, endorse the recommendation and seek shareholders' approval for the appointment of the new external auditors and/or resignation/removal of the existing external auditors at the general meeting.





## **AUDIT COMMITTEE REPORT** (cont'd)

### **Terms of reference** (cont'd)

The Audit Committee is governed by the following terms of reference: (cont'd)

### **7. External Auditor Assessment** (cont'd)

#### **(c) Selection and Appointment** (cont'd)

##### Selection Criteria:

The Audit Committee will give due consideration to the following criteria when selecting preferred the External Auditors for recommendation to the Board:-

- (i) Approach to business and operations
  - Business model and governance of the audit firm
  - Internal partner firm processes
  - Audit firm partner rotation and succession planning
- (ii) Audit ability and approach
  - Skills and knowledge, experience, expertise, qualifications and training of the proposed external audit team
  - Proposed methodology
  - Areas that will receive primary focus and the related audit approach
  - Comprehensive work plan
  - Use of associated or affiliated member firm personnel and third-party experts
- (iii) Business and industry understanding
  - Audit firm and team kept up-to-date with latest auditing, accounting and business regulations, or any other related legalities
- (iv) Industry-specific experience
- (v) Communication strategy
  - Additional internal status report
  - Policy regarding the availability of partners and managers for miscellaneous telephone inquiries and short meetings throughout the year
  - Means to ensure the timeliness of the information
- (v) Reputation
  - Application of corporate governance
  - Good ethical reputation
  - References
- (vi) Evidence of audit quality
  - Within the audit firm: review of the system of internal quality assurance
  - External information: review of the auditor's/audit firm's specific reports
- (vii) Interview with the individual auditor/audit engagement partner
- (viii) Auditor's/audit firm's insurance coverage
- (ix) Price
  - 'Value for money'
  - The availability of key team members
  - The proposed audit team personnel resources, their experience, expertise, qualifications and training
  - The allocation of personnel, i.e. hours to be spent allocated to each type and level of qualified resource
  - Audit team member relationship management and interpersonal skills
- (x) Capacity for innovation
  - Ability to improve the audit processes, e.g. using IT tools
  - Tools to be more efficient and effective in the audit work



## **AUDIT COMMITTEE REPORT** (cont'd)

### **Terms of reference** (cont'd)

The Audit Committee is governed by the following terms of reference: (cont'd)

#### **7. External Auditor Assessment** (cont'd)

##### **(d) Independence Assessment**

The independence of external auditors is essential to the provision of an objective opinion on the truth and fairness of the financial statements of the Company. Pursuant to Recommendation 8.3 under Principle B of the Malaysian Code on Corporate Governance 2017, the Audit Committee is also mandated to ensure continuing objectivity, suitability and independence of the external auditors.

In discharging this duty, the Committee shall carry out an annual evaluation of the external auditors which shall encompass an assessment of the qualifications and performance of the auditors; the quality and candour of the auditors' communications with the Committee and the Company; and the auditors' independence, objectivity, and professional scepticism.

The external auditors are precluded from providing any services that may impair their independence or conflict with their role as external auditors. The Committee shall obtain a written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

The Committee may also request the Chief Financial Officer (or equivalent) and/or Head of Internal Audit to perform the annual assessment of the external auditors.

##### **(e) Independence**

The Audit Committee shall review the independence of the external auditors annually. The external auditors must be independent from NPC Group and also be seen to be independent from NPC Group. Specifically, the external auditors will need to satisfy the Audit Committee that:-

- (i) no services will be provided that will result in a conflict of interest;
- (ii) any services provided additional to that of the audit function involving non-audit services, would not have a material bearing on the audit and would not involve the firm auditing their own work;
- (iii) the audit firm has an audit personnel rotation policy, including lead and signing partners, requiring rotation at least every five years in compliance with the requirements of the Malaysian Institute of Accountants; and
- (iv) there will be no situations where the auditors assume the role of management or where the auditors are placed in the role of advocate for the Group.

In avoidance of doubt, the Audit Committee shall obtain a written assurance from the External Auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.



## **AUDIT COMMITTEE REPORT** (cont'd)

### **Terms of reference** (cont'd)

The Audit Committee is governed by the following terms of reference: (cont'd)

### **7. External Auditor Assessment** (cont'd)

#### **(f) Non-Audit Services**

The External Auditors can be engaged to perform non-audit services provided such services provided do not impair, or appear to impair the auditors' independence or objectivity. This excludes audit related work in compliance with statutory requirements. The prohibition of non-audit services is based on three (3) basic principles as follows:-

- (i) external auditors cannot function in the role of Management;
- (ii) external auditors cannot audit their own work; and
- (iii) external auditors cannot serve in an advocacy role of the Group.

The external auditors shall also observe and comply with the By-Laws of the Malaysian Institute of Accountants in connection with the provision of non-audit services, which also prohibit the provision of certain services including the following:

- (i) Accounting and bookkeeping services;
- (ii) Valuations services;
- (iii) Internal audit services;
- (iv) IT systems services;
- (v) Litigation support services;
- (vi) Recruitment services; and
- (vii) Corporate finance services.

All engagement of the external auditors to provide non-audit services is subject to the approval/ endorsement of the audit committee. Management shall also obtain written assurance from the external auditors that the independence of the external auditors will not be impaired by the provision of non-audit services.

#### **(g) Annual Reporting**

The external auditors shall:

- (i) Issue an annual audit plan for review and discussion with the Audit Committee;
- (ii) At the conclusion of the audit review, shall discuss findings, significant audit weakness and audit related recommendations with the Audit Committee and Senior Management; and
- (iii) Provide a management letter to the Audit Committee upon completion of the annual audit.

#### **(h) Review of the External Auditor Independence**

The Board and the Audit Committee will review the External Auditors Assessment periodically to ensure that it continues to remain relevant and appropriate.



## AUDIT COMMITTEE REPORT (cont'd)

### INTERNAL AUDIT

The Group has an in-house internal audit team with relevant experience and education to ensure the internal control of the operations in Sabah and Indonesia is in place. The in-house internal audit team also reports directly to the Audit Committee. The main activities undertaken by the internal auditors during the financial year are as follow:

- (a) to review the key internal controls relating to estates' store issue and receipts;
- (b) to review the key internal controls relating to estates' harvesting, collection and transporting of fresh fruit bunches operation, pests and diseases census programme and manuring and weeding operations;
- (c) to review the key internal controls relating to purchase requisitions and ordering system for estates' operations;
- (d) to review the key internal controls relating to palm oil mill's quality control of free fatty acid, sales and dispatch of crude palm oil, palm kernel and sludge oil;
- (e) to report the findings and recommendations from the above review to the Audit Committee.

The results of the internal audit function are set out in the Statement of Internal Control.

### MEETINGS AND SUMMARY OF ACTIVITIES

The Committee had held five meetings during the financial year. The attendance record of the Audit Committee members in each of the meetings is as follows:

NAME	MEETINGS ATTENDED	MAXIMUM POSSIBLE MEETINGS TO ATTEND
Lim Ted Hing	5	5
Tan Sri Dato' Sri Koh Kin Lip, JP	5	5
Dr. Edmond Fernandez (demised on 19 December 2019)	5	5

The main activities undertaken by the Committee were as follows:

- (a) reviewed the unaudited Quarterly Financial Results of the Group and its disclosure requirements before recommending them for the Board's approval;
- (b) reviewed the year end financial statements of the Company prior to submission to the Board for their consideration and approval. This review was to ensure that the financial statements were drawn up in accordance with the provisions of the Companies Act 2016 and the applicable Financial Reporting Standards in Malaysia;
- (c) reviewed each quarter's related party transactions and report the same to the Board;
- (d) reviewed the audit plans and service charter presented by the external auditors; and
- (e) reviewed the internal audit program, processes and results of the internal audit processes.

Details of training attended by the Audit Committee members are disclosed on page 16 of the Statement on Corporate Governance.

This Audit Committee Report is made in accordance with the resolution of the Audit Committee dated 19 May 2020.



## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### Responsibility

The Board recognises that it is responsible for the Group's system of risk management and internal control and for reviewing its adequacy and effectiveness.

The Board confirms that there is an ongoing process of identifying, evaluating and managing the significant risks faced by the Group which are present throughout the financial year under review and up to date of approval of the annual report and financial statements. This is in accordance with the guidance as contained in the publication – Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers.

As with any internal control system, controls can only provide reasonable but not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate the risk of failure to achieve business objectives.

### Risk Management Framework and Control Self-Assessment

The Board's primary objective and direction in managing the Group's risks are focused on the achievement of the Group's business objectives. The risk management framework has been formalised to achieve compliance with Bursa Malaysia Listing Requirements, Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers, the Companies Act 2016 as well as Malaysian Code on Corporate Governance ("MCCG"). The Board reviews the risk management framework annually and the management has been entrusted to continuously monitor the identified principal risks of the Group, evaluate existing controls and formulate the necessary action plans with its respective process owners. The Executive Directors are tasked with the responsibility of continuous monitoring and reviewing strategic directions and significant operational matters of the Group.

### Other Key Elements of Internal Control

Scheduled meetings at head office and operation sites were held to identify, discuss and resolve business and operational issues. The Board was aware of, and involved in, when necessary in resolving any significant issues identified at those meetings. The Executive Directors are actively involved in the day-to-day operations of the Group.

The Group has a clear management structure that clearly defines lines of accountability and delegated authority. There is also proper segregation of duties to ensure safe custody of the Group's assets. The Group's organisation chart includes the Management Committee, headed by the Group Managing Director. The Management Committee meets monthly at head office or operation sites to discuss and review the Group's operations and ensures that they are carried out in accordance with the standards set and expected by the Board. There is a structured and formal employee appraisal system that ensures employees are remunerated based on their performance.

The Board has reviewed the Group's budget for the current financial year. The budgeting process includes the preparation of budgets by individual operating units, which are approved at management level and ultimately by the Board. Actual performance and results are monitored against budgets, with reasons for significant variances identified and highlighted to management and the Board for the appropriate corrective measures.





## **STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL** (cont'd)

### **Internal Audit Function**

The Board remains committed towards continuous improvement and enhancement of its internal controls to ensure that there is increased certainty of the achievement of business objectives, thus enhancing the shareholders' value.

The Group has outsourced its Internal Audit function to an independent accounting firm, which reports directly to the Audit Committee. The internal audit was carried out based on the Internal Audit plan that was reviewed by the Audit Committee and approved by the Board of Directors.

The Group has an in-house internal audit team with relevant experience and education to ensure the internal control of the operations in Sabah and Indonesia is in place. The in-house internal audit team also reports directly to the Audit Committee.

The amount of internal audit fees payable to the internal auditors for the year is RM92,860.

The risk based internal audit approach has examined, evaluated and ensured compliance with the Group's policies, procedures and system of controls. It has also evaluated the effectiveness of the internal control system and assessed the consequences of any potential risks and suggested any improvements required.

### **Adequacy and Effectiveness of the Group's Risk Management and Internal Control System**

A number of minor internal control weaknesses were identified during the year, all of which have been or are being addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require a disclosure in the Group's Annual Report. The board has received a statement of assurance from the Group Managing Director and Chief Financial Officer of the Company that the Company's risk management and internal control system is operating adequately and effectively, in all material aspects, based on risk management and internal control system of the Company. The board confirms that its system of risk management and internal control was operational throughout the financial year and up to the date of approval of the Annual Report.

### **Review of Statement by External Auditors**

The external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the annual report of the Group for the year ended 31 December 2019 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of internal controls within the Group.

This Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board dated 19 May 2020.



# Contents

36	Directors' Report
41	Statement by Directors
41	Statutory Declaration
42	Independent Auditors' Report

## Financial Statements

48	Statements of Comprehensive Income
50	Consolidated Statement of Financial Position
52	Company Statement of Financial Position
53	Consolidated Statement of Changes in Equity
55	Company Statement of Changes in Equity
56	Consolidated Statements of Cash Flows
58	Company Statements of Cash Flows
59	Notes to the Financial Statements



## DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

### Principal activities

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiaries are set out in Note 17 to the financial statements.

### Results

	<b>Group RM'000</b>	<b>Company RM'000</b>
(Loss)/profit net of tax	<u>(13,874)</u>	<u>18,695</u>
(Loss)/profit attributable to:		
Equity holders of the parent	(12,242)	18,695
Non-controlling interests	<u>(1,632)</u>	<u>-</u>
	<u>(13,874)</u>	<u>18,695</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.

### Dividend

No dividend has been paid or declared by the Company since the end of the previous financial year. The Directors do not recommend the payment of any dividend in respect of the current financial year ended 31 December 2019.



## **DIRECTORS' REPORT** (cont'd)

### **Directors**

The names of the Directors of the Company in office since the beginning of the financial year to the date of this report are:

Datuk Loo Ngin Kong\*  
Dato' Seri Tengku Dr. Zainal Adlin Bin Tengku Mahamood  
Dato' Loo Pang Kee\*  
Wong Siew Ying\*  
Lim Ted Hing  
Dr. Edmond Fernandez (Deceased on 19 December 2019)  
Tan Sri Dato' Sri Koh Kin Lip, *JP*  
Tan Yun Su\*  
Dato' Ooi Sek Min (Appointed on 25 February 2020)

\* These Directors are also Directors of certain subsidiaries of the Company.

### **Directors of the Company's subsidiaries**

The names of the Directors of the Company's subsidiaries since the beginning of the financial year to the date of this report, excluding those who are already the Directors of the Company, are:

Chai Chih Kai  
Driya Amandita  
Herdiyanto  
Husin Assegaf  
Indarto  
Lim Chau Thye @ Lim Yoke Moi  
Loo Ban Teng  
Sunamo, B.Sc, S.Sos

### **Directors' benefits**

Neither at the end of the financial year, nor at any time during that financial year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the 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 below) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except as disclosed in Note 30 to the financial statements.



## DIRECTORS' REPORT (cont'd)

### Directors' benefits (cont'd)

The Directors' benefits are as follows:

	Group RM'000	Company RM'000
Salaries and other emoluments	3,472	2,650
Fees	178	70
Bonus	69	-
Defined contribution plan	813	439
Estimated money value of benefits-in-kind	69	59
	4,601	3,218

### Directors' interests

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

	1 January 2019	Number of ordinary shares		31 December 2019
		Acquired	Sold	
<b>The Company</b>				
Direct Interest:				
Datuk Loo Ngin Kong	4,166,724	-	-	4,166,724
Dato' Seri Tengku Dr. Zainal Adlin Bin Tengku Mahamood	1	-	-	1
Dato' Loo Pang Kee	12,945,406	48,200	-	12,993,606
Wong Siew Ying	2,471,284	-	-	2,471,284
Lim Ted Hing	804,000	-	-	804,000
Tan Sri Dato' Sri Koh Kin Lip, JP	19,783,344	-	-	19,783,344
Tan Yun Su	1	-	-	1





## DIRECTORS' REPORT (cont'd)

### Directors' Interest (cont'd)

	1 January 2019	Number of ordinary shares		31 December 2019
		Acquired	Sold	
<b>The Company</b>				
Indirect interest:				
Dato' Loo Pang Kee	38,400,000	-	-	38,400,000
Tan Sri Dato' Sri Koh Kin Lip, <i>JP</i>	2,817,350	-	-	2,817,350
Indirect interest of Datuk Loo Ngin Kong and Wong Siew Ying in the Company by virtue of shareholdings of their children	4,919,000	(14,000)	-	4,905,000
Indirect interest of Tan Sri Dato' Sri Koh Kin Lip, <i>JP</i> in the Company by virtue of shareholding of his child	70,000	-	-	70,000

The Directors, Datuk Loo Ngin Kong, Dato' Loo Pang Kee, Tan Sri Dato' Sri Koh Kin Lip, *JP* and Wong Siew Ying by virtue of their interests in shares in the Company, are also deemed interested in shares of all of the Company's subsidiaries to the extent the Company has an interest.

### Treasury shares

During the financial year, the Company repurchased 12,000 of its issued ordinary shares from the open market at an average price of RM1.88 per share. The total consideration paid for the repurchase including transaction costs was RM22,542. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016.

As at 31 December 2019, the Company held as treasury shares a total 3,137,200 of its 120,000,000 issued ordinary shares. Such treasury shares are held at a carrying amount of RM7,509,000 and further relevant details are disclosed in Note 26(b) to the financial statements.

### Other statutory information

- (a) Before the 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 allowance for doubtful debts and satisfied themselves that there were no known bad debts and that adequate allowance had been made for doubtful debts; 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.



## **DIRECTORS' REPORT** (cont'd)

### **Other statutory information** (cont'd)

- (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 the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (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 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.

### **Events after reporting period**

Events after reporting period are disclosed in Note 35 to the financial statements.

### **Auditors and auditors' remuneration**

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

Auditors' remuneration of the Group and of the Company for the financial year amounted to RM572,000 and RM220,000 respectively.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young PLT, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young PLT for the financial year ended 31 December 2019.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 30 June 2020.



## **STATEMENT BY DIRECTORS**

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Dato' Loo Pang Kee and Wong Siew Ying, being two of the Directors of NPC Resources Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 48 to 154 give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 30 June 2020.

**Dato' Loo Pang Kee**

**Wong Siew Ying**

## **STATUTORY DECLARATION**

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, Tan Vun Su, being the Director primarily responsible for the financial management of NPC Resources Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 48 to 154 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 Tan Vun Su at  
Sandakan in the State of Sabah  
on 30 June 2020.

**Tan Vun Su**  
**(MIA 8095)**

Before me,



## **INDEPENDENT AUDITORS' REPORT**

TO THE MEMBERS OF NPC RESOURCES BERHAD  
(Incorporated in Malaysia)

### **Report on the audit of the financial statements**

#### *Opinion*

We have audited the financial statements of NPC Resources Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 48 to 154.

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 2019, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

#### *Basis for opinion*

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

#### *Material uncertainty related to going concern*

We draw attention to Note 2.1 to the financial statements which indicates that the Group incurred net losses for the financial year of RM13,874,000 for the year ended 31 December 2019 and as of that date, the Group and the Company's current liabilities exceeded their current assets by RM489,321,000 and RM572,513,000 respectively. This Note further indicates that during the year certain loan covenants for certain borrowings relating to the gearing ratio were breached of which subsequent to the financial year end, the Group has obtained indulgence from the respective bankers for these breaches. As at 31 December 2019, the gearing ratio of the Group was met. These conditions, along with other matters as set forth in Note 2.1 to the financial statements, indicate the existence of a material uncertainty that may cast significant doubt on the Group's and on the Company's ability to continue as a going concern. The ability of the Group and of the Company to continue as a going concern is dependent on the continuing financial support of their bankers and creditors and on the success of their future operations. Our opinion is not modified in respect of this matter.

#### *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 Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

#### *Key audit matters*

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



## **INDEPENDENT AUDITORS' REPORT**

TO THE MEMBERS OF NPC RESOURCES BERHAD  
(Incorporated in Malaysia) (cont'd)

### **Report on the audit of the financial statements** (cont'd)

#### *Key audit matters (cont'd)*

##### Valuation of leasehold plantation land and land use rights for plantation

As stated in Note 2.2(a), during the year, the Group adopted revaluation model for its leasehold plantation land and land use rights for plantation. The Group's leasehold plantation land and land use rights for plantation carried at a revalued amount of RM542 million, representing approximately 38% of the total assets of the Group. The Group's leasehold plantation land and land use rights for plantation were revalued as at 31 December 2019 by independent professional qualified valuers (the "Valuers"). We identified the valuation of these properties as a key audit matter due to the significance of these properties in the context of the Group's consolidated financial statements as a whole and because significant judgement is involved in determining the inputs used in the valuation.

In addressing this area of audit focus, we performed, amongst others, the following procedures:

- 1) We considered the objectivity, independence and expertise of the Valuers;
- 2) We obtained an understanding of the methodology adopted by the Valuer in arriving the fair value of the leasehold plantation land and land use rights for plantation and assessed whether such methodology is consistent with those used in the industry;
- 3) We discussed with the Valuers to obtain an understanding of the property data used, we assessed the key assumptions and estimates used in the valuation, based on evidence of comparable market transactions and other publicly available information of the property industry;
- 4) We considered the completeness and consistency of information provided by the Group to the Valuers; and
- 5) We assessed the adequacy of the disclosures on the valuation of the leasehold plantation land and land use rights for plantation.

The Group's accounting policies and disclosures on the leasehold plantation land and land use rights for plantation are disclosed in Notes 2.8, 3(d) and 13 respectively to the financial statements.

##### Impairment testing of goodwill and property, plant and equipment

As stated in Notes 16 and 13 to the financial statements as at 31 December 2019, the carrying values of goodwill and property, plant and equipment of the Group were RM32 million and RM1,232 million respectively.

The market capitalisation of the Group is lower than the net assets of the Group and coupled with the existence of changes in the market environment, indicate that the carrying values of goodwill and property, plant and equipment of the Group may be impaired. Consequently, the Group assessed impairment allowances, in any, that is required by determining the recoverable amounts of cash generating units (CGUs) based on the higher of an assets' value-in-use (VIU) or fair value less costs of disposal (FVLC).

We identified the impairment testing of goodwill and property, plant and equipment as a key audit matter due to the significance of these assets in the context of the Group's consolidated financial statements as a whole and because the assessment process is complex and highly judgmental when determining the recoverable amounts to be used.





