STATEMENT ON DIRECTORS' RESPONSIBILITY

For Preparing The Annual Financial Statements

The Board of Directors is required by the Companies Act 2016 ("the Act") to prepare financial statements which give a true and fair view of the state of affairs of the Group and the Company at the end of every financial year and of the results and cash flows of the Group and the Company for every financial year.

As required by the Act, the financial statements have been prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors have considered that in preparing the financial statements for the financial year ended 31 December 2019, appropriate accounting policies have been adopted and are consistently applied and supported by reasonable and prudent judgements and estimates. These estimates and judgements in applying the accounting policies of the Group and the Company are based on the Directors' best knowledge of current events and actions.

The Directors have the responsibility to ensure that the Group and the Company maintain proper accounting records which disclose with reasonable accuracy the financial position and performance of the Group and the Company and also to ensure that the financial statements comply with the Act. The Directors have overall responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and the Company and to prevent and detect fraud and other irregularities.

The statement is made in accordance with a resolution of the Board of Directors dated 15 May 2020.

DIRECTORS' REPORT
for the financial year ended 31 December 2019

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

Principal activities

The Company is principally engaged in investment holding while the principal activities of the subsidiaries are stated in Note 6 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 6 to the financial statements.

Results

	Group RM	Company RM
Profit for the financial year attributable to:		
Owners of the Company	20,917,615	12,061,273
Non-controlling interests	(224,364)	-
	20,693,251	12,061,273

Reserves and provisions

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

Dividend

Since the end of the previous financial year, the amount of dividend paid by the Company as reported in the Directors' Report in respect of financial year ended 31 December 2019 was a first interim single-tier exempt dividend of 5 sen per ordinary share totalling RM13,951,610 declared on 17 May 2019 and paid on 8 August 2019.

The Directors do not recommend any final dividend to be paid for the financial year under review.

Directors of the Company

Directors who served during the financial year until the date of this report are:

Datuk Amar Abdul Hamed Bin Sepawi*
Dato Wong Kuo Hea*
Hasmawati Binti Sapawi
Ali Bin Adai*
Datu Haji Soedirman Bin Haji Aini*
Brig Gen (R) Dato' Muhammad Daniel Bin Abdullah
Umang Nangku Jabu* (resigned on 23 May 2019)
Azizi Bin Morni* (resigned on 23 May 2019)

* These Directors are also directors of the Company's respective subsidiaries.

Directors of the Company (continued)

The names of the other directors of the Company's respective subsidiaries are:

Datu Haji Mohammed Sepuan Bin Anu
Sebastian Anak Baya
Koay Bee Eng
Trina Tan Yang Li
Haji Abdul Hadi Bin Abdul Kadir
Rakayah Binti Hamdan
Abdul Kadir @ Kadir Bin Zainuddin
Monaliza Binti Zaidel (appointed on 1 January 2020)
Datu Sajeli Bin Kipli (resigned on 31 December 2019)

Directors' interests in shares

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	At 1.1.2019/ Date of appointment	Bought	Sold	At 31.12.2019
Direct interests in the Company				
Datuk Amar Abdul Hamed Bin Sepawi	200,000	-	-	200,000
Dato Wong Kuo Hea	925,100	-	(17,500)	907,600
Datu Haji Soedirman Bin Haji Aini	42,000	-	-	42,000
Deemed interests in the Company				
Datuk Amar Abdul Hamed Bin Sepawi	84,969,024	-	-	84,969,024
Dato Wong Kuo Hea	89,486,324	-	-	89,486,324

By virtue of their interests in the shares of the Company, Datuk Amar Abdul Hamed Bin Sepawi and Dato Wong Kuo Hea are also deemed interested in the shares of the subsidiaries during the financial year to the extent that Sarawak Plantation Berhad has an interest.

Directors' interests in shares (continued)

	Number of ordinary shares			
	At 1.1.2019	Bought	Sold	At 31.12.2019
Deemed interests in SPB Pelita Suai Sdn. Bhd.:				
Datuk Amar Abdul Hamed Bin Sepawi	1,596,000	-	-	1,596,000
Dato Wong Kuo Hea	1,596,000	-	-	1,596,000
Deemed interests in Sarawak Plantation Services Sdn. Bhd.:				
Datuk Amar Abdul Hamed Bin Sepawi	95,000	-	-	95,000
Dato Wong Kuo Hea	95,000	-	-	95,000
Deemed interests in Azaria Sdn. Bhd.:				
Datuk Amar Abdul Hamed Bin Sepawi	3	-	-	3
Dato Wong Kuo Hea	3	-	-	3
Deemed interests in SPB PPES Karabungan Plantation Sdn. Bhd.:				
Datuk Amar Abdul Hamed Bin Sepawi	70	-	-	70
Dato Wong Kuo Hea	70	-	-	70

None of the other Directors holding office at 31 December 2019 had any interest in the shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company and of its related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business (as disclosed in Note 33 to the financial statements).