## **INDEPENDENT AUDITORS' REPORT**

TO THE MEMBERS OF NPC RESOURCES BERHAD  
(Incorporated in Malaysia) (cont'd)

### **Report on the audit of the financial statements** (cont'd)

*Key audit matters (cont'd)*

#### *Impairment testing of goodwill and property, plant and equipment (contd.)*

Estimating the VIUs involve estimating the future cash inflows and outflows that will be generated by the CGUs and discounting them at an appropriate rate. Significant judgements are required in determining the assumptions to be used to estimate the VIU of the CGUs as these assumptions are affected by expected future demand and economic conditions, which include estimates of future sales volumes, prices, operating costs, terminal value and the discount rate to use. When determining the FVLC, significant judgement may be required to adjust the property data that is available to be comparable to the properties of the Group.

In addressing this area of audit focus, in relation to recoverable amount that was based on VIU we performed, amongst others, the following procedures:

- 1) We obtained an understanding of the methodology adopted by the management in estimating the recoverable amount;
- 2) We assessed the key assumptions used, focusing on projected yield and commodity prices, taking into consideration the current and expected future economic conditions. We compared the key assumptions against past actual outcomes;
- 3) We assessed the discount rate used and whether the rate used reflects the current market assessments of the time value of money and the risks specific to the asset is the return that 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 entity expects to derive from the asset;
- 4) We assessed the sensitivity of the cash flows to changes in the discount rates and key assumptions; and
- 5) We also evaluated the disclosures of the key assumptions on which the Group has based in its cash flow projections.

When recoverable amounts were determined based on FVLCS, we performed the following procedures:

In addressing this area of audit focus, we performed, amongst others, the following procedures:

- 1) We considered the objectivity, independence and expertise of the Valuers;
- 2) We obtained an understanding of the methodology adopted by the Valuer in arriving the fair value of the leasehold plantation land and land use rights for plantation and assessed whether such methodology is consistent with those used in the industry;
- 3) We discussed with the Valuers to obtain an understanding of the property data used, we assessed the key assumptions and estimates used in the valuation, based on evidence of comparable market transactions and other publicly available information of the property industry ;
- 4) We considered the completeness and consistency of information provided by the Group to the Valuers; and
- 5) Assessed the adequacy of the disclosures on the valuation of the leasehold plantation land and land use rights for plantation.

The Group's accounting policies and disclosures on impairment assessment of goodwill and property, plant and equipment are disclosed in Notes 2.13, 3(e), 13 and 16 respectively to the financial statements.



## **INDEPENDENT AUDITORS' REPORT**

TO THE MEMBERS OF NPC RESOURCES BERHAD  
(Incorporated in Malaysia) (cont'd)

### **Report on the audit of the financial statements** (cont'd)

#### *Key audit matters (cont'd)*

#### *Impairment assessment of interests in Indonesia subsidiaries (Separate financial statements of the Company)*

As at 31 December 2019, the carrying value of interests in the Indonesia subsidiaries is RM473,329,000, representing approximately 64% of the total assets of the Company.

The Company assessed that there was an indication of impairment in relation to the interests in Indonesia entities as the entities were loss making and the oil palm industry faced a challenging year in 2019 with lower prices for palm oil products. Accordingly, the Company performed an impairment assessment to determine the recoverable amount of its interests in the Indonesia subsidiaries.

We identified the impairment assessment as an area of focus as the impairment assessment is complex and highly judgemental and the carrying amount of interests in Indonesia subsidiaries is significant to the Company. It involves assessment of possible variations in the amounts and timing of future cash flows based on assumptions affected by future market and economic conditions. Judgement is also applied in determining an appropriate discount rate to determine the present value of future cash flows.

In addressing this area of audit focus, we performed, amongst others, the following procedures:

- 1) We obtained an understanding of the methodology adopted by the management in estimating the recoverable amount;
- 2) We assessed the key assumptions used, focusing on projected yield and commodity prices, taking into consideration the current and expected future economic conditions. We compared the key assumptions against past actual outcomes;
- 3) We assessed the discount rate used and whether the rate used reflects the current market assessments of the time value of money and the risks specific to the asset is the return that 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 entity expects to derive from the asset;
- 4) We assessed the sensitivity of the cash flows to changes in the discount rates and key assumptions; and
- 5) We evaluated the disclosures of the key assumptions on which the Company has based in its cash flow projections.

The Company's accounting policies and disclosures on impairment assessment of interests in subsidiaries are disclosed in Notes 2.13, 3(e), and 17 respectively to the financial statements.

#### *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 Directors' report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the annual report, which is expected to be made available to us after the date of this auditors' report.

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 identified above 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 on the other information that we obtained prior to the date of this auditors' report, 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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate action.



## **INDEPENDENT AUDITORS' REPORT**

TO THE MEMBERS OF NPC RESOURCES BERHAD  
(Incorporated in Malaysia) (cont'd)

### **Report on the audit of the financial statements** (cont'd)

#### *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 Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or 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.

#### *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 of 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.



## **INDEPENDENT AUDITORS' REPORT**

TO THE MEMBERS OF NPC RESOURCES BERHAD  
(Incorporated in Malaysia) (cont'd)

### **Report on the audit of the financial statements** (cont'd)

#### *Auditors' responsibilities for the audit of the financial statements (cont'd)*

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

### **Report on other legal and regulatory requirements**

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 17 to the financial statements.

### **Other matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**Ernst & Young PLT**  
202006000003 (LLP0022760-LCA) & AF 0039  
Chartered Accountants

Sandakan, Malaysia  
30 June 2020

**Chong Ket Vui, Dusun**  
02944/01/2021 J  
Chartered Accountant



## STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue	4	225,302	228,369	6,689	7,302
Cost of sales		(210,616)	(227,339)	-	-
<b>Gross profit</b>		14,686	1,030	6,689	7,302
Interest income	5	5,670	5,479	26,546	25,941
Other income	6	12,750	3,122	11,738	3
Administrative expenses		(20,572)	(21,054)	(6,662)	(7,365)
Finance costs	7	(22,002)	(16,988)	(16,125)	(15,862)
Other expenses		(8,645)	(21,815)	(3,391)	(69,683)
<b>(Loss)/profit before tax</b>	8	(18,113)	(50,226)	18,795	(59,664)
Income tax benefit/(expense)	11	4,239	(13,878)	(100)	(259)
<b>(Loss)/profit for the financial year</b>		(13,874)	(64,104)	18,695	(59,923)
<b>Other comprehensive income/(loss)</b>					
<b>Items to be reclassified to profit or loss in subsequent periods (net of tax):</b>					
Remeasurement (loss)/gain on employee defined benefit liabilities	23	(326)	326	-	-
Tax impact arising from remeasurement		60	(77)	-	-
Foreign currency translation		6,556	(9,943)	-	-
<b>Item not to be reclassified to profit or loss in subsequent periods (net of tax):</b>					
Asset revaluation surplus		301,759	-	-	-
<b>Other comprehensive income/(loss) for the financial year, net of tax</b>		308,049	(9,694)	-	-
<b>Total comprehensive income/(loss) for the financial year</b>		294,175	(73,798)	18,695	(59,923)



## STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>(Loss)/profit attributable to:</b>					
Equity holders of the parent		(12,242)	(48,229)	18,695	(59,923)
Non-controlling interests		(1,632)	(15,875)	-	-
		<u>(13,874)</u>	<u>(64,104)</u>	<u>18,695</u>	<u>(59,923)</u>
<b>Total comprehensive income/ (loss) attributable to:</b>					
Equity holders of the parent		256,374	(58,971)	18,695	(59,923)
Non-controlling interests		37,801	(14,827)	-	-
		<u>294,175</u>	<u>(73,798)</u>	<u>18,695</u>	<u>(59,923)</u>
<b>Loss per share attributable to equity holders of the parent:</b>					
Basic loss per share for the financial year (sen)	12	<u>(10.48)</u>	<u>(41.26)</u>		

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





## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	2019 RM'000	2018 RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	1,231,892	837,174
Investment properties	14	15,764	1,044
Intangible assets	16	32,501	32,456
Other receivables	19	52,881	37,692
Deferred tax assets	24	2,426	1,317
		1,335,464	909,683
<b>Current assets</b>			
Inventories	18	18,740	21,110
Biological assets	15	4,861	2,228
Trade and other receivables	19	15,895	22,348
Prepayments		2,500	2,476
Tax recoverable		834	793
Cash and bank balances	20	18,549	12,443
		61,379	61,398
<b>Total assets</b>		<b>1,396,843</b>	<b>971,081</b>



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019 (cont'd)

	Note	2019 RM'000	2018 RM'000
<b>Equity and liabilities</b>			
<b>Current liabilities</b>			
Loans and borrowings	21	466,350	445,134
Trade and other payables	22	83,996	81,730
Income tax payable		354	687
		<u>550,700</u>	<u>527,551</u>
<b>Net current liabilities</b>		<u>(489,321)</u>	<u>(466,153)</u>
<b>Non-current liabilities</b>			
Loans and borrowings	21	2,333	774
Other payables	22	126,465	111,886
Employee defined benefit liabilities	23	2,952	3,754
Deferred tax liabilities	24	158,314	65,189
		<u>290,064</u>	<u>181,603</u>
<b>Total liabilities</b>		<u>840,764</u>	<u>709,154</u>
<b>Equity attributable to equity holders of the parent</b>			
Share capital	26	120,000	120,000
Treasury shares	26	(7,509)	(7,486)
Retained earnings		155,360	167,798
Asset revaluation reserve	27	261,391	-
Foreign currency translation reserve	28	(10,296)	(17,717)
		<u>518,946</u>	<u>262,595</u>
<b>Non-controlling interests</b>		<u>37,133</u>	<u>(668)</u>
<b>Total equity</b>		<u>556,079</u>	<u>261,927</u>
<b>Total equity and liabilities</b>		<u>1,396,843</u>	<u>971,081</u>

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



## COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	2019 RM'000	2018 RM'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	757	815
Interests in subsidiaries	17	723,272	675,083
		<u>724,029</u>	<u>675,898</u>
<b>Current assets</b>			
Trade and other receivables	19	26	50
Prepayments		80	50
Tax recoverable		55	54
Cash and bank balances	20	4,995	4,807
		<u>5,156</u>	<u>4,961</u>
<b>Total assets</b>		<u>729,185</u>	<u>680,859</u>
<b>Equity and liabilities</b>			
<b>Current liabilities</b>			
Loans and borrowings	21	276,488	257,498
Trade and other payables	22	301,181	290,511
		<u>577,669</u>	<u>548,009</u>
<b>Net current liabilities</b>		<u>(572,513)</u>	<u>(543,048)</u>
<b>Non-current liability</b>			
Loans and borrowings	21	-	-
Deferred tax liabilities	24	36	42
		<u>36</u>	<u>42</u>
<b>Total liabilities</b>		<u>577,705</u>	<u>548,051</u>
<b>Equity attributable to owners of the parent</b>			
Share capital	26	120,000	120,000
Treasury shares	26	(7,509)	(7,486)
Retained earnings		38,989	20,294
		<u>151,480</u>	<u>132,808</u>
<b>Total equity</b>		<u>151,480</u>	<u>132,808</u>
<b>Total equity and liabilities</b>		<u>729,185</u>	<u>680,859</u>

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



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Note	← Attributable to equity holders of the parent →					Total	Non-controlling interests	Total equity
	Share capital (Note 26) RM'000	Treasury shares (Note 26) RM'000	Foreign currency revaluation reserve (Note 28) RM'000	Asset translation reserve (Note 27) RM'000	Retained earnings RM'000			
<b>At 1 January 2019</b>	120,000	(7,486)	(17,717)	-	167,798	262,595	(668)	261,927
Loss for the financial year	-	-	-	-	(12,242)	(12,242)	(1,632)	(13,874)
Other comprehensive income/(loss)	-	-	7,421	261,391	(196)	268,616	39,433	308,049
Total comprehensive income/(loss) for the financial year	-	-	7,421	261,391	(12,438)	256,374	37,801	294,175
<b>Transactions with owners</b>								
Purchase of treasury shares	26	(23)	-	-	-	(23)	-	(23)
		(23)	-	-	-	(23)	-	(23)
<b>At 31 December 2019</b>	120,000	(7,509)	(10,296)	261,391	155,360	518,946	37,133	556,079

Note	← Attributable to equity holders of the parent →					Non-controlling interests	Total equity
	Share capital (Note 26) RM'000	Treasury shares (Note 26) RM'000	Foreign currency translation reserve (Note 27) RM'000	Retained earnings RM'000	Total RM'000		
<b>At 1 January 2018</b>							
- As previously reported	120,000	(7,453)	(7,498)	301,551	406,600	28,248	434,848
- Effects of changes in accounting Standards	-	-	699	(72,909)	(72,210)	(10,135)	(82,345)
- Effects of finalisation of purchase price allocation	-	-	-	(11,622)	(11,622)	(3,954)	(15,576)
At 1 January 2018 (restated)	120,000	(7,453)	(6,799)	217,020	322,768	14,159	336,927
Loss for the financial year	-	-	-	(48,229)	(48,229)	(15,875)	(64,104)
Other comprehensive (loss)/income	-	-	(10,918)	176	(10,742)	1,048	(9,694)
Total comprehensive loss for the financial year	-	-	(10,918)	(48,053)	(58,971)	(14,827)	(73,798)
<b>Transactions with owners</b>							
Dividend	34	-	-	(1,169)	(1,169)	-	(1,169)
Purchase of treasury shares	26	-	(33)	-	(33)	-	(33)
		-	(33)	(1,169)	(1,202)	-	(1,202)
<b>At 31 December 2018</b>	120,000	(7,486)	(17,717)	167,798	262,595	(668)	261,927

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)





## COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Share capital (Note 26) RM'000	Treasury shares (Note 26) RM'000	Retained earnings RM'000	Total equity RM'000
<b>At 1 January 2019</b>		120,000	(7,486)	20,294	132,808
Total comprehensive income		-	-	18,695	18,695
		120,000	(7,486)	38,989	151,503
<b>Transactions with owners</b>					
Purchase of treasury shares	26	-	(23)	-	(23)
		-	(23)	-	(23)
<b>At 31 December 2019</b>		120,000	(7,509)	38,989	151,480
<b>At 1 January 2018</b>		120,000	(7,453)	81,386	193,933
Total comprehensive loss		-	-	(59,923)	(59,923)
		120,000	(7,453)	21,463	134,010
<b>Transactions with owners</b>					
Dividend	34	-	-	(1,169)	(1,169)
Purchase of treasury shares	26	-	(33)	-	(33)
		-	(33)	(1,169)	(1,202)
<b>At 31 December 2018</b>		120,000	(7,486)	20,294	132,808

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





## CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Operating activities</b>		
Loss before tax	(18,113)	(50,226)
Adjustments for:		
Allowance for expected credit losses on other receivables:		
- current	325	286
- non-current	3,184	817
Depreciation of property, plant and equipment	39,655	37,036
Depreciation of investment properties	459	13
Employee defined benefits liabilities	(1,208)	1,275
Finance costs	22,002	16,988
Gain on disposal of property, plant and equipment	(299)	(171)
Interest income	(5,670)	(5,479)
Net fair value changes of biological assets	(2,633)	915
Net unrealised (gain)/loss on foreign exchange	(9,020)	13,403
Deposits paid for leases of land written off	419	-
Property, plant and equipment written off	71	440
	29,172	15,297
Operating profit before changes in working capital		
Changes in working capital:		
Inventories	2,370	1,335
Trade and other receivables	(4,757)	17,772
Prepayments	(24)	5,516
Trade and other payables	16,985	6,812
	43,746	46,732
Cash flows from operations		
Interest received	2,511	3,207
Income taxes paid	(2,784)	(5,789)
Interest paid	(33,179)	(32,607)
	10,294	11,543
Net cash flows from operating activities		
<b>Investing activities</b>		
Placement of fixed deposits	(7,472)	(1,148)
Purchase of property, plant and equipment	(33,792)	(40,501)
Proceeds from disposal of property, plant and equipment and right-of-use assets	1,152	1,009
	(40,112)	(40,640)
Net cash flows used in investing activities		



## CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

	<b>2019</b> <b>RM'000</b>	<b>2018</b> <b>RM'000</b>
<b>Financing activities</b>		
Purchase of treasury shares	(23)	(33)
Dividends paid	-	(1,169)
Net repayment of bank loans	20,979	(12,485)
Net (repayment)/proceeds from drawdown of revolving credits	(1,500)	34,213
Net proceeds from drawdown of bankers' acceptances	1,972	1,119
Net repayment of hire purchase liabilities	2,081	(754)
	<hr/>	<hr/>
Net cash flows from financing activities	23,509	20,891
	<hr/>	<hr/>
<b>Net decrease in cash and cash equivalents</b>	(6,309)	(8,206)
Effect of exchange rate changes	4,048	2,066
<b>Cash and cash equivalents at the beginning of financial year</b>	3,581	9,721
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of financial year (Note 20)</b>	1,320	3,581
	<hr/>	<hr/>

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



## COMPANY STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	2019 RM'000	2018 RM'000
<b>Operating activities</b>		
Profit/(loss) before tax	18,795	(59,664)
Adjustments for:		
Interest income	(26,546)	(25,941)
Impairment of amounts due from subsidiaries	3,300	52,653
Interest expense	16,125	15,862
Depreciation of property, plant and equipment	70	72
Net unrealised (gain)/loss on foreign exchange	(11,735)	16,145
	9	(873)
Operating profit/(loss) before changes in working capital		
Changes in working capital:		
Trade and other receivables	24	491
Prepayments	(30)	(25)
Trade and other payables	4,113	9
	4,116	(398)
Cash flows from/(used in) operations		
Interest received	26,546	25,941
Interest paid	(16,125)	(15,995)
Taxes paid	(105)	(235)
	14,432	9,313
Net cash flows from operating activities		
<b>Investing activities</b>		
Purchase of property, plant and equipment	(12)	(143)
	(12)	(143)
Net cash flows used in investing activities		
<b>Financing activities</b>		
Net repayment of amounts due to subsidiaries	(34,028)	(12,893)
Purchase of treasury shares	(23)	(33)
Dividends paid	-	(1,169)
Net drawdown/(repayment) of bank loans	19,850	(7,050)
Net drawdown of revolving credits	-	10,000
	(14,201)	(11,145)
Net cash flows used in financing activities		
<b>Net increase/(decrease) in cash and cash equivalents</b>	219	(1,975)
Effect of exchange rate changes	(31)	(41)
<b>Cash and cash equivalents at the beginning of financial year</b>	3,812	5,828
<b>Cash and cash equivalents at the end of financial year (Note 20)</b>	4,000	3,812

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



## **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

### **1. Corporate information**

NPC Resources Berhad (“the Company”) is a public limited liability company incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Lot 9, T3, Taman Tshun Ngen, Mile 5, Jalan Labuk, 90000 Sandakan, Sabah.

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiaries are set out in Note 17.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 30 June 2020.

### **2. Summary of significant accounting policies**

#### **2.1 Basis of preparation**

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

For the financial year ended 31 December 2019, the Group incurred net losses for the financial year of RM13,874,000 (2018: RM64,104,000) and as of that date, the Group’s and the Company’s current liabilities exceeded their current assets by RM489,321,000 and RM572,513,000 (2018: RM466,153,000 and RM543,048,000) respectively. During the year certain loan covenants for certain borrowings relating to the gearing ratio were breached of which subsequent to the financial year end, the Group has obtained indulgence from the respective bankers for this non-compliance. As at 31 December 2019, the gearing ratio of the Group was met. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group’s and on the Company’s ability to continue as a going concern and, therefore, they may be unable to realise their assets and discharge their liabilities in the normal course of business. The ability of the Group and of the Company to continue as a going concern is dependent on the continuing financial support of their bankers and creditors and on the success of their future operations. The Directors are confident that they will be able to obtain continuing financial support from their bankers and creditors and that the Group and the Company will be able to achieve successful future operations. On this basis, the financial statements of the Group and of the Company have been prepared on a going concern basis.

The financial statements have been prepared on the historical cost basis except otherwise disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia (“RM”) and all values are rounded to the nearest thousand (“RM’000”) except when otherwise indicated.

#### **2.2 Changes in accounting policies**

The accounting policies adopted are consistent with those of the previous financial year except as discussed below.

##### **a) Subsequent measurement of leasehold plantation land and land use rights for plantation from cost to revaluation model**

On 31 December 2019, the Group changed its accounting policy with respect to the subsequent measurement of leasehold plantation land and land use rights for plantation which are presented within property, plant and equipment from cost model less depreciation and impairment to the revaluation model less depreciation and impairment loss. Under the revaluation model, changes in fair value are recognised in other comprehensive income. The Group believes that subsequent measurement using the revaluation model provides more relevant information about the financial position and performance of these assets.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 2. Summary of significant accounting policies (cont'd)

#### 2.2 Changes in accounting policies (cont'd)

The accounting policies adopted are consistent with those of the previous financial year except as discussed below. (cont'd)

##### a) Subsequent measurement of leasehold plantation land and land use rights for plantation from cost to revaluation model (cont'd)

The Group applied the change in accounting policy prospectively as required in MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors, where there is no restatement of prior period for the carrying value and depreciation charge of the assets concerned. The Group's leasehold plantation land and land use rights for plantation were revalued as at 31 December 2019 by independent professional qualified valuers. Arising from this change in accounting policy, the carrying amount of property, plant and equipment, deferred tax liabilities, revaluation surplus, and non-controlling interests as at 31 December 2019 increased by RM399,946,000, RM98,199,000, RM261,391,000 and RM40,356,000 respectively.

##### b) Adoption of new and amended MFRS

On 1 January 2019, the Group and the Company adopted the following new and amended standards and interpretation mandatory for annual financial periods beginning on or after 1 January 2019:

Description	Effective for annual periods beginning on or after
• MFRS 16 Lease	1 January 2019
• IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
• Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
• Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
• Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
• Annual Improvements to MFRS Standards 2015 - 2017 Cycle	1 January 2019

Except for MFRS 16, the adoption of these new and amended standards and interpretation above did not have any effect on the financial performance or position of the Group and the Company. The Group and the Company applied MFRS 16 for the first time. The nature and effect of the changes as a result of the new accounting policy are described below:

##### MFRS 16 Leases

MFRS 16 supersedes MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statements of financial position.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 2. Summary of significant accounting policies (cont'd)

#### 2.2 Changes in accounting policies (cont'd)

##### b) Adoption of new and amended MFRS (cont'd)

###### MFRS 16 Leases (cont'd)

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 did not have an impact for leases where the Group is the lessor.

The Group and the Company adopted MFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group and the Company elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 1 January 2019. Instead, the Group and the Company applied the standard only to contracts that were previously identified as leases applying MFRS 117 at the date of initial application.

Before the adoption of MFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to Note 2.20 for the accounting policy prior to 1 January 2019.

Upon adoption of MFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2.20 for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

##### (a) Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under MFRS 117). The requirements of MFRS 16 were applied to these assets from 1 January 2019.

##### (b) Leases previously classified as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application





## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 2. Summary of significant accounting policies (cont'd)

#### 2.2 Changes in accounting policies (cont'd)

##### b) Adoption of new and amended MFRS (cont'd)

##### MFRS 16 Leases (cont'd)

The Group also applied the available practical expedients wherein it (cont'd):

- Excluded the initial direct costs from the measurement of the right-of-use assets at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Based on the above, as at 1 January 2019:

- (i) Right-of-use assets of the Group amounted to RM175,187,000 was recognised and presented within property, plant and equipment and disclosed in Note 13.
- (ii) Finance lease liabilities of RM1,274,000 was reclassified to lease liabilities.
- (iii) Additional lease liabilities of the Group of RM249,000 (included in loans and borrowings) were recognised.

The effect of adoption MFRS 16 as at 1 January 2019 are as follows:

	Note	Increase/ (decrease) Group RM'000
<b>Assets</b>		
Property, plant and equipment	13	249
<b>Liabilities</b>		
Lease liabilities	21	1,523

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	Group RM'000
Operating lease commitments as at 31 December 2018	895
Less: Commitment reclassify to short-term lease	(145)
	750
Weighted average incremental borrowing rate as at 1 January 2019	5.29%
Discounted operating lease commitments as at 1 January 2019	249
Add: Commitments relating to leases previously classified as finance leases	1,274
Lease liabilities as at 1 January 2019	1,523



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 2. Summary of significant accounting policies (cont'd)

#### 2.3 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective up to the date of issuance of the Group and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
• Amendments to MFRS 3: Definition of a Business	1 January 2020
• Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
• Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform	1 January 2020
• Revised Conceptual Framework for Financial Reporting	1 January 2020
• Amendments to MFRS 16: COVID-19- Related Rent Concessions	1 June 2020
• MFRS 17 Insurance Contracts	1 January 2021
• Amendments to MFRS 3: Reference to the Conceptual Framework	1 January 2022
• Amendments to MFRS101: Classification of Liabilities as Current or Non-Current	1 January 2022
• Amendments to MFRS 116: Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
• Amendments to MFRS 137: Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
• Annual Improvements to MFRS Standards 2018-2020	1 January 2022
• Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The Directors expect that the adoption of the above standards and interpretation will have no material impact on the financial statements in the period of initial application.

#### 2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- (i) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) exposure, or rights, to variable returns from its investment with the investee; and
- (iii) the ability to use its power over the investee to affect its returns.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 2. Summary of significant accounting policies (cont'd)

#### 2.4 Basis of consolidation (cont'd)

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (i) the contractual arrangements with the other vote holders of the investee;
- (ii) rights arising from other contractual arrangements; and
- (iii) the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the financial year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

#### **Business combinations**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date's fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.



## **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### **2. Summary of significant accounting policies** (cont'd)

#### **2.4 Basis of consolidation** (cont'd)

##### **Business combinations** (cont'd)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset and liability that is a financial instrument and within the scope of MFRS 9, is measured at fair value with the changes in fair value recognised in profit or loss in accordance with MFRS 9. Other contingent consideration that is not within the scope of MFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

The accounting policy for goodwill is set out in Note 2.10.

#### **2.5 Subsidiaries**

A subsidiary is an entity over which the Group has all the following:

- (i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

#### **2.6 Transactions with non-controlling interest**

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the parent, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the parent.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.



## **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### **2. Summary of significant accounting policies (cont'd)**

#### **2.7 Foreign currency**

##### **(a) Functional and presentation currency**

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in RM, which is also the Company's functional currency.

##### **(b) Foreign currency transactions**

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in OCI and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to OCI. On disposal of a foreign operation, the cumulative amount recognised in OCI and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

#### **2.8 Property, plant and equipment**

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 2. Summary of significant accounting policies (cont'd)

#### 2.8 Property, plant and equipment (cont'd)

Subsequent to recognition, property, plant and equipment except for leasehold plantation land and land use rights for plantation are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Prior to 31 December 2019, leasehold plantation land and land use rights for plantation were measured at cost less accumulated depreciation and impairment losses.

Leasehold plantation land and land use rights for plantation are subsequently measured at fair value less accumulated and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the leasehold plantation land and land use rights for plantation at the reporting date.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Leasehold land is amortised over the respective lease which range from 70 years to 907 years. Land use rights is amortised over the respective lease which range from 14 years to 35 years.

Capital work-in-progress is not depreciated as these assets are not yet available for use.

Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Buildings	2% - 15%
Mill structure	5%
Bearer plants	4.55%
Oil mill and estate plant and machinery	8% - 20%
Heavy equipment and motor vehicles	8% - 20%
Furniture, fittings and equipment	10% - 20%
Platforms, net cages and water tanks	10% - 20%
Hotel and office renovations	2% - 10%
Hotel plant and machinery	10% - 20%





## **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### **2. Summary of significant accounting policies (cont'd)**

#### **2.8 Property, plant and equipment (cont'd)**

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the financial year in which the asset is derecognised.

#### **2.9 Investment properties**

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are measured at cost, including transaction costs less accumulated depreciation and any accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy Note 2.8

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the financial year of retirement or disposal.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

#### **2.10 Intangible assets**

##### **Goodwill**

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.



## **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### **2. Summary of significant accounting policies (cont'd)**

#### **2.10 Intangible assets (cont'd)**

##### **Goodwill (cont'd)**

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.7.

#### **2.11 Plasma receivables**

The government of the Republic of Indonesia requires companies involved in plantation development to provide support to develop and cultivate oil palm lands for local communities in oil palm plantations as part of their social obligation which are known as Plasma Schemes.

The Group assumes responsibility for developing oil palm plantations to the productive stage. When the plantation is at its productive stage, it is considered to be completed and is transferred to the plasma farmers (conversion of plasma plantations). All costs incurred will be reviewed by the relevant authorities and the Group will be reimbursed for all approved costs which are financed by the Group. Conversion value refers to the value reimbursed to the Group upon conversion of the plasma plantations.

The plasma farmers sell all harvest to the Group at a price determined by the Government, which approximates the market price. Part of the proceeds will be distributed to the plasma farmers with the residual retained by the Group as payment for all approved cost financed by the Group.

Accumulated development costs net of reimbursements are presented in the statement of financial position. Any difference between the accumulated development costs of plasma plantations and their conversion value is charged to profit or loss.

Plasma receivables are classified as financial assets carried at amortised cost under MFRS 9. The accounting policy for financial instruments is set out in Note 2.14.

#### **2.12 Biological assets**

Biological assets comprise the produce growing on bearer plants. Biological assets are measured at fair value less costs to sell. Any gains or losses arising from changes in the fair value less costs to sell are recognised in profit or loss. Fair value is determined based on the present value of expected net cash flows from the biological assets. The expected net cash flows are estimated using the expected output method and the estimated market price of the biological assets.

Biological assets are classified as current assets for bearer plants that are expected to be harvested on a date not more than 12 months.



## **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### **2. Summary of significant accounting policies (cont'd)**

#### **2.13 Impairment of non-financial assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to OCI. In this case, the impairment is also recognised in OCI up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

#### **2.14 Financial instruments - initial recognition and subsequent measurement**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

##### **(i) Financial assets**

###### **Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("OCI"), and fair value through profit or loss.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 2. Summary of significant accounting policies (cont'd)

#### 2.14 Financial instruments - initial recognition and subsequent measurement (cont'd)

##### (i) Financial assets (cont'd)

###### Initial recognition and measurement (cont'd)

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

###### Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

###### **Financial assets at amortised cost (debt instruments)**

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.



## **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### **2. Summary of significant accounting policies (cont'd)**

#### **2.14 Financial instruments - initial recognition and subsequent measurement (cont'd)**

##### **(i) Financial assets (cont'd)**

###### ***Financial assets at fair value through OCI (debt instruments)***

For debt instruments at fair value through OCI, interest income and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

###### ***Financial assets designated at fair value through OCI (equity instruments)***

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under MFRS 132 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

###### ***Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 2. Summary of significant accounting policies (cont'd)

#### 2.14 Financial instruments - initial recognition and subsequent measurement (cont'd)

##### (i) Financial assets (cont'd)

###### Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either: (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

###### Impairment

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments carried at amortised cost and fair value through OCI, contract assets and lease receivables. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows expected to be received, discounted at the original effective interest rate (EIR). The expected cash flows will include cash flows from the sale of collaterals held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognised as a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.





## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 2. Summary of significant accounting policies (cont'd)

#### 2.14 Financial instruments - initial recognition and subsequent measurement (cont'd)

##### (ii) Financial liabilities

###### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

###### Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

###### *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by MFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

###### *Financial liabilities at amortised cost (loans and borrowings)*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.





## **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### **2. Summary of significant accounting policies (cont'd)**

#### **2.14 Financial instruments - initial recognition and subsequent measurement (cont'd)**

##### **(ii) Financial liabilities (cont'd)**

###### **Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

##### **(iii) Offsetting**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

##### **(iv) Financial guarantee contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

###### **Current financial year**

Financial guarantees issued are initially measured at fair value, net of transaction costs. Subsequently, they are measured at the higher of the amount of the loss allowance; and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with MFRS 15.

#### **2.15 Cash and cash equivalents**

Cash and cash equivalents comprise cash at banks and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's and of the Company's cash management.



## **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### **2. Summary of significant accounting policies (cont'd)**

#### **2.16 Inventories**

Inventories are stated at lower of cost and net realisable value.

Cost of crude palm oil, palm kernel and milled oil palm produce are determined on the first in, first out method. The cost comprises direct material cost, direct labour cost, other direct charges and an appropriate proportion of factory overheads.

Cost of fresh fruit bunches, consumable stores, culverts, food, beverages, tobacco and operating supplies are determined on the weighted average cost method. The cost comprises the actual cost of purchases and expenses in bringing them into stores.

Cost of oil palm nurseries is determined using the weighted average cost method. The cost comprises the actual cost of seedlings and upkeep expenses.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.

#### **2.17 Provisions**

Provisions are recognised when the Group or the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

#### **2.18 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### **2.19 Employee benefits**

##### **(a) Short term benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.



## **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### **2. Summary of significant accounting policies (cont'd)**

#### **2.19 Employee benefits (cont'd)**

##### **(b) Post-employment benefits**

The Group has various post-employment benefit schemes in accordance with local conditions and practices in the countries in which it operates. These benefit plans are either defined contribution plans or defined benefit plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually dependent on one or more factors such as age, years of service or compensation.

##### **(i) Defined contribution plans**

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employees Provident Fund in Malaysia, a defined contribution pension scheme. Foreign subsidiaries also make contributions to their country's statutory pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

##### **(ii) Defined benefits plans**

The Indonesian subsidiaries of the Group recognise employee benefits liability based on the provisions of Labor Law No. 13/2003 dated March 25, 2003 in Indonesia.

The cost of providing benefits under the defined benefits plan is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling are recognised immediately in the statements of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurement are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment; and
- The date that the Group recognises related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or assets. The Group recognises the following changes in employee benefits under 'cost of sales' and 'administration expenses' in the statements of comprehensive income (by function) or capitalised under bearer plants in accordance with Note 2.8:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-rounding settlements; and
- Net interest expense or income.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 2. Summary of significant accounting policies (cont'd)

#### 2.20 Leases

Current financial year

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located, less any lease incentives received.

After initial application MFRS16 on 31 December 2019, a class of right-of-use asset "land use rights for plantations and leasehold plantation land" are revalued by independent registered valuers. The asset's carrying amount is increased as a result of the revaluation which is recognised in other comprehensive income and accumulated in equity under heading of asset revaluation reserve.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those property, plant and equipment as follows:

Leasehold land	- over the lease period ranging from 41 to 896 years
Land use rights	- over the lease period ranging from 14 to 30 years
Leased equipment, machinery and motor vehicles	- over the useful life ranging from 8 to 10 years

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurement of the lease liability. The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the Group's incremental borrowing rate. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Group is reasonably certain to exercise.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, or if the Group changes its assessment of whether it will exercise an extension or termination option.

Lease payments associated with short term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less. Low value assets are those assets valued at less than RM20,000 each when purchased new.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 2. Summary of significant accounting policies (cont'd)

#### 2.20 Leases (cont'd)

*Previous financial year*

##### (a) As lessee

Finance leases, which transfer to the the Company substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

#### 2.21 Revenue from contracts with customers

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of goods and services tax or sales and services tax, returns, rebates and discounts. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

The Group recognises revenue from contracts with customers for the provision of services and sale of goods based on the five-step model as set out below:

##### (a) Identify contract with a customer

A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

##### (b) Identify performance obligations in the contract

A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.



## **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### **2. Summary of significant accounting policies (cont'd)**

#### **2.21 Revenue from contracts with customers (cont'd)**

##### **(c) Determine the transaction price**

The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Generally, the Group receives short-term advances from its customers. Using the practical expedient in MFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

##### **(d) Allocate the transaction price to the performance obligation in the contract**

For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

##### **(e) Recognise revenue when (or as) the Group satisfies a performance obligation**

The Group satisfies a performance obligation and recognise revenue over time if the Group's performance:

- (i) Do not create an asset with an alternative use to the Group and has an enforceable right to payment for performance obligation completed to-date; or
- (ii) Create or enhance an asset that the customer controls as the asset is created or enhanced; or
- (iii) Provide benefits that the customer simultaneously receives and consumes as the Group performs.

For performance obligations where any one of the above conditions are met, revenue is recognised over time at which the performance obligation is satisfied.

For performance obligations that the Group satisfies over time, the Group determined that the input method is the best method in measuring progress of the services because there is direct relationship between the Group's effort and the transfer of service to the customer.



## **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### **2. Summary of significant accounting policies (cont'd)**

#### **2.21 Revenue from contracts with customers (cont'd)**

##### **(a) Sales of plantation produce**

The Group's revenue from Plantation segment is derived mainly from agricultural produce such as crude palm oil ("CPO"), fresh fruit bunches ("FFB"), palm kernel ("PK") and empty fruit bunches oil.

Revenue from sales of agricultural produce is recognised net of discount and taxes at the point in time when control of the goods has transferred to the customer.

The transaction price is allocated to each performance obligation based on the standalone selling price of the goods.

There is no element of financing present as the Group's sale of goods are either on cash terms (immediate payments or advance payment not exceeding 30 days); or on credit terms of up to 60 days.

##### **(b) Management income**

Revenue from management services is recognised when services are rendered.

##### **(c) Dividend income**

Dividend income is recognised when the Group's and the Company's right to receive payment is established.

##### **(d) Revenue from hotel operations**

Revenue from room sales, sale of food and beverage are recognised net of sales taxes and discounts on an accrual basis at the point in time when control of the goods or services has transferred to the customer.

##### **(e) Sundry sales**

Revenue from usage of telephone, laundry and other related services is recognised upon the rendering of services, net of taxes.

##### **(f) Rental income**

Rental income is accounted for on a straight-line basis over the lease terms.

##### **(g) Interest income**

Interest income is recognised on a time proportion basis.

##### **(h) Transportation service**

Revenue from transportation service rendered is recognised as and when the services are performed.





## **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### **2. Summary of significant accounting policies (cont'd)**

#### **2.22 Taxes**

##### **(a) Current tax**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in OCI or directly in equity.

##### **(b) Deferred tax**

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the financial year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 2. Summary of significant accounting policies (cont'd)

#### 2.22 Taxes (cont'd)

##### (b) Deferred tax (cont'd)

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

##### (c) Goods and Services Tax ("GST") and Value Added Tax ("VAT")

Revenues, expenses and assets are recognised net of the amount of GST or VAT except:

- Where the GST/VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the GST/VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of GST/VAT included.

The net amount of GST/VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

##### (d) Sales and Services Tax ("SST")

When SST is incurred, SST is recognised as part of the expense or cost of acquisition of the asset as SST is not recoverable.

Whereas, revenue is recognised net of the amount of SST billed as it is payable to the taxation authority. SST payable to the taxation authority is included as part of payables in the statements of financial position.

#### 2.23 Segment reporting

For management purposes, the Group is organised into operating segments based on its products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 33, including the factors used to identify the reportable segments and the measurement basis of segment information.



## **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### **2. Summary of significant accounting policies (cont'd)**

#### **2.24 Share capital and share issuance expenses**

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of their liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

#### **2.25 Treasury shares**

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

#### **2.26 Derivative financial instrument**

The Group uses derivative financial instrument, such as commodity pricing swap contracts, to manage some of the transaction exposure, as well as to take advantage of favourable market conditions. The commodity pricing swap contracts is not designated as cash flow or fair value hedges and is entered into for periods consistent with commodity transaction exposure and fair value changes exposure. Such derivative does not qualify for hedge accounting.

The fair value change is due to the difference between fixed CPO prices as per the swap contracts and the average future CPO prices quoted on the Bursa Malaysia Derivative Exchange for the specific contracted periods.

Fair value gain is recorded when the average future CPO prices quoted on the Bursa Malaysia Derivative Exchange is lower than the contracted fixed CPO prices. Conversely, a fair value loss will be recorded when the average future CPO prices quoted on the Bursa Malaysia Derivative Exchange are higher than the contracted fixed CPO prices.

#### **2.27 Current versus non-current classification**

The Group and the Company present assets and liabilities in the statements of financial position based on current/non-current classification. An asset is current when:

- (i) It is expected to be realised or intended to be sold or consumed in the normal operating cycle;
- (ii) Held primarily for the purpose of trading;
- (iii) Expected to be realised within twelve months after the reporting period; or
- (iv) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.



## **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### **2. Summary of significant accounting policies** (cont'd)

#### **2.27 Current versus non-current classification** (cont'd)

All other assets are classified as non-current.

A liability is current when:

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group and the Company classify all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

#### **2.28 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (i) in the principal market for the asset or liability; or
- (ii) in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.



## **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### **2. Summary of significant accounting policies (cont'd)**

#### **2.28 Fair value measurement (cont'd)**

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

**Level 1** Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

**Level 2** Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

**Level 3** Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### **3. Significant accounting judgements and estimates**

The preparation of the Group's and of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

#### **Judgements made in applying accounting policies**

There are no critical judgements made by management in the process of applying the Group's or the Company's accounting policies that have a significant effect on the amounts recognised in the financial statements.

#### **Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### **(a) Impairment of goodwill**

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the carrying value, key assumptions applied in the impairment testing of goodwill and sensitivity analysis to changes in the assumptions are given in Note 16.



## **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### **3. Significant accounting judgements and estimates (cont'd)**

#### **(b) Deferred tax assets**

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses, capital and agriculture allowances and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statements of financial position and the amount of unrecognised deferred tax assets.

The carrying values of deferred tax assets and unrecognised deferred tax assets of the Group and of the Company at 31 December 2019 are disclosed in Note 24.

#### **(c) Provision for expected credit losses of amounts due from subsidiaries, trade receivables and other receivables**

The Group and the Company assess the credit risk at each reporting date, whether there have been significant increases in credit risk since initial recognition on an individual basis. To determine whether there is a significant increase in credit risks, the Group and the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtors and default or significant delay in payments.

Where there is a significant increase in credit risk, the Group and the Company determine the lifetime expected credit losses by considering the loss given default and the probability of default assigned to each counterparty customer. The financial assets are written off either partially or in full when there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amount subject to the write-offs.

The carrying amounts of the amounts due from subsidiaries is disclosed in Note 17 and trade and other receivables is disclosed in Note 19.



## **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### **3. Significant accounting judgements and estimates**

#### **Key sources of estimation uncertainty** (cont'd)

##### **(d) Revaluation of leasehold plantation land and land use rights for plantation**

The Group measures its leasehold plantation land and land use rights for plantation at revalued amount with changes in fair value being recognised in other comprehensive income. The Group engaged an independent valuation specialist to assess fair value as at 31 December 2019 for revalued leasehold plantation land and land use rights for plantation. Leasehold plantation land and land use rights for plantation were valued by reference to market-based evidence, using comparable price adjusted for specific market factors such as nature, location and condition of the leasehold land. Significant judgement is involved in determining the inputs used in the valuation.

##### **(e) Impairment of non-financial assets and interests in subsidiaries**

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounting cash flow model. The cash flows are derived from management's budget and do not include restructuring activities that the Group and the Company are yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the commodity prices and the discount rate used for the discounting cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.





## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 4. Revenue

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Types of goods and services:				
Sale of:				
- crude palm oil	176,857	175,111	-	-
- palm kernel	16,940	26,703	-	-
- fresh fruit bunches	23,608	17,591	-	-
- rooms	5,110	7,197	-	-
- food and beverages	2,698	1,700	-	-
Hotel sundry sales	78	67	-	-
Transportation services	11	-	-	-
Management fees	-	-	6,689	7,302
	<u>225,302</u>	<u>228,369</u>	<u>6,689</u>	<u>7,302</u>

#### Timing of revenue recognition

At a point in time	225,291	228,369	-	-
Over time	11	-	6,689	7,302
	<u>225,302</u>	<u>228,369</u>	<u>6,689</u>	<u>7,302</u>

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are, as follow:

	Group	
	2019 RM'000	2018 RM'000
Within one year	<u>7,079</u>	<u>4,662</u>

All performance obligations are expected to be recognised within one year.

Details of segmental revenue is disclosed in Note 33.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 5. Interest income

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest on advances to subsidiaries	-	-	26,507	25,884
Interest on advances to related parties	2,286	3,102	-	-
Interest on fixed deposits	225	105	39	57
Others	3,159	2,272	-	-
	<u>5,670</u>	<u>5,479</u>	<u>26,546</u>	<u>25,941</u>

### 6. Other income

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Gain on disposal of property, plant and equipment	299	171	-	-
Realised gain on foreign exchange	2	3	2	3
Rental income	613	584	-	-
Sale of waste products	2,057	1,458	-	-
Unrealised gain on foreign exchange	9,050	-	11,735	-
Miscellaneous income	729	906	1	-
	<u>12,750</u>	<u>3,122</u>	<u>11,738</u>	<u>3</u>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 7. Finance costs

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest expense on:				
Advances from subsidiaries	-	-	1,170	1,123
Bankers' acceptances	422	384	-	-
Bank overdrafts	375	395	63	66
Bank loans	9,817	9,386	8,382	7,753
Obligations under finance leases	-	114	-	-
Lease liabilities (Note 25)	426	-	-	-
Revolving credits	15,832	15,281	6,509	5,620
Amounts due to foreign subsidiaries' non-controlling interests	3,051	2,477	-	-
Others	3,256	4,570	1	1,300
Total interest expense	33,179	32,607	16,125	15,862
Less:				
Interest capitalised in bearer plants (Note 13)	(5,547)	(9,186)	-	-
Interest allocation for Plasma Scheme (Note 19)	(5,630)	(6,433)	-	-
Finance cost recognised in profit or loss	22,002	16,988	16,125	15,862



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 8. (Loss)/profit before tax

In addition to the other items disclosed elsewhere in the financial statements, the following items have been included in arriving at (loss)/profit before tax:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Auditors' remuneration:				
- current financial year	572	560	220	218
- overprovision in prior financial year	(18)	-	(18)	-
- other services	105	208	13	130
Depreciation of property, plant and equipment (Note 13)	39,655	37,036	70	72
Depreciation of investment properties (Note 14)	459	13	-	-
Employee benefits expense (Note 9)	55,107	53,191	5,371	5,743
Non-executive Directors' remuneration	538	548	420	430
Allowance for expected credit losses on trade and other receivables (Note 19):				
- current	325	286	-	-
- non-current	605	817	-	-
- Impairment of advances to secure land use rights	3,184	-	-	-
Variable lease payment (Note 25)	349	540	-	-
Property, plant and equipment written off	71	440	-	-
Impairment of amounts due from subsidiaries	-	-	3,300	52,653
Expenses relating to leases of low-value assets	95	-	102	-
Rental of premises	-	57	-	102
Net fair value changes of biological assets (Note 15)	(2,633)	915	-	-
Unrealised loss on foreign exchange	30	13,403	-	16,145
Deposits paid for leases of land and office building written off	419	-	-	-



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 9. Employee benefits expense

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Salaries and wages	59,379	57,374	4,683	5,004
Contributions to defined contribution plans	2,443	2,265	659	710
Employee defined benefit liabilities (Note 23)	(1,208)	1,275	-	-
Social security contributions	578	409	29	29
	<u>61,192</u>	<u>61,323</u>	<u>5,371</u>	<u>5,743</u>
Capitalised in:				
- capital work-in-progress (Note 13)	(44)	(121)	-	-
- bearer plants (Note 13)	(3,997)	(5,722)	-	-
- oil palm nurseries	(403)	(505)	-	-
- allocation for Plasma Scheme (Note 19)	(1,641)	(1,784)	-	-
	<u>55,107</u>	<u>53,191</u>	<u>5,371</u>	<u>5,743</u>
Recognised in profit or loss				
	<u>55,107</u>	<u>53,191</u>	<u>5,371</u>	<u>5,743</u>

Included in employee benefits expense of the Group and of the Company are executive Directors' remuneration amounting to RM4,004,000 (2018: RM4,115,000) and RM2,738,000 (2018: RM2,924,000) respectively as further disclosed in Note 10.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 10. Directors' remuneration

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Executive Directors of the Company</b>				
Salaries, bonus and other emoluments	3,964	4,075	2,699	2,884
Fees	40	40	40	40
Total executive Directors' remuneration (excluding benefits-in-kind) (Note 9)	4,004	4,115	2,739	2,924
Benefits-in-kind	59	59	59	59
Total executive Directors' remuneration (including benefits-in-kind) (Note 30)	4,063	4,174	2,798	2,983
<b>Non-executive Directors of the Company</b>				
Allowances and other emoluments	390	390	390	390
Fees	30	40	30	40
Total non-executive Directors' remuneration	420	430	420	430
<b>Non-executive Directors of a subsidiary</b>				
Fees	108	108	-	-
Benefits-in-kind	10	10	-	-
	118	118	-	-
Total non-executive Directors' remuneration	538	548	420	430
Total Directors' remuneration	4,601	4,722	3,218	3,413

The number of Directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of Directors	
	2019	2018
Executive Directors:		
RM500,001 - RM550,000	1	1
RM550,001 - RM600,000	1	1
RM850,001 - RM900,000	1	-
RM900,001 - RM950,000	-	1
RM2,100,001 - RM2,150,000	1	1
Non-Executive Directors:		
RM50,001 - RM100,000	1	1
RM100,001 - RM150,000	3	3



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 11. Income tax (benefit)/expense

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Statements of comprehensive income:</b>				
Current income tax:				
Income tax	2,336	4,351	95	152
Underprovision in previous financial years	74	374	11	112
	<u>2,410</u>	<u>4,725</u>	<u>106</u>	<u>264</u>
Deferred income tax (Note 24):				
Relating to origination and reversal of temporary differences	(6,703)	8,887	(5)	(5)
Under/(over)provision in previous financial years	54	266	(1)	-
	<u>(6,649)</u>	<u>9,153</u>	<u>(6)</u>	<u>(5)</u>
	<u>(4,239)</u>	<u>13,878</u>	<u>100</u>	<u>259</u>

Domestic current income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the financial year.

The corporate tax rate applicable to the Indonesian subsidiaries of the Group is 25% (2018: 25%).





## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 11. Income tax (benefit)/expense (cont'd)

The reconciliation between tax (benefit)/expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the financial years ended 31 December 2019 and 2018 are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(Loss)/profit before tax	(18,113)	(50,226)	18,795	(59,664)
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	(4,347)	(12,054)	4,511	(14,319)
Effect of income not subject to tax	(8,298)	(5,459)	(8,298)	(5,459)
Effect of expenses not deductible for tax purposes	6,580	11,174	3,877	19,925
Effect of differences in tax rates in foreign jurisdictions	13	(417)	-	-
Deferred tax assets recognised on previously unrecognised tax losses	(1,044)	-	-	-
Effect of tax saving on increase chargeable income	(6)	(11)	-	-
Deferred tax assets not recognised in respect of unused tax losses and unabsorbed capital allowances	2,751	20,800	-	-
Utilisation of previously unrecognised tax losses and capital allowances	(16)	(795)	-	-
Under/(over) provision of deferred tax in previous financial years	54	266	(1)	-
Underprovision of income tax expense in previous financial years	74	374	11	112
Income tax (benefit)/expense recognised in profit or loss	(4,239)	13,878	100	259

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the financial year.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 12. Loss per share

#### (a) Basic

Basic loss per share is calculated by dividing loss for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the financial year. The following reflect the loss and share data used in the computation of basic loss per share for the financial years ended 31 December 2019 and 2018:

	Group	
	2019 RM'000	2018 RM'000
Loss attributable to equity holders of the parent	<u>(12,242)</u>	<u>(48,229)</u>
	<b>Number of shares '000</b>	<b>Number of shares '000</b>
Weighted average number of ordinary shares in issue *	<u>116,864</u>	<u>116,877</u>
Basic loss per share for the financial year (sen)	<u>(10.48)</u>	<u>(41.26)</u>

\* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transactions during the financial year.

#### (b) Diluted

The Group has no potential ordinary shares in issue as at the reporting date. Therefore, diluted loss per share is the same as basic loss per share.

### 13. Property, plant and equipment

Group	Leasehold land, buildings and mill structure RM'000	Bearer plant RM'000	Plantation and fishery infrastructure development expenditure RM'000	Oil mill and estate plant and machinery RM'000	Heavy equipment and motor vehicles RM'000	Furniture, fittings and equipment RM'000	Platforms, net cages and water tanks RM'000	Hotel renovations plant and machinery RM'000	Land use rights RM'000	Capital work-in- progress RM'000	Total RM'000
<b>Valuation/Cost</b>											
At 1 January 2018	224,081	594,688	26,534	57,205	61,098	11,539	631	9,470	86,529	4,481	1,076,256
Additions	4,287	31,826	52	547	4,154	1,007	-	240	5,941	5,238	53,292
Allocation for Plasma Scheme	-	(8,061)	-	-	-	-	-	-	-	-	(8,061)
Disposals	-	-	-	-	(1,929)	-	-	-	-	-	(1,929)
Written off	(289)	-	-	(806)	(385)	(25)	-	-	-	(3)	(1,508)
Reclassifications	2,968	-	691	909	77	30	-	147	-	(4,830)	(8)
Exchange differences	(1,735)	(9,080)	(303)	(623)	(845)	(92)	-	-	(3,094)	(104)	(15,876)
At 31 December 2018	229,312	609,373	26,974	57,232	62,170	12,459	631	9,857	89,376	4,782	1,102,166
Effect of adoption of MFRS 16 Leases	-	-	-	-	-	-	-	-	249	-	249
As 1 January 2019 (adjusted)	229,312	609,373	26,974	57,232	62,170	12,459	631	9,857	89,625	4,782	1,102,415
Additions	4,480	25,773	40	312	5,000	739	-	512	-	5,103	41,959
Elimination of accumulated depreciation on revaluation	(12,950)	-	-	-	-	-	-	-	(11,668)	-	(24,618)
Asset revaluation	316,986	-	-	-	-	-	-	-	82,960	-	399,946
Disposals	-	-	-	(25)	(1,802)	(10)	-	-	(88)	-	(1,925)
Reclassified to investment properties (Note 14)	(6,388)	-	(149)	-	(1,058)	(334)	(82)	-	(10,044)	-	(18,055)
Written off	-	(21,842)	-	-	-	-	-	-	-	(71)	(21,913)
Reclassifications	3,157	(11,230)	12,682	-	-	595	-	-	-	(5,204)	-
Exchange differences	1,376	6,718	230	438	635	81	-	-	2,708	67	12,253
At 31 December 2019	535,973	608,792	39,777	57,957	64,945	13,530	549	10,369	153,493	4,677	1,490,062

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)





**13. Property, plant and equipment** (cont'd)

Group (cont'd)	Leasehold land, buildings and mill structure RM'000	Bearer plant RM'000	Plantation and fishery infrastructure development expenditure RM'000	Oil mill and estate plant and machinery RM'000	Heavy equipment and motor vehicles RM'000	Furniture, fittings and equipment RM'000	Platforms, net cages and water tanks RM'000	Hotel renovations plant and machinery RM'000	Land use rights RM'000	Capital work-in-progress RM'000	Total RM'000
<b>Accumulated depreciation</b>											
At 1 January 2018	53,010	83,730	3,827	28,176	37,143	7,903	602	6,093	7,634	-	228,118
Depreciation charge:	7,687	19,156	632	3,214	5,317	1,130	6	488	2,505	-	40,135
Recognised in profit or loss (Note 8)	6,869	19,156	545	3,209	4,202	996	6	488	1,565	-	37,036
Allocation for Plasma Scheme	142	-	71	5	138	24	-	-	-	-	380
Capitalised in bearer plant	676	-	16	-	977	110	-	-	940	-	2,719
Disposals	-	-	-	-	(1,091)	-	-	-	-	-	(1,091)
Written off	(76)	-	-	(665)	(309)	(18)	-	-	-	-	(1,068)
Exchange differences	(264)	(229)	(49)	(109)	(402)	(49)	-	-	-	-	(1,102)
At 31 December 2018	60,357	102,657	4,410	30,616	40,658	8,966	608	6,581	10,139	-	264,992
Depreciation charge:	7,853	21,264	1,185	3,122	5,217	1,027	-	477	2,347	-	42,492
Recognised in profit or loss (Note 8)	6,876	21,264	1,050	3,119	4,506	908	-	477	1,455	-	39,655
Allocation for Plasma Scheme	99	-	68	3	43	4	-	-	-	-	217
Capitalised in bearer plant	878	-	67	-	668	115	-	-	892	-	2,620
Disposals	-	-	-	(2)	(976)	(6)	-	-	-	-	(984)
Elimination of accumulated depreciation on revaluation	(12,950)	-	-	-	-	-	-	-	(11,668)	-	(24,618)
Reclassified to investment properties (Note 14)	(1,219)	-	(119)	-	(983)	(270)	(59)	-	(226)	-	(2,876)
Written off	-	(21,842)	-	-	-	-	-	-	-	-	(21,842)
Exchange differences	270	206	43	101	339	47	-	-	-	-	1,006
At 31 December 2019	54,311	102,285	5,519	33,837	44,255	9,764	549	7,058	592	-	258,170
<b>Net carrying amount</b>											
At 31 December 2018											
- At cost	168,955	506,716	22,564	26,616	21,512	3,493	23	3,276	79,237	4,782	837,174
	168,955	506,716	22,564	26,616	21,512	3,493	23	3,276	79,237	4,782	837,174
At 31 December 2019											
- At valuation	390,440	-	-	-	-	-	-	-	152,385	-	542,825
- At cost	91,222	506,507	34,258	24,120	20,690	3,766	-	3,311	516	4,677	689,067
	481,662	506,507	34,258	24,120	20,690	3,766	-	3,311	152,901	4,677	1,231,892



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 13. Property, plant and equipment (cont'd)

Breakdown of long term leasehold land, buildings and mill structure of the Group:

	Leasehold plantation land RM'000	Other leasehold land RM'000	Buildings and mill structure RM'000	Total RM'000
<b>At valuation/cost</b>				
At 1 January 2018	89,200	16,833	118,048	224,081
Additions	300	-	3,987	4,287
Written off	-	-	(289)	(289)
Reclassified from capital work-in-progress	-	-	2,968	2,968
Exchange differences	-	-	(1,735)	(1,735)
At 31 December 2018	89,500	16,833	122,979	229,312
Additions	-	-	4,480	4,480
Elimination of accumulated depreciation on revaluation	(12,950)	-	-	(12,950)
Written off	-	-	-	-
Reclassified to investment properties	(3,096)	-	(3,292)	(6,388)
Reclassified from capital work-in-progress	-	-	3,157	3,157
Asset revaluation	316,986	-	-	316,986
Exchange differences	-	-	1,376	1,376
At 31 December 2019	390,440	16,833	128,700	535,973
<b>Accumulated depreciation</b>				
At 1 January 2018	10,829	1,505	40,676	53,010
Depreciation charge:	1,293	235	6,159	7,687
Recognised in profit or loss	1,291	235	5,343	6,869
Allocation to Plasma Scheme	-	-	142	142
Capitalised in bearer plant	2	-	674	676
Written off	-	-	(76)	(76)
Exchange differences	-	-	(264)	(264)
At 31 December 2018	12,122	1,740	46,495	60,357
Depreciation charge:	1,219	240	6,394	7,853
Recognised in profit or loss	1,219	240	5,417	6,876
Allocation to Plasma Scheme	-	-	99	99
Capitalised in bearer plant	-	-	878	878
Elimination of accumulated depreciation on revaluation	(12,950)	-	-	(12,950)
Reclassified to investment properties	(391)	-	(828)	(1,219)
Exchange differences	-	-	270	270
At 31 December 2019	-	1,980	52,331	54,311
<b>Net carrying amount</b>				
At 31 December 2018				
- At cost	77,378	15,093	76,484	168,955
At 31 December 2019				
- At valuation	390,440	-	-	390,440
- At cost	-	14,853	76,369	91,222
	390,440	14,853	76,369	481,662



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 13. Property, plant and equipment (cont'd)

	Office renovations RM'000	Furniture fittings and equipment RM'000	Capital work-in- progress RM'000	Total RM'000
<b>Company</b>				
<b>Cost</b>				
At 1 January 2018	493	792	30	1,315
Additions	-	26	117	143
Reclassifications	147	-	(147)	-
	640	818	-	1,458
At 31 December 2018	-	12	-	12
	640	830	-	1,470
At 31 December 2019				
<b>Accumulated depreciation</b>				
At 1 January 2018	40	531	-	571
Depreciation charge for the financial year (Note 8)	14	58	-	72
	54	589	-	643
At 31 December 2018	25	45	-	70
	79	634	-	713
At 31 December 2019				
<b>Net carrying amount</b>				
At 31 December 2018	586	229	-	815
At 31 December 2019	561	196	-	757

**13. Property, plant and equipment** (cont'd)

Included in the carrying amount of property, plant and equipment are right of use assets as follows:

	Leasehold plantation land RM'000	Other leasehold land RM'000	Land use rights for plantation RM'000	Leased heavy equipment machinery and motor vehicles RM'000	Total RM'000
<b>Group as lessee</b>					
<b>At valuation/cost</b>					
At 1 January 2019	89,500	17,941	88,517	3,929	199,887
Additions	-	-	-	2,579	2,579
Disposal	-	-	(88)	-	(88)
Elimination of accumulated depreciation of revaluation	(12,950)	-	(11,668)	-	(24,618)
Reclassified to investment properties	(3,096)	-	(10,044)	-	(13,140)
Asset revaluation	316,986	-	82,960	-	399,946
Exchange differences	-	-	2,708	30	2,738
At 31 December 2019	390,440	17,941	152,385	6,538	567,304
<b>Accumulated amortisation and impairment loss</b>					
At 1 January 2019	12,122	2,311	9,568	699	24,700
Amortisation for the year:	1,219	261	2,326	109	3,915
Recognised in profit or loss	1,219	261	1,434	11	2,925
Capitalised in bearer plant	-	-	892	98	990
Elimination of accumulated depreciation on revaluation	(12,950)	-	(11,668)	-	(24,618)
Reclassified to investment properties	(391)	-	(226)	-	(617)
Exchange differences	-	-	-	7	7
At 31 December 2019	-	2,572	-	815	3,387
<b>Net carrying amount</b>					
At 31 December 2019	390,440	15,369	152,385	5,723	563,917

The Group also has certain leases with lease terms of 12 months or less and leases with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.







## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 13. Property, plant and equipment (cont'd)

#### (a) Assets held under finance leases

During the financial year, the Group and the Company acquired property, plant and equipment at aggregate costs of RM41,959,000 (2018: RM53,292,000) and RM12,000 (2018: RM143,000) respectively as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Property, plant and equipment acquired by means of finance leases	-	886	-	-
Non-cash payments:				
Amortisation and depreciation capitalised under bearer plant	2,620	2,719	-	-
Interest capitalised	5,547	9,186	-	-
Cash payments made for acquisition of property, plant and equipment	33,792	40,501	12	143
	<u>41,959</u>	<u>53,292</u>	<u>12</u>	<u>143</u>

#### (b) Assets pledged as security

In addition to assets held under finance leases, the net carrying amounts of property, plant and equipment pledged as securities for loans and borrowings (Note 21) are as follows:

	Group	
	2019 RM'000	2018 RM'000
Bearer plant	474,920	378,410
Heavy equipment and motor vehicles	5,723	3,230
Leasehold land	373,639	71,161
Land use rights	76,531	35,364
Buildings and mill structure	59,502	58,036
Plantation infrastructure development expenditure	16,902	15,612
Capital work-in-progress	2,638	3,330
	<u>1,009,855</u>	<u>565,143</u>

#### (c) Additions to bearer plant capitalised during the financial year included the following:

	Group	
	2019 RM'000	2018 RM'000
Depreciation of property, plant and equipment (Note 13)	2,620	2,719
Interest capitalised (Note 7)	5,547	9,186
Employee benefits expense (Note 9)	3,997	5,722
	<u>12,164</u>	<u>17,627</u>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 13. Property, plant and equipment (cont'd)

- (d) Additions to capital work-in-progress during the financial year included employee benefits expenses of RM44,000 (2018: RM121,000).
- (e) Revaluation of leasehold plantation land and land use rights for plantation

Leasehold plantation land and land use rights have been revalued at reporting date based on valuation performed by independent valuation specialist. The valuation is based on the market-based evidence, using comparable price adjusted for specific market factors such as nature, location and condition of the leasehold land.

If the leasehold plantation land and land use rights for plantation were measured using the cost model, the carrying amounts would be as follows:

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Leasehold land at 31 December:		
- Cost	103,237	106,333
- Accumulated depreciation	(14,929)	(13,862)
	<u>88,308</u>	<u>92,471</u>
Land use right for plantation at 31 December:		
- Cost	81,693	89,376
- Accumulated depreciation	(12,311)	(10,139)
	<u>69,382</u>	<u>79,237</u>



#### 14. Investment properties

Group	Land use rights RM'000	Leasehold land RM'000	Buildings RM'000	Plantation and fishery infrastructure development expenditure RM'000	Heavy equipment and motor vehicles RM'000	Furniture, fittings and equipment RM'000	Platforms, net cages and water tanks RM'000	Total RM'000
<b>Cost</b>								
At 1 January 2018/31 December 2018	1,200	-	-	-	-	-	-	1,200
Reclassified from property, plant and equipment (Note 13)	10,044	3,096	3,292	149	1,058	334	82	18,055
At 31 December 2019	11,244	3,096	3,292	149	1,058	334	82	19,255
<b>Accumulated depreciation</b>								
At 1 January 2018	143	-	-	-	-	-	-	143
Depreciation charge for the financial year (Note 8)	13	-	-	-	-	-	-	13
At 31 December 2018	156	-	-	-	-	-	-	156
Depreciation charge for the financial year (Note 8)	227	46	83	9	65	25	4	459
Reclassified from property, plant and equipment (Note 13)	226	391	828	119	983	270	59	2,876
At 31 December 2019	609	437	911	128	1,048	295	63	3,491
<b>Net carrying amount</b>								
At 31 December 2018	1,044	-	-	-	-	-	-	1,044
At 31 December 2019	10,635	2,659	2,381	21	10	39	19	15,764



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 14. Investment properties (cont'd)

	Group	
	2019 RM'000	2018 RM'000
Fair value of investment properties (Level 3)	16,000	1,200

#### Fair value information

MFRS 13 establishes a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value. The three levels are explained below:

#### Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer. There is no transfer between Level 1, 2 and 3 fair values during the financial year.

#### Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical investment properties that the Group can assess at the measurement date.

#### Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the investment properties, either directly or indirectly.

#### Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment properties.

The fair values of investment properties of the Group are categorised as Level 3.

The fair value of the property is based on Directors' valuation, which use comparison method. The comparison method entails analysing recent transactions and asking prices of similar land in and around the locality for comparison purposes with adjustments made for differences in location, visibility, size and tenure.

	Group	
	2019 RM'000	2018 RM'000
Rental income derived from investment properties	401	126
Direct operating expenses from investment properties:		
- depreciation of investment properties	(198)	(13)
- utility expenses	(71)	(7)
	401	126



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 15. Biological assets

Biological assets relate to agricultural produce growing on bearer plants, which is referred to as fresh fruit bunches ("FFB") with the following movements in carrying value:

	Group	
	2019 RM'000	2018 RM'000
At 1 January	2,228	3,143
Harvest	(2,228)	(3,143)
Fair value changes of biological assets	4,861	2,228
At 31 December	4,861	2,228
Net fair value changes of biological assets to profit or loss (Note 8)	2,633	(915)

The Group's biological assets were fair valued within Level 3 of the fair value hierarchy. Fair value assessments have been completed consistently using the same valuation techniques.

To arrive at the fair value of FFB, the management considered the oil content of the unripe FFB and derived the assumption that the net cash flow to be generate from FFB prior to more than 6 weeks to harvest to be negligible, therefore quantity of unripe FFB on bearer plants of up to 6 weeks prior to harvest was used for valuation purpose. The value of the unripe FFB was estimated to be approximately 21% for FFB that are 5 to 6 weeks prior to harvest, 40% for FFB that are 3 to 4 weeks prior to harvest and 63% for FFB that are 1 to 2 weeks prior to harvest. The net present value of cash flows is then determined with reference to the market value of crude palm oil at the date of harvest, adjusted for freight and other cost to sell at the point of harvest.

The valuation model adopted by the Group is a discounted cash flow model which includes all cash inflows, cash outflows and imputed contributory asset charges where no actual cash flows associated with the use of assets essential to the agricultural activity are accounted for. The net present value of cash flows is then determined with reference to the market value of crude palm oil at the date of harvest, adjusted for freight, extraction rates, production, transportation, contributory asset charges and other cost to sell at the point of harvest. Changes to the assumed prices of the FFB and tonnage included in the valuation will have a direct effect on the reported valuation.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 16. Intangible assets

	Group	
	2019	2018
	RM'000	RM'000
<b>Goodwill</b>		
Cost	32,574	32,784
Exchange differences	45	(210)
	32,619	32,574
Less: Accumulated impairment loss	(118)	(118)
<b>Net carrying amount</b>	32,501	32,456

#### Impairment testing of goodwill

Goodwill which arose from business combinations has been allocated to the CGU plantation and milling segment in Malaysia and CGU plantation and milling segment in Indonesia for impairment testing. The carrying amounts of goodwill for plantation and milling segment in Malaysia and in Indonesia amounted to RM4,932,000 and RM27,569,000 respectively (2018: RM4,932,000 and RM27,524,000 respectively).

The recoverable amount of the CGU of Indonesia has been determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management. The Crude Palm Oil ("CPO") and Palm Kernel ("PK") prices and the pre-tax discount rate applied to the cash flow projections are as follows:

	Group	
	2019	2018
Plantation and milling segment in Indonesia:		
CPO per MT (RM)	2,545	2,200
PK per MT (RM)	1,500	1,700
Pre-tax discount rate (%)	10	12

The calculations of value-in-use for the CGU are most sensitive to the following assumptions:

*CPO and PK prices* – CPO and PK prices are based on the current market outlook of product prices relating to the CGU.

*Pre-tax discount rates* – Discount rates are calculated based on the weighted average cost of capital ("WACC") of the Group in the respective segments. In determining the cost of equity portion for the WACC, the capital asset pricing model is used. The calculation of cost of equity based on capital asset pricing model takes into account of the Local Government Securities coupon rate as the risk free rate of return, the beta risk of a similar size listed plantation company and the market rate of return.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 16. Intangible assets (cont'd)

#### Impairment testing of goodwill (cont'd)

The assumptions relating to CPO and PK prices and the pre-tax discount rate relevant to the plantation and millings segment in Indonesia are also used by the Group and the Company in the assessments of the recoverable amount of the CGU relating to the non-current assets of the Group's Indonesia entities and the Company's interests in subsidiaries.

The recoverable amount of the CGU of Malaysia is determined based on fair value less costs of disposal ("FVLCD") using the market approach. The fair value measurement is categorized as a Level 3 fair value based on inputs in the valuation techniques used.

Key assumptions used in the fair value less costs of disposal calculation is as follows:

Average selling price per hectare	RM66,667
Incidental cost of disposal	RM39 million

#### Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of the plantation and mill segment, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying values of the CGU to exceed their recoverable amounts.

### 17. Interests in subsidiaries

	Group	
	2019 RM'000	2018 RM'000
Unquoted shares at cost	172,083	172,083
Amounts due from subsidiaries	607,142	555,653
Less: Accumulated impairment losses	(55,953)	(52,653)
	<u>723,272</u>	<u>675,083</u>

Amounts due from subsidiaries are unsecured and non-interest bearing except for an amount of RM274,124,000 (2018: RM262,707,000) subject to interest charge at rates ranging from 6.78% to 10.37% (2018: 6.89% to 10.48%) per annum. Included therein are amounts due from subsidiaries of RM473,329,000 (2018: RM437,164,000) denominated in Indonesian Rupiah.

An impairment assessment of the carrying amounts of interests in subsidiaries at the reporting date was undertaken based on the value in use calculation. As a result of the impairment assessment, the Company recognise an impairment loss of RM3,300,000 (2018: RM52,653,000) during the financial year.





## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 17. Interests in subsidiaries (cont'd)

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Effective proportion of ownership interest	
		2019 %	2018 %
<b>Incorporated in Malaysia</b>			
<b>Held by the Company:</b>			
Agrisa Trading Sdn. Bhd. <sup>i</sup>	Oil palm plantation	100	100
Berkat Setia Sdn. Bhd. <sup>i</sup>	Oil palm plantation and palm oil mill	100	100
Ballerina Sdn. Bhd. <sup>i</sup>	Property letting	100	100
Dat Soon Trading Sendirian Berhad <sup>i</sup>	Trading of fresh fruit bunches	100	100
Growth Enterprise Sendirian Berhad <sup>i</sup>	Oil palm plantation	100	100
Intan Ramai Sdn. Bhd. <sup>i</sup>	Oil palm plantation	100	100
Kian Merculaba Sdn. Bhd. <sup>i</sup>	Oil palm plantation	100	100
Kidat Sendirian Berhad <sup>i</sup>	Transportation services	100	100
Sinar Ramai Sdn. Bhd. <sup>i</sup>	Oil palm plantation	100	100
Seraya Plantation Sdn. Bhd. <sup>i</sup>	Oil palm plantation	100	100
Syarikat Emashijau Sdn. Bhd. <sup>i</sup>	Management services	100	100
Syarikat Sofrah Sdn. Bhd. <sup>i</sup>	Oil palm plantation	100	100
Transglobe Enterprise Sdn. Bhd. <sup>i</sup>	Oil palm plantation	100	100
Wenow Enterprise Sdn. Bhd. <sup>i</sup>	Trading of fresh fruit bunches	100	100
The Palace Ventures Sdn. Bhd. <sup>i</sup>	Hotelier	100	100
Miracle Display Sdn. Bhd. <sup>i</sup>	Dormant	100	100
Better Prospects Sdn. Bhd. <sup>i</sup>	Renting of fish hatchery assets	100	100
Bintang Kinabalu Plantation Sdn. Bhd. <sup>i</sup>	Investment holding	100	100
Banggi Setia Sdn. Bhd. <sup>i</sup>	Oil palm mill	100	100
Miasa Plantation Sdn. Bhd. <sup>i</sup>	Investment holding	100	100
Natural Plantation Sdn. Bhd. <sup>i</sup>	Dormant	100	100
Permata Alam Sdn. Bhd. <sup>i</sup>	Investment holding	100	100
Berkat Banggi Sdn. Bhd. <sup>i</sup>	Dormant	100	100
Sungai Kenali Sdn. Bhd. <sup>i</sup>	Oil palm plantation	100	100
<b>Held through Growth Enterprise Sendirian Berhad:</b>			
Telupid Kelapa Sawit Sdn. Bhd. <sup>i</sup>	Investment holding	70	70
<b>Held through Telupid Kelapa Sawit Sdn. Bhd:</b>			
Bonus Indah Sdn. Bhd. <sup>i</sup>	Oil palm plantation	70	70



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 17. Interests in subsidiaries (cont'd)

Details of the subsidiaries are as follows: (cont'd)

Name of subsidiaries	Principal activities	Effective proportion of ownership interest	
		2019	2018
Incorporated in Malaysia (cont'd)		%	%
<b>Held through Berkat Setia Sdn. Bhd.:</b>			
Best Borneo Oil Palm Resources Sdn. Bhd. <sup>i</sup>	Marketing and trading of crude palm oil and crude palm oil refine products	70	70
<b>Held through Kidat Sendirian Berhad:</b>			
Pedoman Hasil Sdn. Bhd. <sup>i</sup>	Oil palm plantation	100	100
<b>Held through The Palace Ventures Sdn. Bhd.:</b>			
Big Bright Realty Sdn. Bhd. <sup>ii</sup>	Dormant	100	-
<b>Incorporated in Indonesia</b>			
<b>Held through Bintang Kinabalu Plantation Sdn. Bhd.:</b>			
PT Borneo Utama Berkat Setia ("PT Borneo") <sup>iii</sup>	Oil palm plantation	95	95
<b>Held through Miasa Plantation Sdn. Bhd.:</b>			
PT Sawit Nusantara Makmur Utama <sup>iii</sup>	Investment holding	74	74
<b>Held through PT Sawit Nusantara Makmur Utama.:</b>			
PT Nala Palma Cadudasa <sup>iii</sup>	Oil palm plantation and palm oil mill	70	70
PT Enggang Alam Sawita <sup>iii</sup>	Oil palm plantation	70	70
PT Hampanan Sentosa <sup>iii</sup>	Oil palm plantation	70	70
PT Sumber Alam Selaras <sup>iii</sup>	Oil palm plantation	70	70

(i) Audited by Ernst & Young PLT, Malaysia

(ii) Incorporated on 24 September 2019

(iii) Audited by Kanaka Puradiredja, Suhartono (a member of Nexia International)



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 17. Interests in subsidiaries (cont'd)

#### (a) Subsidiaries with material non-controlling interests

Financial information of subsidiaries that have material non-controlling interests is provided below.

#### Proportion of equity interest held by non-controlling interests:

Name	Country of incorporation and operation	2019	2018
		%	%
Bonus Indah Sdn. Bhd.	Malaysia	30	30
PT Borneo	Indonesia	5	5
PT Sawit Nusantara Makmur Utama and its subsidiaries ("SNMU Group")	Indonesia	26	26

2019	2018
RM'000	RM'000

#### Accumulated balances of material non-controlling interests:

Bonus Indah Sdn. Bhd.	24,992	346
PT Borneo	(2,907)	(2,732)
SNMU Group	15,098	1,701
Other individually immaterial non-controlling interests	24	17
	<u>37,207</u>	<u>(668)</u>

2019	2018
RM'000	RM'000

#### Profit/(loss) allocated to material non-controlling interests:

Bonus Indah Sdn. Bhd.	5	249
PT Borneo	(127)	(283)
SNMU Group	(1,443)	(15,811)
Other individually immaterial non-controlling interests	(67)	(30)
	<u>(1,632)</u>	<u>(15,875)</u>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 17. Interests in subsidiaries (cont'd)

#### (a) Subsidiaries with material non-controlling interests (cont'd)

The summarised financial information of the subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

Summarised statement of financial position as at 31 December 2019:

	<b>Bonus Indah Sdn. Bhd. RM'000</b>	<b>PT Borneo RM'000</b>	<b>SNMU Group RM'000</b>	<b>Total RM'000</b>
Non-current assets	141,881	28,056	727,992	897,929
Current assets	1,069	1,691	39,052	41,812
<b>Total assets</b>	<b>142,950</b>	<b>29,747</b>	<b>767,044</b>	<b>939,741</b>
Current liabilities	11,206	84,278	572,579	668,063
Non-current liabilities	30,737	389	207,333	238,459
<b>Total liabilities</b>	<b>41,943</b>	<b>84,667</b>	<b>779,912</b>	<b>906,522</b>
<b>Total equity</b>	<b>101,007</b>	<b>(54,920)</b>	<b>(12,868)</b>	<b>33,219</b>
Attributable to:				
Non-controlling interests	24,992	(2,907)	15,098	37,183
Other individually immaterial non-controlling interests	-	-	-	24
	<b>24,992</b>	<b>(2,907)</b>	<b>15,098</b>	<b>37,207</b>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 17. Interests in subsidiaries (cont'd)

#### (a) Subsidiaries with material non-controlling interests (cont'd)

Summarised statement of comprehensive income for financial year ended 31 December 2019:

	<b>Bonus Indah Sdn. Bhd. RM'000</b>	<b>PT Borneo RM'000</b>	<b>SNMU Group RM'000</b>	<b>Total RM'000</b>
Revenue	7,026	3,616	108,658	119,300
Profit/(loss) for the financial year	15	(2,533)	(3,285)	(5,803)
Other comprehensive income	82,116	(952)	12,348	93,512
Total comprehensive income/(loss)	82,131	(3,485)	9,063	87,709
Other comprehensive income/(loss) attributable to:				
Non-controlling interests	24,641	(48)	14,840	39,433
Other individually immaterial non-controlling interests	-	-	-	-
	24,641	(48)	14,840	39,433
Profit/(loss) attributable to:				
Non-controlling interests	5	(127)	(1,443)	(1,565)
Other individually immaterial non-controlling interests	-	-	-	(67)
	5	(127)	(1,443)	(1,632)
Total comprehensive income/ (loss) attributable to:				
Non-controlling interests	24,646	(175)	13,397	37,868
Other individually immaterial non-controlling interests	-	-	-	(67)
	24,646	(175)	13,397	37,801



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 17. Interests in subsidiaries (cont'd)

#### (a) Subsidiaries with material non-controlling interests (cont'd)

Summarised cash flows for financial year ended 31 December 2019:

	<b>Bonus Indah Sdn. Bhd. RM'000</b>	<b>PT Borneo RM'000</b>	<b>SNMU Group RM'000</b>	<b>Total RM'000</b>
Net cash flows from operating activities	2,713	1,617	50,592	54,922
Net cash flows used in investing activities	(2,417)	(50)	(38,295)	(40,762)
Net cash flows used in financing activities	(308)	(1,559)	(12,602)	(14,469)
Net (decrease)/increase in cash and cash equivalents	(12)	8	(305)	(309)

Summarised statement of financial position as at 31 December 2018:

	<b>Bonus Indah Sdn. Bhd. RM'000</b>	<b>PT Borneo RM'000</b>	<b>SNMU Group RM'000</b>	<b>Total RM'000</b>
Non-current assets	33,002	27,439	629,021	689,462
Current assets	921	1,387	32,135	34,443
Total assets	33,923	28,826	661,156	723,905
Current liabilities	10,355	80,059	644,862	735,276
Non-current liabilities	4,753	225	41,488	46,466
Total liabilities	15,108	80,284	686,350	781,742
Total equity	18,815	(51,458)	(25,194)	(57,837)
Attributable to:				
Non-controlling interests	346	(2,732)	1,701	(685)
Other individually immaterial non-controlling interests	-	-	-	17
	346	(2,732)	1,701	(668)



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 17. Interests in subsidiaries (cont'd)

#### (a) Subsidiaries with material non-controlling interests (cont'd)

Summarised statement of comprehensive income for financial year ended 31 December 2018:

	Bonus Indah Sdn. Bhd. RM'000	PT Borneo RM'000	SNMU Group RM'000	Total RM'000
Revenue	11,021	3,448	62,920	77,389
Profit/(loss) for the financial year	828	(4,406)	(53,335)	(56,913)
Other comprehensive income	80	1,241	3,883	5,204
Total comprehensive income/(loss)	908	(3,165)	(49,452)	(51,709)
Other comprehensive income/ (loss) attributable to:				
Non-controlling interests	24	61	981	1,066
Other individually immaterial non-controlling interests	-	-	-	(18)
	24	61	981	1,048
Profit/(loss) attributable to:				
Non-controlling interests	249	(283)	(15,811)	(15,845)
Other individually immaterial non-controlling interests	-	-	-	(30)
	249	(283)	(15,811)	(15,875)
Total comprehensive income/(loss) attributable to:				
Non-controlling interests	273	(222)	(14,830)	(14,779)
Other individually immaterial non-controlling interests	-	-	-	(48)
	273	(222)	(14,830)	(14,827)





## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 18. Interests in subsidiaries (cont'd)

#### (a) Subsidiaries with material non-controlling interests (cont'd)

Summarised cash flows for financial year ended 31 December 2018:

	<b>Bonus Indah Sdn. Bhd. RM'000</b>	<b>PT Borneo RM'000</b>	<b>SNMU Group RM'000</b>	<b>Total RM'000</b>
Net cash flows from operating activities	761	1,324	23,787	25,872
Net cash flows (used in)/from investing activities	(459)	235	(26,737)	(26,961)
Net cash flows (used in)/from financing activities	(290)	(1,591)	2,597	716
Net increase/(decrease) in cash and cash equivalents	12	(32)	(353)	(373)

### 18. Inventories

	<b>Group</b>	
	<b>2019 RM'000</b>	<b>2018 RM'000</b>
<b>Cost</b>		
Crude palm oil and palm kernel	9,090	12,330
Consumable stores	7,858	5,986
Oil palm nurseries	1,613	2,561
Food, beverages and tobacco	54	95
Hotel consumables	125	138
	<b>18,740</b>	<b>21,110</b>

During the financial year, the amount of inventories recognised as an expense in cost of sales of the Group was RM139,967,000 (2018: RM141,480,000).



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 19. Trade and other receivables

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Current</b>				
<b>Trade receivables (Note a)</b>				
Third parties	6,895	10,179	-	-
Less: Allowance for expected credit losses	(330)	(92)	-	-
Trade receivables, net	6,565	10,087	-	-
<b>Other receivables</b>				
Advances to contractors (Note b)	276	2,245	-	-
Indonesian VAT recoverable	4,552	5,543	-	-
Malaysian GST recoverable	3	2	-	-
Staff loans (Note c)	2,460	1,797	14	38
Sundry deposits	1,320	1,192	2	2
Sundry receivables	2,617	3,260	10	10
	11,228	14,039	26	50
Less: Allowance for expected credit losses (Note f)	(1,898)	(1,778)	-	-
	9,330	12,261	26	50
	15,895	22,348	26	50



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 19. Trade and other receivables (cont'd)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Non-current</b>				
<b>Other receivables</b>				
Foreign companies pending completion of acquisition:				
- Deposits paid for purchase consideration and incidental costs	4,798	4,798	-	-
- Advances for working capital	5,369	4,865	-	-
Amounts due from foreign subsidiaries' non-controlling interests (Note d)	18,016	1,699	-	-
Advance for Plasma Scheme (Note e)	38,736	35,989	-	-
Deposits paid for leases of land and office building	392	982	-	-
	<u>67,311</u>	<u>48,333</u>	<u>-</u>	<u>-</u>
Less: Allowance for expected credit losses (Note f)	(14,430)	(10,641)	-	-
	<u>52,881</u>	<u>37,692</u>	<u>-</u>	<u>-</u>
Total trade and other receivables (current and non-current)	68,776	60,040	26	50
Add:				
Cash and bank balances (Note 20)	18,549	12,443	4,995	4,807
Amounts due from subsidiaries (Note 17)	-	-	274,124	262,707
Less:				
Indonesian VAT recoverable	(4,552)	(5,543)	-	-
Malaysian GST recoverable	(3)	(2)	-	-
Deposits paid for leases of land and office building	(392)	(982)	-	-
Total financial assets measured at amortised cost	<u>82,378</u>	<u>65,956</u>	<u>279,145</u>	<u>267,564</u>

#### (a) Trade receivables

Trade receivables are non-interest bearing and are generally on 7 to 60 days (2018: 7 to 60 days) term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 19. Trade and other receivables (cont'd)

#### (a) Trade receivables (cont'd)

##### Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2019 RM'000	2018 RM'000
Neither past due nor impaired	5,784	9,045
1 to 30 days past due not impaired	19	217
31 to 60 days past due not impaired	80	6
61 to 90 days past due not impaired	50	356
91 to 120 days past due not impaired	631	462
More than 121 days past due not impaired	1	1
	781	1,042
Impaired	330	92
	6,895	10,179

##### Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. Approximately 9% (2018: 65%) of the Group's trade receivables arise from refinery customers which are subsidiaries of well-established listed plantation groups.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

##### Receivables that are past due but not impaired

The Group has trade receivables amounting to RM781,000 (2018: RM1,042,000) that are past due at the reporting date but not impaired. These balances are unsecured in nature. Management is confident that these receivables are recoverable as these accounts are still active.

##### Receivables that are impaired

The movements of the allowance accounts used to record the expected credit losses are as follows:

	Individually impaired Group	
	2019 RM'000	2018 RM'000
At the beginning/end of financial year	92	92
Charge for the financial year (Note 8)	238	-
	330	92



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 19. Trade and other receivables

#### (b) Advances to contractors

The advances were made to contractors engaged by the Group's Indonesian subsidiaries for oil palm plantation development and these advances are interest-free and will be deducted against future progress billings for contract work done by the contractors.

#### (c) Staff loans

The above amount is unsecured, non-interest bearing and is repayable on demand.

#### (d) Amounts due from foreign subsidiaries' non-controlling interests

Amounts due from foreign subsidiaries' non-controlling interests are unsecured, non-interest bearing and have no fixed term of repayment.

#### (e) Advance for Plasma Scheme

	<b>2019</b> <b>RM'000</b>	<b>2018</b> <b>RM'000</b>
Advance for Plasma Scheme	38,736	35,989

Plasma receivable during the financial year included the following:

	<b>Group</b>	
	<b>2019</b> <b>RM'000</b>	<b>2018</b> <b>RM'000</b>
Depreciation of property, plant and equipment (Note 13)	217	380
Property, plant and equipment (Note 13)	-	8,061
Employee benefits expense (Note 9)	1,641	1,784
Interest allocation (Note 7)	5,630	6,433
	<u>7,488</u>	<u>16,658</u>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 19. Trade and other receivables (cont'd)

#### (f) Other receivables that are impaired

##### Non-current:

At the reporting date, the Group has made allowance for expected credit losses of RM14,430,000 (2018: RM10,641,000) on the plasma receivables, purchase consideration and incidental costs for the acquisition of foreign companies and advances for working capital with nominal amounts of RM20,392,000 (2018: RM16,105,000).

The movements of the allowance accounts used to record the expected credit losses are as follows:

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
At the beginning of financial year	10,641	9,824
Charge for the financial year (Note 8)	3,789	817
	<hr/>	<hr/>
At the end of financial year	<u>14,430</u>	<u>10,641</u>

##### Current:

At the reporting date, the Group has made allowance for expected credit losses of RM1,898,000 (2018: RM1,778,000).

The related receivables are determined to be individually impaired and full allowance has been recognised. These receivables are not secured by any collateral or credit enhancements.

The movements of the allowance accounts used to record the expected credit losses are as follows:

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
At the beginning of financial year	1,778	1,519
Charge for the financial year (Note 8)	87	286
Translation difference	33	(27)
	<hr/>	<hr/>
At the end of financial year	<u>1,898</u>	<u>1,778</u>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 20. Cash and bank balances

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash at banks and on hand	7,191	8,557	4,995	4,807
Short-term fixed deposits with licensed banks	11,358	3,886	-	-
Cash and bank balances	<u>18,549</u>	<u>12,443</u>	<u>4,995</u>	<u>4,807</u>

Cash at certain banks earns interest at floating rates based on daily bank deposit rates. Short-term fixed deposits are made for periods of between 3 months and 12 months (2018: 3 months and 12 months) depending on the immediate cash requirements of the Group and of the Company, and earn interests at the respective short-term deposit rates. The weighted average effective interest rates as at 31 December 2019 and 31 December 2018 for the Group were as follows:

	Group	
	2019 %	2018 %
Short-term fixed deposits with licensed banks in:		
Malaysia	<u>1.56 to 3.35</u>	<u>2.52 to 3.15</u>

Short-term fixed deposits with licensed banks of the Group amounting to RM6,500 (2018: RM29,000) are held under lien to secure bank guarantees issued in favour of third parties on behalf of the Group.

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following at the reporting date:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and bank balances	18,549	12,443	4,995	4,807
Bank overdrafts (Note 21)	(5,978)	(4,976)	(995)	(995)
	12,571	7,467	4,000	3,812
Short term fixed deposits with licensed banks with maturity more than 3 months*	(11,251)	(3,886)	-	-
Total cash and cash equivalents	<u>1,320</u>	<u>3,581</u>	<u>4,000</u>	<u>3,812</u>

\* Pledged for revolving credit facilities as stated in Note 21.





## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 21. Loans and borrowings

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Current</b>				
Secured:				
Revolving credits	259,271	262,917	111,860	112,720
Bank loans	190,572	170,342	163,633	143,783
Obligations under finance leases (Note 29(b))	-	500	-	-
Lease liabilities	2,158	-	-	-
	<u>452,001</u>	<u>433,759</u>	<u>275,493</u>	<u>256,503</u>
Unsecured:				
Bankers' acceptances	8,371	6,399	-	-
Bank overdrafts	5,978	4,976	995	995
	<u>14,349</u>	<u>11,375</u>	<u>995</u>	<u>995</u>
	<u>466,350</u>	<u>445,134</u>	<u>276,488</u>	<u>257,498</u>
<b>Non-current</b>				
Secured:				
Bank loans	874	-	-	-
Obligations under finance leases (Note 29(b))	-	774	-	-
Lease liabilities	1,459	-	-	-
	<u>2,333</u>	<u>774</u>	<u>-</u>	<u>-</u>
<b>Total loans and borrowings</b>				
Bank overdrafts (Note 20)	5,978	4,976	995	995
Revolving credits	259,271	262,917	111,860	112,720
Bankers' acceptances	8,371	6,399	-	-
Bank loans	191,446	170,342	163,633	143,783
Obligations under finance leases	-	1,274	-	-
Lease liabilities	3,617	-	-	-
Total loans and borrowings	<u>468,683</u>	<u>445,908</u>	<u>276,488</u>	<u>257,498</u>

All the above loans and borrowings are denominated in RM except for two (2018: two) revolving credits amounting to RM198,728,000 (2018: RM200,873,000) which are denominated in United States Dollar ("USD").



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 21. Loans and borrowings (cont'd)

The remaining maturities of the loans and borrowings as at the reporting date are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
On demand or within one year	466,350	445,134	276,488	257,498
More than 1 year but less than 2 years	729	305	-	-
More than 2 years but less than 5 years	1,604	469	-	-
	<u>468,683</u>	<u>445,908</u>	<u>276,488</u>	<u>257,498</u>

#### Bank overdrafts

Bank overdrafts are repayable on demand and bear interest ranging from Malaysian Base Lending Rate ("BLR") + 0.25% to BLR + 1.75% (2018: BLR + 0.25% to BLR + 1.25%) per annum. They are secured by corporate guarantees given by the Company as disclosed in Note 22(e).

#### Revolving credits

Revolving credits denominated in RM are roll-over on a monthly basis subject to bank's review and bear interests ranging from Cost of Fund ("COF") + 1.00% to COF + 2.00% (2018: from COF + 1.00% to COF + 1.50%) per annum. Revolving credits denominated in USD are also roll-over on a monthly basis and bear interests ranging from 4.83% to 6.13% (2018: 4.61% to 5.88%) per annum. The revolving credits are secured by legal charges over several parcels of land and oil palm planting expenditure and palm oil mill of certain subsidiaries as disclosed in Note 13, fixed deposits of the Group and a corporate guarantee by the Company as disclosed in Note 22(e).

#### Loan covenant - Revolving credits

Revolving credits with carrying amount of RM253,749,000 contain covenant with a gearing ratio of not more than the range of 1.00 to 1.20 times on consolidated basis. As at 31 December 2019, the gearing ratio of the Group was 0.87 and the aforementioned covenant has been complied with by the Group. The Directors are confident that they are able to obtain continuing support from its lender to roll over the remaining revolving credit facilities.

#### Bankers' acceptances

Bankers' acceptances are drawn on 90 days (2018: 90 days) tenure and bear interest at COF + 1.50% (2018: COF + 1.50%) per annum. They are secured by corporate guarantees given by the Company as disclosed in Note 22(e).



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 21. Loans and borrowings (cont'd)

#### Bank loans

The bank loans of the Group and of the Company consist of the following:

- (a) Two (2018: Two) floating rate term loans granted to the Company bearing interest at COF + 1.55% (2018: COF + 1.30%) per annum of which one is expected to be fully repaid in 2023 and the other one in 2026 respectively (2018: one in 2023 and one in 2026 respectively). These bank loans are secured by:
  - (i) legal charges over several parcels of land, oil palm planting expenditure and bearer plant of certain subsidiaries as disclosed in Notes 13;
  - (ii) assignment of the account receivables and collection account; and
  - (iii) corporate guarantees by certain subsidiaries.
- (b) One (2018: One) floating rate term loans granted to the Company bearing interest at COF + 1.55% (2018: COF + 1.30%) per annum of which one is expected to be fully repaid in 2024. These bank loans are secured by:
  - (i) legal charges over several parcels of land, oil palm planting expenditure and bearer plant of certain subsidiaries as disclosed in Notes 13; and
  - (ii) corporate guarantees given by certain subsidiaries.
- (c) Two (2018: Two) floating rate term loans granted to a subsidiary bearing interest at COF + 1.30% (2018: COF + 1.30%) per annum and they are expected to be fully repaid over approximately 4 years in 2023 (2018: 5 years in 2023). These bank loans are secured by:
  - (i) legal charges over several parcels of land and oil palm planting expenditure of certain subsidiaries as disclosed in Notes 13; and
  - (ii) corporate guarantees by the Company as disclosed in Note 22(e).

#### Loan covenant - Bank Loans

The bank loans with carrying amount of RM183,937,000 contain covenants that require gearing ratio of not more than the range of 1.00 to 1.20 times on a consolidated basis throughout the tenure of the loan. During the year, there was non-compliance in relation to the gearing ratio, of which subsequent to the financial year end, the Group has obtained indulgence for this non compliance. As at 31 December 2019, the gearing ratio of the Group was 0.87 and the aforementioned covenant has been complied with by the Group on that date. As the indulgence from the respective bankers were received subsequent to the financial year end, these bank loans are presented as current liabilities in the financial statements. The bank loans that are currently presented as current may be presented non-current after the date of the letters of indulgence from the respective bankers.

#### Obligations under finance leases

These obligations are secured by charges over leased assets as disclosed in Note 13 and corporate guarantees by the Company as disclosed in Note 22(e). The discount rates implicit in the leases range from 4.83% to 6.54% (2018: 4.83% to 6.54%) per annum. These obligations have maturities ranging from 2020 to 2023.



## 21. Loans and borrowings (cont'd)

### Lease liabilities

The Group's obligations under its lease are secured by the lessor's title to the leased assets.

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align the Group's business needs.

### Changes in liabilities arising from financing activities:

	At 1 January 2018 RM'000	Drawdown RM'000	Repayment RM'000	Exchange differences RM'000	Reclassification RM'000	At 31 December 2018 RM'000
<b>Group</b>						
<b>Short term borrowings:</b>						
Bankers' acceptances	5,280	74,340	(73,221)	-	-	6,399
Revolving credits	224,813	35,713	(1,500)	3,891	-	262,917
Bank loans	38,939	-	(38,939)	-	170,342	170,342
Obligations under finance lease	669	-	(754)	-	585	500
	269,701	110,053	(114,414)	3,891	170,927	440,158
<b>Long term borrowings:</b>						
Bank loans	143,888	53,340	(26,886)	-	(170,342)	-
Obligations under finance lease	473	886	-	-	(585)	774
	144,361	54,226	(26,886)	-	(170,927)	774
	414,062	164,279	(141,300)	3,891	-	440,932

**21. Loans and borrowings** (cont'd)**Changes in liabilities arising from financing activities** (cont'd):

Company	At 1 January 2018 RM'000	Drawdown RM'000	Repayment RM'000	Exchange differences RM'000	Reclassification RM'000	At 31 December 2018 RM'000
<b>Short term borrowings:</b>						
Revolving credits	100,950	10,000	-	1,770	-	112,720
Bank loans	33,509	-	(33,509)	-	143,783	143,783
	134,459	10,000	(33,509)	1,770	143,783	256,503
<b>Long term borrowings:</b>						
Bank loans	117,324	53,340	(26,881)	-	(143,783)	-
	251,783	63,340	(60,390)	1,770	-	256,503

**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)





**21. Loans and borrowings** (cont'd)

**Changes in liabilities arising from financing activities** (cont'd):

Group	At 1 January 2019 RM'000	Effect of adoption of MFRS 16 Lease RM'000	Drawdown RM'000	Repayment RM'000	Exchange differences RM'000	Reclassification RM'000	At 31 December 2019 RM'000
<b>Short term borrowings:</b>							
Bankers' acceptances	6,399	-	75,793	(73,821)	-	-	8,371
Revolving credits	262,917	-	-	(1,500)	(2,146)	-	259,271
Bank loans	170,342	-	42,515	(21,536)	125	(874)	190,572
Obligations under finance lease	500	(500)	-	-	-	-	-
Lease liabilities	-	500	3,982	(1,901)	-	(423)	2,158
	440,158	-	122,290	(98,758)	(2,021)	(1,297)	460,372
<b>Long term borrowings:</b>							
Bank loans	-	-	-	-	-	874	874
Obligations under finance lease	774	(774)	-	-	-	-	-
Lease liabilities	-	1,023	13	-	-	423	1,459
	774	249	13	-	-	1,297	2,333
	440,932	249	122,303	(98,758)	(2,021)	-	462,705
<b>Company</b>							
<b>Short term borrowings:</b>							
Revolving credits	112,720	-	-	-	(860)	-	111,860
Bank loans	143,783	-	34,360	(14,510)	-	-	163,633
	256,503	-	34,360	(14,510)	(860)	-	275,493



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 22. Trade and other payables

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Current</b>				
<b>Trade payables (Note a)</b>				
Third parties	22,955	27,293	-	-
<b>Other payables</b>				
Amounts due to subsidiaries (Note b)	-	-	294,976	288,419
Amounts due to director (Note c)	93	-	-	-
Sundry deposits	122	58	-	-
Accruals	3,176	7,171	1,071	1,072
Advances from customers	6,296	-	-	-
Sundry payables	21,134	20,908	5,134	1,020
Indonesia VAT payable	30,028	26,155	-	-
Malaysian GST payable	192	145	-	-
	61,041	54,437	301,181	290,511
	83,996	81,730	301,181	290,511
<b>Non-current</b>				
<b>Other payables</b>				
Amounts due to foreign subsidiaries' non-controlling interests (Note d)	126,465	111,886	-	-
Total trade and other payables (current and non-current)	210,461	193,616	301,181	290,511
Less: Indonesia VAT payable	(30,028)	(26,155)	-	-
Less: Malaysian GST payable	(192)	(145)	-	-
Add: Loans and borrowings (Note 21)	468,683	445,908	276,488	257,498
Total financial liabilities carried at amortised cost	648,924	613,224	577,669	548,009

#### (a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled within the trade credit terms granted to the Group ranging from 30 to 90 days (2018: 30 to 90 days).

#### (b) Amounts due to subsidiaries

These amounts are unsecured, repayable on demand and non-interest bearing except for RM15,526,000 (2018: RM16,018,000) which subject to interest charge at rates ranging from 5.11% to 8.10% (2018: 5.20% to 8.10%) per annum.





## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 22. Trade and other payables (cont'd)

#### (c) Amount due to director

The amount is unsecured, non-interest bearing and is repayable on demand.

#### (d) Amount due to foreign subsidiaries' non-controlling interest

These amounts are unsecured, repayable by way of monthly instalment over 5 year period commencing 1 May 2021 and subject to interest charge at rates 2.5% (2018: 2.5%) per annum.

#### (e) Financial guarantees

The fair value of financial guarantees provided by the Company and its subsidiaries to the banks to secure banking facilities as disclosed in Note 21 with nominal amount of RM399,817,000 (2018: RM365,242,000) is negligible as the probability of the financial guarantees being called upon is remote due to most of the carrying amounts of the outstanding loans and borrowings are adequately secured by property, plant and equipment and land use rights of the subsidiaries in which their market values upon realisation are higher than the outstanding loans and borrowings amounts.

### 23. Employee defined benefit liabilities

The subsidiaries in Indonesia operate unfunded defined benefit schemes for qualified permanent employees and the latest actuarial valuations of the plans were carried out on 31 December 2019.

The movement during the financial year and the amounts recognised in the financial statements are as follows:

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
At the beginning of financial year	3,754	2,918
Recognised in profit or loss (Note 9):		
Interest cost	70	141
Current service cost	757	1,027
Past service cost	(1,994)	107
Net liability released due to employee transferred out	(41)	-
	(1,208)	1,275
Recognised in OCI:		
Actuarial changes in financial assumptions	209	(307)
Experience adjustments	117	(19)
	326	(326)
Exchange differences	80	(113)
At the end of financial year	2,952	3,754



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 23. Employee defined benefit liabilities (cont'd)

The amounts recognised on the consolidated statement of financial position are determined as follows:

	<b>Group</b>	
	<b>2019</b> RM'000	<b>2018</b> RM'000
Present value of obligations (non-current)	2,952	3,754

The principal actuarial assumptions used at the reporting date in determining the employee defined benefit obligation for the Group's plans are as follows:

	<b>Group</b>	
	<b>2019</b> %	<b>2018</b> %
Discount rate	7.80	8.15
Expected return of salary increase	6.00	6.00

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumptions on the employee defined benefit obligation as at the end of the reporting period, assuming all other assumptions were held constant:

		<b>Impact on employee defined benefit liabilities</b>	
		<b>Increase/(decrease)</b>	
		<b>2019</b> RM'000	<b>2018</b> RM'000
Discount rate	+1%	(222)	(163)
Discount rate	-1%	222	163
Future salary increases	+1%	258	188
Future salary decreases	-1%	(258)	(188)



**24. Deferred tax**

	As at 1 January 2018 RM'000	Recognised in profit or loss (Note 11) RM'000	Recognised in other comprehensive income RM'000	Exchange differences RM'000	As at 31 December 2018 RM'000	Recognised in profit or loss (Note 11) RM'000	Recognised in other comprehensive income RM'000	Exchange differences RM'000	As at 31 December 2019 RM'000
<b>Group</b>									
<b>Deferred tax liabilities:</b>									
Property, plant and equipment, land use rights and biological assets	76,943	(2,780)	77	(202)	74,038	(4,438)	98,702	(37)	168,265
<b>Deferred tax assets:</b>									
Unabsorbed capital and agriculture allowances	(11,329)	1,539	-	-	(9,790)	(871)	-	-	(10,661)
Unused tax losses	(10,644)	10,496	-	-	(148)	(1,340)	-	-	(1,488)
Provisions	(126)	(102)	-	-	(228)	-	-	-	(228)
	(22,099)	11,933	-	-	(10,166)	(2,211)	-	-	(12,377)
	54,844	9,153	77	(202)	63,872	(6,649)	98,702	(37)	155,888

**24. Deferred tax** (cont'd)

<b>Company</b>	<b>As at 1 January 2018 RM'000</b>	<b>Recognised in profit or loss (Note 11) RM'000</b>	<b>As at 31 December 2018 RM'000</b>	<b>Recognised in profit or loss (Note 11) RM'000</b>	<b>As at 31 December 2019 RM'000</b>
<b>Deferred tax liability:</b>					
Property, plant and equipment	47	(5)	42	(6)	36
	47	(5)	42	(6)	36

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)





## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 24. Deferred tax (cont'd)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Presented after appropriate offsetting as follows:				
Deferred tax assets	(2,426)	(1,317)	-	-
Deferred tax liabilities	158,314	65,189	36	42
	<u>155,888</u>	<u>63,872</u>	<u>36</u>	<u>42</u>

#### Unrecognised deferred tax assets

Due to uncertainty of recoverability, deferred tax assets have not been recognised in respect of the following items which are available for offsetting against future taxable profits of the respective subsidiaries in which those items arose:

	Group	
	2019 RM'000	2018 RM'000
Unused tax losses	208,058	177,904
Unabsorbed capital allowances	11,797	11,914
	<u>219,855</u>	<u>189,818</u>

The availability of unused tax losses and unabsorbed capital allowances of the Group for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to no substantial changes in shareholdings of those subsidiaries under the Income Tax Act, 1967 and guidelines issued by the tax authority. The use of tax losses of subsidiaries in other country is subject to agreement of the tax authorities and compliance with certain provisions of the tax legislation of the other country in which the subsidiaries operate.

The unused tax losses in the foreign subsidiaries amounting to RM120,829,000 (2018: RM102,519,000) are available for carry forward in the jurisdiction in which the foreign subsidiaries operate for a period of 5 years from the year in which those tax losses arose.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 25. Leases

#### (a) Group as a lessee

The Group has lease contracts for land, heavy equipment, machinery and motor vehicles. The Group's obligations under these leases are secured by the lessor's title to the leased assets. The Group is restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension options which are further discussed in Note 25(a)(v).

The Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

(i) Carrying amounts of right-of-use assets classified within property, plant and equipment is disclosed in Note 13.

(ii) Lease liabilities

The carrying amounts of lease liabilities (included under borrowings) and the movements during the year are disclosed in Note 21 and the maturity analysis of lease liabilities is disclosed in Note 31(d).

(iii) Amounts recognised in profit and loss

	<b>2019</b> <b>RM'000</b>
Depreciation expense of right-of-use assets (Note 13)	3,915
Expenses relating to lease of low-value asset (included in cost of sales) (Note 8)	95
Interest paid in relation to lease liabilities (Note 7)	426
Variable lease payment (included in cost of sales) (Note 8)	349
	<hr/>
Total amounts recognised in profit or loss	<u>4,785</u>

(iv) Total cash outflow

The Group had total cash outflows for leases of RM1,901,000 in 2019. The Group also had non-cash additions to right-of-use assets and lease liabilities of RM3,982,000 in 2019.



**25. Leases** (cont'd)

**(a) Group as a lessee** (cont'd)

(v) Type of right-of-use assets

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognised on statement of financial position:

	No. of right-of-use assets leased	Range of remaining term	Average remaining lease term	No. of lease with extension options	No. of leases with option to purchase	No. of leases with termination options
<b>Right-of-use asset</b>						
Leasehold lands	41	99 - 999 years	64 and 892 years	-	-	-
Land use rights	123	30 - 35 years	16 years	25	-	-
Heavy equipment and motor vehicle	31	1 - 5 years	3 years	-	31	-

(vi) Variable payments

The Group has lease contracts for the cultivation of oil palm on the land that contains variable payments based on net profit sharing ratio.

	Variable payments RM'000
<b>2019</b>	
Variable payment	349
	349
<b>2018</b>	
Variable payment	540
	540





## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 25. Leases (cont'd)

#### (a) Group as a lessee (cont'd)

##### (vii) Extension options

The Group has several lease contracts that include extension options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension options are reasonably certain to be exercised.

#### (b) Group as a lessor

The Group has entered into operating leases on certain land and buildings, with lease terms between 2 and 10 years.

Future minimum rental receivable under non-cancellable operating leases as at 31 December are as follows:

	2019 RM'000	2018 RM'000
Within one year	445	322
After one year but not more than five years	1,209	1,201
More than 5 years	25	328
	<u>1,679</u>	<u>1,851</u>

### 26. Share capital and treasury shares

	Group/Company			
	Number of ordinary shares		Amount	
	2019 '000	2018 '000	2019 RM'000	2018 RM'000
<b>Issued and fully paid:</b>				
At the beginning/end of financial year	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>

#### (a) Share capital

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 26. Share capital and treasury shares (cont'd)

#### (b) Treasury shares

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount consists of the acquisition costs of treasury shares net of the proceeds received on their subsequent sale or issuance.

During the financial year, the Company repurchased 12,000 (2018: 16,900) of its issued ordinary shares from the open market at an average price of RM1.88 (2018: RM1.96) per share. The total consideration paid for the repurchase including transaction costs was RM22,542 (2018: RM33,050). The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016.

The Directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders. The repurchase transactions were financed by internally generated funds. The repurchased shares are being held as treasury shares.

	Group/Company	
	No. of shares '000	Cost RM'000
At 1 January 2018	3,108	7,453
Purchase of treasury shares	17	33
At 31 December 2018	3,125	7,486
Purchase of treasury shares	12	23
At 31 December 2019	3,137	7,509

### 27. Assets revaluation reserve

The asset revaluation reserve represents increases in the fair value of leasehold plantation land and right of use for plantations, net of tax.

### 28. Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 29. Commitments

#### (a) Capital commitments

Capital expenditure commitments as at the reporting date are as follows:

	2019 RM'000	2018 RM'000
<b>Approved and contracted for:</b>		
Construction of:		
- estate buildings and infrastructure	6,177	3,085
- mill buildings and infrastructure	4,909	8,334
	<u>11,086</u>	<u>11,419</u>

#### (b) Finance lease commitments

The Group has finance leases for certain property, plant and equipment, under right-of-assets as disclosed in Note 13. Future minimum lease payments under finance leases together with present value of minimum lease payments are as follows:

	2019 RM'000	2018 RM'000
<b>Minimum lease payments:</b>		
Not later than 1 year	-	557
Later than 1 year and not later than 2 years	-	342
Later than 2 years and not later than 5 years	-	505
	<u>-</u>	<u>1,404</u>
Total minimum lease payments	-	1,404
Less: Amount representing finance charges	-	(130)
	<u>-</u>	<u>1,274</u>
<b>Present value of payments:</b>		
Not later than 1 year	-	500
Later than 1 year and not later than 2 years	-	305
Later than 2 years and not later than 5 years	-	469
	<u>-</u>	<u>1,274</u>
Present value of minimum lease payments	-	1,274
Less: Amount due within 12 months (Note 21)	-	(500)
	<u>-</u>	<u>774</u>
Amount due after 12 months (Note 21)	-	774

Finance lease liabilities were reclassified to lease liabilities on 1 January 2019 arising from the adoption of MFRS 16. The impact of adoptions disclosed in Note 2.2.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 30. Related party transactions

#### (a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties at terms agreed between the parties during the financial year:

	2019 RM'000	2018 RM'000
<b>Group</b>		
Transactions with a Director of the Company, Datuk Loo Ngin Kong:		
- Rental expense	16	16
- Purchase of fresh fruit bunches	1	9
Transactions with companies in which certain Directors of the Company, Datuk Loo Ngin Kong and Wong Siew Ying have interest:		
- Sale of fresh fruit bunches	(4,599)	(2,839)
Transactions with a company in which a Director of the Company, Dr. Edmond Fernandez has interest:		
Klinik Elopura Sdn. Bhd.		
- Medical expenses	28	28
- Rental income	(7)	(7)
Transactions with companies in which a Director of the Company, Tan Sri Dato' Sri Koh Kin Lip, JP has interest:		
- Purchase of quarry stones	1	-
- Purchase of fresh fruit bunches	381	-
	<hr/>	<hr/>
<b>Company</b>		
<b>Transactions with subsidiaries:</b>		
Purchasing and handling expenses	14	14
Interest expense on advances	963	1,123
Interest income on advances	(26,506)	(25,884)
Hotel room expenses	21	46
Management fee income	(6,689)	(7,302)
Rental expense on premises	102	102
Transportation expenses	40	66
	<hr/>	<hr/>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 30. Related party transactions (cont'd)

#### (b) Compensation of key management personnel

The remuneration of the members of key management, who are also Directors during the financial year was as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Executive Directors' remuneration (Note 10)	4,063	4,174	2,798	2,983

### 31. Financial instruments

#### (a) Financial risk management objectives and policies

The Group's and the Company's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's and of the Company's businesses whilst managing their interest rate risks (both fair value and cash flow), foreign currency risk, liquidity risk, credit risk and equity price risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

#### (b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and of the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings and advances at floating rates given to/from related parties. The Company's advances at floating rate given to/from related parties form a natural hedge for its floating rate bank loans. All of the Group's and of the Company's financial assets and liabilities at floating rates are contractually re-priced at intervals of at least one month from the reporting date.

The Group's and the Company's policy is to manage finance costs using a mix of fixed and floating rate debts.

#### Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 25 (2018: 25) basis points lower/higher, with all other variables held constant, the Group's and the Company's profit before tax would have been RM887,000 (2019: RM1,112,000) and RM525,000 (2018: RM644,000) higher/lower respectively, arising mainly as a result of lower/higher interest expense on external floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the current observable market environment.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 31. Financial instruments (cont'd)

#### (c) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates.

The functional currencies of the Group entities are Ringgit Malaysia ("RM") and Indonesian Rupiah ("IDR"). At the reporting date, the financial asset and liabilities of the Group and of the Company that are not denominated in the functional currency are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Financial asset</b>				
Cash and bank balances				
- IDR	7,812	377	7	7
- USD	4,945	6,061	1,324	1,853
Amounts due from subsidiaries (IDR)	-	-	473,329	437,164
	<u>12,757</u>	<u>6,438</u>	<u>474,660</u>	<u>439,024</u>
<b>Financial liabilities</b>				
Loans and borrowings (USD)	(199,644)	(200,873)	(82,775)	(82,913)
Other payable (USD)	(126,465)	(125,532)	-	-
	<u>(326,109)</u>	<u>(326,405)</u>	<u>(82,775)</u>	<u>(82,913)</u>

The Group is exposed to currency translation risk arising from its net investment in Indonesian subsidiaries. The Group's net investment in Indonesia subsidiaries is not hedged as currency position in IDR is considered to be long-term in nature.

#### Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in USD and IDR exchange rates, with all other variables held constant. The impact on the Group's and the Company's (loss)/profit before tax is due to changes in the fair value of monetary assets and liabilities. The Group's and the Company's exposure to foreign currency changes for all other currencies is not material.

	(Loss)/profit before tax			
	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
RM/USD - strengthened 5%	16,058	16,017	4,073	4,053
- weakened 5%	(16,058)	(16,017)	(4,073)	(4,053)
RM/IDR - strengthened 5%	(391)	(19)	23,667	21,859
- weakened 5%	<u>391</u>	<u>19</u>	<u>(23,667)</u>	<u>(21,859)</u>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 31. Financial instruments (cont'd)

#### (d) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objectives are to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness. At the reporting date, approximately 100% and 100% (2018: 100% and 100%) of the Group's and the Company's loans and borrowings respectively will mature in less than one year based on the carrying amounts reflected in the financial statements.

#### Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and of the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
<b>2019</b>				
<b>Group</b>				
<b>Financial liabilities:</b>				
Trade and other payables	83,804	90,073	32,754	206,631
Loans and borrowings (excluding lease liabilities)	498,325	1,103	1,027	500,455
Lease liabilities	341	504	-	845
Total undiscounted financial liabilities	<u>582,470</u>	<u>91,680</u>	<u>33,781</u>	<u>707,931</u>
<b>Company</b>				
<b>Financial liabilities:</b>				
Trade and other payables	301,181	-	-	301,181
Loans and borrowings (excluding lease liabilities)	306,017	-	-	306,017
Lease liabilities	-	-	-	-
Total undiscounted financial liabilities	<u>607,198</u>	<u>-</u>	<u>-</u>	<u>607,198</u>
Financial guarantee contracts*	<u>399,817</u>	<u>-</u>	<u>-</u>	<u>399,817</u>





## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 31. Financial instruments (cont'd)

#### (d) Liquidity risk (cont'd)

##### Analysis of financial instruments by remaining contractual maturities (cont'd)

The table below summarises the maturity profile of the Group's and of the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations (cont'd).

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
<b>2018</b>				
<b>Group</b>				
<b>Financial liabilities:</b>				
Trade and other payables	81,585	90,073	32,754	204,412
Loans and borrowings	479,219	847	-	480,066
Total undiscounted financial liabilities	560,804	90,920	32,754	684,478
<b>Company</b>				
<b>Financial liabilities:</b>				
Trade and other payables	290,511	-	-	290,511
Loans and borrowings	287,801	-	-	287,801
Total undiscounted financial liabilities	578,312	-	-	578,312
Financial guarantee contracts	365,242	-	-	365,242

\*Based on the maximum amount that can be called under the financial guarantee contracts.

#### (e) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument, leading to a financial loss. The Group and the Company are exposed to credit risk from its operating activities (primarily trade and other receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The Group's and the Company's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's and the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's and the Company's exposure to bad debts is not significant.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 31. Financial instruments (cont'd)

#### (e) Credit risk (cont'd)

##### Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the statements of financial position; and
- The corporate guarantees provided by the Company and its subsidiaries to the banks at a nominal amount of RM399,817,000 (2018: RM311,262,000) to secure banking facilities as disclosed in Note 22(e).

##### Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the business segments of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables net of allowances for expected credit losses at the reporting date are as follows:

	2019		2018	
	RM'000	% of total	RM'000	% of total
<b>By industry sectors:</b>				
Plantation and mill	5,339	81%	8,852	88%
Hotel	1,226	19%	1,235	12%
	<u>6,565</u>	<u>100%</u>	<u>10,087</u>	<u>100%</u>

The Group uses ageing analysis to monitor the credit quality of trade receivables.

The Group performs credit rating assessment of all its counterparties in order to measure ECLs of trade receivables. This credit rating assessment considers quantitative assessment using the counterparties' customer's financial statements or a qualitative assessment of the counterparties customer, which includes but is not limited to their customer's reputation, competitive position, industry and geopolitical outlook.

In determining the ECL, the Group considers the loss given default and the probability of default assigned to each counterparty customer. The probability of default is based on their individual credit rating. This probability of default is derived by benchmarking against available third party and market information, which also incorporates forward looking information.

Loss given default is the assumption of the proportion of financial asset that cannot be recovered by conversion of collateral to cash or by legal process, and is assessed based on the Group's historical experience.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 31. Financial instruments (cont'd)

#### (e) Credit risk (cont'd)

At each reporting date, the Group and Company assess whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- (i) significant financial difficulty of the customer;
- (ii) a breach of contract such as a default; and
- (iii) it is probable that the customer will enter bankruptcy or other financial reorganisation.

In managing credit risk of trade receivables, the Group and the Company manage its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

The ageing of trade receivables is disclosed in Note 19(a).

#### (g) Fair values

##### Determination of fair value

The Group held the following financial instruments carried at fair value in the statements of financial position:

	<b>Assets/ (liabilities) RM'000</b>	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Level 3 RM'000</b>
At 31 December 2019				
Fair value through profit or loss:				
Biological assets	4,861	-	-	4,861
At 31 December 2018				
Fair value through profit or loss:				
Biological assets	2,228	-	-	2,228
Obligations under finance lease	1,274	-	1,197	-



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 31. Financial instruments (cont'd)

#### (g) Fair values (cont'd)

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	<b>Note</b>
Trade and other receivables	19
Loans and borrowings	21
Trade and other payables	22

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date as the impact of discounting is immaterial.

#### Financial guarantees

Fair value is determined based on probability weighted discounted cash flow method. The probability has been estimated and assigned for the following key assumptions:

- The likelihood of the guaranteed party defaulting within the guaranteed period;
- The exposure on the portion that is not expected to be recovered due to the guaranteed party's default; and
- The estimated loss exposure if the party guaranteed were to default.

### 32. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2019 and 31 December 2018.

The Group monitors capital using a gearing ratio, which is total loans and borrowings less cash and bank balances divided by equity attributable to equity holders of the parent. The Group's policy is to maintain net gearing ratio at an acceptable level with reference to the loan covenants imposed by lending banks.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 32. Capital management (cont'd)

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Loans and borrowings	21	468,683	445,908	276,488	257,498
Less: Cash and bank balances	20	(18,549)	(12,443)	(4,995)	(4,807)
Net debt		<u>450,134</u>	<u>433,465</u>	<u>271,493</u>	<u>252,691</u>
Equity attributable to the equity holders of the parent, representing total capital		<u>518,946</u>	<u>262,595</u>	<u>151,480</u>	<u>132,808</u>
Net gearing ratio		<u>87%</u>	<u>165%</u>	<u>179%</u>	<u>190%</u>

### 33. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments, as follows:

- The plantation and milling segment is involved in cultivation and sale of oil palm products.
- The fishery segment is involved in fish rearing, hatchery and sale of fishes.
- The hotelier segment is involved in hotel operations.
- The corporate segment is involved in Group-level corporate services, treasury and purchasing functions and business investments.

Except as indicated above, no operating segments has been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are at terms agreed between the parties during the financial year.

### 33. Segment Information (contd.)

#### Business segments

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segments:

	Plantation and milling		Fishery		Hotelier		Corporate		Adjustments and eliminations		Note	Per consolidated financial statements	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000		2019 RM'000	2018 RM'000
<b>Revenue</b>													
External customers	217,416	219,405	-	-	7,886	8,964	-	-	-	-		225,302	228,369
Inter-segment	-	-	-	-	20	48	6,961	7,591	(6,981)	(7,639)	A	-	-
<b>Total revenue</b>	<b>217,416</b>	<b>219,405</b>	<b>-</b>	<b>-</b>	<b>7,906</b>	<b>9,012</b>	<b>6,961</b>	<b>7,591</b>	<b>(6,981)</b>	<b>(7,639)</b>		<b>225,302</b>	<b>228,369</b>
<b>Results</b>													
Interest income	(5,614)	(5,403)	-	-	(16)	(18)	(40)	(58)	-	-		(5,670)	(5,479)
Depreciation and amortisation	38,604	35,372	231	273	1,146	1,272	133	132	-	-	B	40,114	37,049
Other non-cash (income)/ expenses	(3,407)	3,562	-	-	273	-	(5,841)	13,403	-	-	C	(8,975)	16,965
Segment (loss)/profit before tax	(5,194)	(13,361)	23	(30)	334	1,882	12,402	(29,626)	(25,678)	(9,091)	D	(18,113)	(50,226)
<b>Assets</b>													
Additions to non-current assets	39,797	48,092	-	-	2,150	531	12	4,669	-	-	E	41,959	53,292
Segment assets	1,334,422	915,738	5,372	5,465	33,008	33,033	20,781	14,735	3,260	2,110	F	1,396,843	971,081
Segment liabilities	196,623	186,088	75	7	1,237	846	15,478	10,429	627,351	511,784	G	840,764	709,154

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)





## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 33. Segment information (cont'd)

A Inter-segment revenues are eliminated on consolidation.

B Depreciation and amortisation consist of:

	Note	2019 RM'000	2018 RM'000
Property, plant and equipment	8	39,655	37,036
Investment properties	8	459	13
		40,114	37,049

C Other material non-cash (income)/expenses consist of the following items as presented in the respective notes to the financial statements:

	Note	2019 RM'000	2018 RM'000
Employee defined benefits liabilities	9	(1,208)	1,275
Gain on disposal of property, plant and equipment	6	(299)	(171)
Allowance for expected credit losses on other receivables:	8		
- current		325	286
- non-current		605	817
- impairment of advances to secure land use rights		3,184	-
Net fair value changes of biological assets	8	(2,633)	915
Property, plant and equipment written off	8	71	440
Unrealised (gain)/loss on foreign exchange	6 & 8	(9,020)	13,403
		(8,975)	16,965

D The following items are deducted from segment to arrive at loss before tax presented in the statements of comprehensive income:

	Note	2019 RM'000	2018 RM'000
Finance costs	7	22,002	16,988
Unallocated corporate expenses/(income)		3,676	(7,897)
		25,678	9,091



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 33. Segment information (cont'd)

E Additions to non-current assets consist of:

	Note	2019 RM'000	2018 RM'000
Property, plant and equipment	13	41,959	53,292

F The following items are added to segment assets to arrive at total assets reported in the consolidated statement of financial position:

	Note	2019 RM'000	2018 RM'000
Deferred tax assets	24	2,426	1,317
Tax recoverable		834	793
		<u>3,260</u>	<u>2,110</u>

G The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	Note	2019 RM'000	2018 RM'000
Deferred tax liabilities	24	158,314	65,189
Income tax payable		354	687
Loans and borrowings	21	468,683	445,908
		<u>627,351</u>	<u>511,784</u>

#### Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Malaysia	113,028	162,000	621,612	282,566
Indonesia	112,274	66,369	658,545	588,108
	<u>225,302</u>	<u>228,369</u>	<u>1,280,157</u>	<u>870,674</u>





## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### 33. Segment information (cont'd)

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position:

	<b>2019</b> <b>RM'000</b>	<b>2018</b> <b>RM'000</b>
Property, plant and equipment	1,231,892	837,174
Investment properties	15,764	1,044
Intangible assets	32,501	32,456
	<u>1,280,157</u>	<u>870,674</u>

#### Information about major customers

Revenue from five (2018: four) major customers amounting to RM150,758,000 (2018: RM167,679,000) was accounted for in the plantation and mill segment in the form of sale of crude palm oil and palm kernel.

### 34. Dividend

	<b>2019</b> <b>RM'000</b>	<b>2018</b> <b>RM'000</b>
<b>Recognised during the financial year</b>		
In respect of the financial year ended 31 December 2017:		
Final single-tier dividend of 1 sen per ordinary share, on 116,874,800 ordinary shares (excluding 3,125,200 treasury shares), approved by the shareholders at the Annual General Meeting on 25 May 2018 and paid on 21 August 2018	-	1,169
	<u>-</u>	<u>1,169</u>

The Directors do not recommend the payment of any dividend in respect of the current financial year ended 31 December 2019.

### 35. Events after reporting period

On 11 March 2020, the World Health Organisation declared the outbreak of COVID-19 to be a global pandemic. The COVID-19 pandemic has significantly disrupted many business operations around the world. In Malaysia, to contain the spread of COVID-19, the Government of Malaysia had imposed the Movement Control Order ("MCO"). The Directors concluded that the COVID-19 outbreak did not provide evidence of conditions that existed on or before 31 December 2019 and have accordingly assessed it to be a non-adjusting event.



## **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (cont'd)

### **35. Events after reporting period** (cont'd)

The Group's principal activities comprise mainly palm oil refinery, operation of oil palm plantations and milling in Sabah, Malaysia and Indonesia. The MCO had caused the closure of all government and private premises except those involved in the provision of essential services and those industries given special permission to operate which included the oil palm industry.

Up to the date of these financial statements, the Group has seen minimal impact of COVID-19 outbreak on the Group's revenue, earnings, cashflow and financial condition although there was disruption to the hotel operations. However, given the evolving nature of the continuing spread of COVID-19, it may have an impact on the future demand and sales price of the Group's outputs. At this juncture, the extent of COVID-19's full impact is still unknown. This being the case, the Group notes that there would be some risks on the assumptions applied in the impairment assessment on goodwill, in particular, discount rate and average commodity price and would need to be revised in the next financial year.

It is likely that the gross margins for the mill and plantation segment would be revised mainly due to the fluctuations in the CPO and PK prices and demand for such commodities. The raw material price inflation is likely to increase by more than what was forecasted as at 31 December 2019 in view of the Government's measures which have resulted in a decrease in supply. Pre-tax discount rate is likely to be revised upwards.

The aforementioned changes in the assumptions on gross margins, discount rates and raw materials price inflation may result in a material adjustment to the carrying amounts of the goodwill within the next financial year.

In addition, subsequent to reporting date, the Group changed its methods, assumptions and information used to measure the expected credit loss ("ECL") in order to better estimate the impact of the outbreak in accordance with the requirements of MFRS 9. Whilst it is not possible to estimate the full impact of the outbreak's short-term and longer-term effects or the Government's varying efforts to combat the outbreak and support businesses, it is likely that the ECL would increase significantly within the next financial year.



## SHAREHOLDINGS STATISTICS

AS AT 15 JUNE 2020

### SHARE CAPITAL

Paid-Up & Issued Share Capital	:	120,000,000 (including treasury shares of 3,137,200)
Type of Shares	:	Ordinary shares
No. of shareholders	:	837
Voting Rights	:	One vote per ordinary share

### DISTRIBUTION OF SHAREHOLDINGS

Size of holdings	No. of Holders	% of Holders	Total Holdings	% of Holdings
1 to 99	43	5.14	581	0.00
100 to 1,000	566	67.62	107,208	0.09
1,001 to 10,000	164	19.59	652,452	0.56
10,001 to 100,000	25	2.99	794,251	0.68
100,001 to 5,843,140*	33	3.94	44,109,162	37.74
5,843,140 and above**	6	0.72	71,199,146	60.93
<b>Total</b>	<b>837</b>	<b>100.00</b>	<b>116,862,800</b>	<b>100.00</b>

**Notes:** \* Less than 5% of issued holdings  
 \*\* 5% and above of issued holdings

### SUBSTANTIAL SHAREHOLDERS

According to the Register maintained under Section 144 of the Companies Act 2016, the substantial shareholders' interests in shares of the Company (excluding bare trustees) are as follows:-

	Direct interests	Ordinary shares		%
		%	Indirect interests	
Jubilant Ventures Sdn Bhd	38,400,000	32.86	-	-
Tan Sri Dato' Sri Koh Kin Lip, JP	19,783,344	16.93	2,887,350 * <sup>1</sup>	2.47
Dato' Loo Pang Kee	13,054,706	11.17	38,400,000 * <sup>2</sup>	32.86
Datuk Loo Ngjin Kong	4,166,724	3.57	4,908,000 * <sup>3</sup>	4.20
Wong Siew Ying	2,471,284	2.11	4,908,000 * <sup>4</sup>	4.20

**Notes:**

\*1 : Deemed interest via shareholdings of Rickoh Corporation Sdn. Bhd. in the Company pursuant to Section 8(4), Companies Act 2016 and via shareholdings of his daughter, Koh Se Gay, in the Company.

\*2 : Deemed interest via shareholdings of Jubilant Ventures Sdn. Bhd. in the Company pursuant to Section 8(4), Companies Act 2016.

\*3 : Deemed interest via shareholdings of his children, Loo Pang Chieng, Loo Pang How and Loo Mun May, in the Company.

\*4 : Deemed interest via shareholdings of her children, Loo Pang Chieng, Loo Pang How and Loo Mun May, in the Company.



## SHAREHOLDINGS STATISTICS

AS AT 15 JUNE 2020 (cont'd)

According to the Register maintained under Section 59 of the Companies Act 2016, the directors' interests in shares of the Company are as follows:-

Name of Directors	Ordinary shares of RM1.00 each			
	Direct interests	%	Indirect interests	%
Datuk Loo Ngjin Kong	4,166,724	3.57	4,908,000 <sup>*1</sup>	4.20
Dato' Seri Tengku Dr. Zainal Adlin				
Bin Tengku Mahamood	1	0.00	-	-
Dato' Loo Pang Kee	13,054,706	11.17	38,400,000 <sup>*2</sup>	32.86
Wong Siew Ying	2,471,284	2.11	4,908,000 <sup>*3</sup>	4.20
Lim Ted Hing	804,000	0.69	-	-
Tan Sri Dato' Sri Koh Kin Lip, JP	19,783,344	16.93	2,887,350 <sup>*4</sup>	2.47
Tan Vun Su	1	0.00	-	-
Dato' Ooi Sek Min	-	-	-	-

### Notes:

\*1 : Deemed interest via shareholdings of his children, Loo Pang Chieng, Loo Pang How and Loo Mun May, in the Company.

\*2 : Deemed interest via shareholdings of Jubilant Ventures Sdn. Bhd. in the Company pursuant to Section 8(4), Companies Act 2016.

\*3 : Deemed interest via shareholdings of her children, Loo Pang Chieng, Loo Pang How and Loo Mun May, in the Company.

\*4 : Deemed interest via shareholdings of Rickoh Corporation Sdn. Bhd. in the Company pursuant to Section 8(4), Companies Act 2016 and via shareholdings of his daughter, Koh Se Gay, in the Company.



## SHAREHOLDINGS STATISTICS

AS AT 15 JUNE 2020 (cont'd)

### Thirty (30) Largest Securities Account Holders as at 15 June 2020

No.	Name	No. of Shares Held	%
1	Jubilant Ventures Sdn Bhd	25,000,000	21.39
2	CIMB Group Nominees (Asing) Sdn Bhd Exempt An for DBS Bank Ltd (SFS-PB)	13,592,250	11.63
3	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged securities account for Jubilant Ventures Sdn Bhd	11,900,000	10.18
4	Dato' Loo Pang Kee	7,956,896	6.81
5	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Sri Dato' Sri Koh Kin Lip, JP	6,750,000	5.78
6	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Sri Dato' Sri Koh Kin Lip, JP	6,000,000	5.13
7	Maybank Nominees (Tempatan) Sdn Bhd Amanahraya Investment Management Sdn Bhd for Mutual Yield Sdn Bhd (C318-240203)	5,452,500	4.67
8	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account – AmBank (M) Berhad for Dato' Loo Pang Kee	5,097,810	4.36
9	Datuk Loo Ngin Kong	3,166,724	2.71
10	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Sri Dato' Sri Koh Kin Lip, JP (7003423)	3,033,344	2.60
11	Loo Pang Chieng	2,866,000	2.45
12	Seah Sen Onn @ David Seah	2,820,000	2.41
13	Wong Siew Ying	2,371,284	2.03
14	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Junior Koh Siew Hui	2,043,700	1.75
15	AllianceGroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Sri Dato' Sri Koh Kin Lip, JP (8058900)	2,000,000	1.71
16	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Sri Dato' Sri Koh Kin Lip, JP (MY0502)	2,000,000	1.71
17	Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank for Lai Ming Chun @ Lai Poh Lin	2,000,000	1.71
18	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account – AmBank (M) Berhad for Jubilant Ventures Sdn Bhd	1,500,000	1.28



## SHAREHOLDINGS STATISTICS

AS AT 15 JUNE 2020 (cont'd)

### Thirty (30) Largest Securities Account Holders as at 15 June 2020 (cont'd)

No.	Name	No. of Shares Held	%
19	CGS-CIMB Nominees (Tempatan) Sdn Bhd CIMB Bank for Rickoh Corporation Sdn Bhd (MY0507)	1,500,000	1.28
20	Loo Pang How	1,303,000	1.11
21	Datuk Loo Ngin Kong	1,000,000	0.86
22	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Rickoh Corporation Sdn Bhd	1,000,000	0.86
23	Loo Mun May	739,000	0.63
24	Lim Ted Hing	604,000	0.52
25	Koh Siew Boon	515,800	0.44
26	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lai Tan Kiong (E-SDK)	352,100	0.30
27	Rickoh Corporation Sdn Bhd	317,350	0.27
28	Citigroup Nominees (Asing) Sdn Bhd Exempt An For UBS AG Singapore (Foreign)	314,000	0.27
29	Rosalind Lo Nyit Ying	289,000	0.25
30	Seah Sen Onn @ David Seah	268,000	0.23



## LIST OF PROPERTIES AS AT 31 DECEMBER 2019

Description Title/Location	Land area Hectares (unless otherwise stated)	Tenure (years)	Age of buildings (years)	Usage	Net book value as at 31.12.2019 RM	Date Acquired
<b>PLANTATION LAND</b>						
<b><u>Sabah</u></b>						
Growth estate, KM 70, Sandakan- Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	183.05	99 years lease expiring 31 December 2077 and 31 December 2086	N/A	Oil palm plantation	11,858,120	2002
Soon Tai estate, KM 71, Sandakan- Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	38.03	99 years lease expiring 31 December 2077	N/A	Oil palm plantation	2,775,302	2002
Jejco estate, KM 71, Sandakan- Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	40.71	99 years lease expiring 31 December 2077	N/A	Oil palm plantation	2,955,532	2002
Bintang estate, KM 71, Sandakan- Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	195.47	99 years lease expiring 31 December 2078	N/A	Oil palm plantation	13,177,130	2002
SROPP estate, KM 73, Sandakan- Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	224.94	99 years lease expiring 31 December 2077 and 31 December 2080	N/A	Oil palm plantation	13,569,730	2002
Teh & Yoon estate, KM 75, Sandakan- Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	242.81	99 years lease expiring 31 December 2077 and 31 December 2079	N/A	Oil palm plantation	13,617,666	2005



## LIST OF PROPERTIES AS AT 31 DECEMBER 2019 (cont'd)

Description Title/Location	Land area Hectares (unless otherwise stated)	Tenure (years)	Age of buildings (years)	Usage	Net book value as at 31.12.2019 RM	Date Acquired
<b>PLANTATION LAND</b> (cont'd)						
<b>Sabah</b> (cont'd)						
Ballerina estate, KM 80, Sandakan- Telupid-Kota Kinabalu Highway, District of Kinabatangan, Sabah	163.13	99 years lease expiring 31 December 2077	N/A	Oil palm plantation	10,391,885	2002
Sebuda estate, KM 80, Sandakan- Telupid-Kota Kinabalu Highway, District of Kinabatangan, Sabah	316.00	99 years lease expiring 31 December 2078	N/A	Oil palm plantation	20,869,675	2002
Telupid estates, KM 80 & KM 100, Sandakan-Telupid-Kota Kinabalu Highway, Districts of Kinabatangan & Labuk-Sugut, Sabah	1,379.95	99 years lease expiring 31 December 2078	N/A	Oil palm plantation	86,411,925	2002
Berkat estate, Mile 62, Sandakan-Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	101.71	99 years lease expiring 31 December 2096	N/A	Oil palm plantation	5,865,666	2002 & 2005
Bonus Indah estate, KM 111, Sandakan- Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	999.60	99 years lease expiring 31 December 2091	N/A	Oil palm plantation	58,204,634	2002
Berkat estate, KM 111, Sandakan- Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	432.50	99 years lease expiring 31 December 2083 and 31 December 2093	N/A	Oil palm plantation	24,370,932	2002
Kian Merculaba estate, KM 113, Sandakan- Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	498.40	99 years lease expiring 31 December 2091	N/A	Oil palm plantation	30,178,243	2003





## LIST OF PROPERTIES AS AT 31 DECEMBER 2019 (cont'd)

Description Title/Location	Land area Hectares (unless otherwise stated)	Tenure (years)	Age of buildings (years)	Usage	Net book value as at 31.12.2019 RM	Date Acquired
<b>PLANTATION LAND</b> (cont'd)						
<b>Sabah</b> (cont'd)						
Sinar Ramai estate, KM 143, Sandakan- Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	192.30	99 years lease expiring 31 December 2086	N/A	Oil palm plantation	12,499,186	2002
Intan Ramai estate, KM 143, Sandakan- Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	228.10	99 years lease expiring 31 December 2086	N/A	Oil palm plantation	11,979,363	2002
Deltafort estate, KM 87, Segaliud Lokan, District of Kinabatangan, Sabah	400.30	99 years lease expiring 31 December 2087	N/A	Oil palm plantation & plantable reserve	20,629,933	2002
SROPP estate, KM30 Labuk Road, District of Sandakan, Sabah	39.02	99 years lease expiring 31 December 2060	N/A	Durian orchard	8,129,596	2002
Permata Alam estate, KM87, Sandakan-Lahad Datu Highway, District of Kinabatangan, Sabah	200.30	99 years lease expiring 31 December 2085	N/A	Oil palm plantation	12,110,079	2003
Sungai Kenali estate, KM87, Sandakan-Lahad Datu Highway, District of Kinabatangan, Sabah	197.90	99 years lease expiring 31 December 2085	N/A	Oil palm plantation	9,493,411	2003
Banggi estate, CL055324797 & PL056290085, Pulau Banggi District of Kudat, Sabah	4,008.82	99 years lease expiring 31 December 2068	N/A	Oil palm plantation	149,687,362	2012



## LIST OF PROPERTIES AS AT 31 DECEMBER 2019 (cont'd)

Description Title/Location	Land area Hectares (unless otherwise stated)	Tenure (years)	Age of buildings (years)	Usage	Net book value as at 31.12.2019 RM	Date Acquired
<b>PLANTATION LAND</b> (cont'd)						
<b>Indonesia</b>						
Enggang Estates Kecamatan Tabang and Kembang Janggut, Kabupaten Kutai Kartanegara, Kalimantan Timur, Indonesia	8,482.30	35 years HGU expiring 8 February 2045	N/A	Oil palm plantation & plantable reserve	53,721,278	2010
Nala Estates Desa Senambah, Mulupan, Ngayau, Muara Bengkal and Benua Baru, Kecamatan Muara Bengkal, Kabupaten Kutai Timur, Kalimantan Timur, Indonesia	14,792.53	35 years HGU expiring 22 November 2045	N/A	Oil palm plantation & plantable reserve	154,032,569	2013
Hampan Estates Desa Menamang Kanan, Menamang Kiri, Kecamatan Muara Kaman, Kabupaten Kutai Kartanegara, Kalimantan Timur, Indonesia	10,364.01	35 years HGU expiring 3 March 2049	N/A	Oil palm plantation	309,373,266	2017
Sumber Estates Desa Senyiur, Kecamatan Muara Ancalong, Kabupaten Kutai Timur, Kalimantan Timur, Indonesia	8,987.56	35 years HGU expiring 4 January 2048	N/A	Oil palm plantation & plantable reserve	49,089,896	2017



## LIST OF PROPERTIES AS AT 31 DECEMBER 2019 (cont'd)

Description Title/Location	Land area Hectares (unless otherwise stated)	Tenure (years)	Age of buildings (years)	Usage	Net book value as at 31.12.2019 RM	Date Acquired
<b>OTHER LANDED PROPERTIES</b>						
<b><u>Sabah</u></b>						
Ballerina, 2 adjoining double storey shophouses with a built-up area of 782.13m <sup>2</sup> , Lot 8 & 9, Taman Tshun Ngen, Mile 5, Labuk Road, District of Sandakan, Sabah	395.55m <sup>2</sup>	999 years lease expiring 9 July 2887	45	Office buildings	805,085	2002
Ballerina, 1 double storey shophouse with a built-up area of 391.07m <sup>2</sup> , Lot 11, Taman Tshun Ngen, Mile 5, Labuk Road, District of Sandakan, Sabah	197.78 m <sup>2</sup>	999 years lease expiring 9 July 2887	45	Office building	231,072	2003
Berkat, 1 double storey detached house, Lot 134, Taman Tshun Ngen, Mile 5, Labuk Road, District of Sandakan, Sabah	11,120 sq ft	999 years lease expiring 9 July 2887	37	Employees' accomodation	501,555	2007
Berkat palm oil mill, with a built-up area of 4,193.80m <sup>2</sup> , KM 70, Sandakan-Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	4.05	60 years lease expiring 31 December 2044	34	Palm oil mill	4,378,254	2002
Palace Hotel, 8 storey hotel building with 151 rooms and ancillary buildings together with hotel facilities, an open car park for visitors and a staff quarter with total floor area of 8,673 m <sup>2</sup> , No. 1, Jalan Tangki, Karamuning, Kota Kinabalu, Sabah	1.789	999 years lease expiring 31 December 2907, 12 June 2913 and 2 October 2915 and 99 years lease expiring 28 April 2065	25	Hotel	28,632,688	2007 & 2008



## LIST OF PROPERTIES AS AT 31 DECEMBER 2019 (cont'd)

Description Title/Location	Land area Hectares (unless otherwise stated)	Tenure (years)	Age of buildings (years)	Usage	Net book value as at 31.12.2019 RM	Date Acquired
<b>OTHER LANDED PROPERTIES (cont'd)</b>						
<b>Sabah (cont'd)</b>						
Better Prospects, Sungai Obar, Mile 7, Off Airport Road, 90000 Sandakan, Sabah	16.31	99 years lease expiring 31 December 2077	11	Fish ponds, hatchery & nursery building	5,060,983	2007, 2008 & 2012
Sungai Kenali, a single storey bungalow, House No. 440, Jalan Sang Kancil Satu, Turnbull Place, Off Jalan Tuaran, District of Kota Kinabalu, Sabah	0.18 acres	99 years lease expiring 02 November 2058		Employees' accommodation	1,197,922	2014
Transglobe Enterprise, 1 parcel of land at Kg. Kapayan, District of Penampang, Sabah	5,110.50 m <sup>2</sup>	99 years lease expiring 31 December 2115	N/A	Rental	6,398,352	2017
Miracle Display, 1 parcel of land at Kiangsam Inanam, District of Kota Kinabalu, Sabah	12.50 acres	Sublease expiring 22 January 2048	N/A	Vacant	4,264,242	2018
Palace, a single storey detached house, House No. 581, Jalan Sang Kancil Dua, Turnbull Place, Off Jalan Tuaran, District of Kota Kinabalu, Sabah	0.151 acres	99 years lease expiring 02 March 2061	54	Employees' accommodation	1,478,646	2019
<b>Indonesia</b>						
Nala Mill Desa Senambah, Kecamatan, Muara Bengkal, Kabupaten Kutai Timur, Kalimantan Timur, Indonesia	30	20 years HGB expiring 04 August 2037	4	Palm oil mill	37,078,318	Construction completed in June 2016
<b>TOTAL</b>					<b>1,173,547,475</b>	

**NPC RESOURCES BERHAD**

(Company No: 199901027413 (502313-P))

Lot 9, T3, Taman Tshun Ngen, Mile 5, Jalan Labuk,  
90000 Sandakan, Sabah, MALAYSIA

T: 6 089 274 488 F: 6 089 226 711 E: [info@npc.com.my](mailto:info@npc.com.my)

[www.npc.com.my](http://www.npc.com.my)