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares and debentures

There were neither changes in the issued and paid-up capital of the Company, nor issuances of debentures by the Company during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Indemnity and insurance costs

During the financial year, Sarawak Plantation Berhad and its subsidiaries, were covered under Directors' and Officers' Liability Insurance. The total amount of insurance effected for the Directors' and Officers' is RM5,000,000. The insurance premium for the Company was RM13,790. There is no indemnity given or insurance effected for its auditors during the year.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2019 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

DIRECTORS' REPORT
for the financial year ended 31 December 2019

Event after the reporting period

Event after the reporting period is disclosed in Note 37 to the financial statements.

Auditors

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 20 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

....

Datuk Amar Abdul Hamed Bin Sepawi
Director

....

Dato Wong Kuo Hea
Director

Kuching,

Date: 15 May 2020

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Assets					
Property, plant and equipment	3	287,602,716	393,286,197	1,633	1,927
Bearer plants	4	312,760,679	290,372,720	-	-
Right-of-use assets	5	99,203,823	-	-	-
Investment in subsidiaries	6	-	-	327,052,482	327,052,482
Investment in an associate	7	-	-	-	-
Investment properties	8	4,122,631	4,288,911	-	-
Total non-current assets		703,689,849	687,947,828	327,054,115	327,054,409
Biological assets	9	26,358,623	22,042,063	-	-
Inventories	10	12,614,980	12,237,918	-	-
Trade and other receivables	11	15,658,909	14,802,104	28,710,599	27,177,558
Prepayments and other assets	12	5,733,005	4,732,122	116,810	118,383
Current tax recoverable		34,498	5,826,109	-	51,537
Other investments	13	1,254,165	5,066,859	-	-
Cash and cash equivalents	14	68,652,169	101,911,635	49,296,685	53,523,467
Total current assets		130,306,349	166,618,810	78,124,094	80,870,945
Total assets		833,996,198	854,566,638	405,178,209	407,925,354
Equity					
Share capital	15.1	340,968,951	340,968,951	340,968,951	340,968,951
Reserves		211,063,824	204,979,754	54,858,629	57,630,901
Total equity attributable to owners of the Company		552,032,775	545,948,705	395,827,580	398,599,852
Non-controlling interests	6	(10,639,629)	(10,415,265)	-	-
Total equity		541,393,146	535,533,440	395,827,580	398,599,852
Liabilities					
Deferred tax liabilities	16	117,848,000	113,955,000	-	-
Loans and borrowings	17	72,232,296	95,599,226	-	-
Lease liabilities		2,042,309	-	-	-
Total non-current liabilities		192,122,605	209,554,226	-	-
Trade and other payables	18	51,252,364	51,681,256	9,145,628	9,325,502
Loans and borrowings	17	47,144,438	57,796,946	-	-
Current tax payable		2,083,645	770	205,001	-
Total current liabilities		100,480,447	109,478,972	9,350,629	9,325,502
Total liabilities		292,603,052	319,033,198	9,350,629	9,325,502
Total equity and liabilities		833,996,198	854,566,638	405,178,209	407,925,354

The notes on pages 80 to 162 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 31 December 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Revenue	19	347,528,040	310,786,685	11,000,000	18,300,000
Cost of sales		(285,795,741)	(258,146,187)	-	-
Gross profit		61,732,299	52,640,498	11,000,000	18,300,000
Other income		1,587,021	1,514,928	-	500
Distribution expenses		(20,472,449)	(17,638,983)	-	-
Administrative expenses		(17,971,806)	(18,012,979)	(1,687,900)	(2,849,012)
Net gain on reversal of impairment/ (loss of impairment) on financial instruments		184,057	(59,316)	-	-
Results from operating activities	20	25,059,122	18,444,148	9,312,100	15,451,488
Other non-operating income	21	4,674,340	3,081,967	-	-
Other non-operating expenses	22	-	(2,208,910)	-	-
Finance income	23	2,295,104	3,072,994	3,472,240	2,930,065
Finance costs	24	(3,619,666)	(6,628,826)	(4,109)	(12,973)
Net finance (costs)/income		(1,324,562)	(3,555,832)	3,468,131	2,917,092
Profit before tax		28,408,900	15,761,373	12,780,231	18,368,580
Taxation	25	(7,715,649)	(4,895,367)	(718,958)	(572,592)
Profit and total comprehensive income for the financial year		20,693,251	10,866,006	12,061,273	17,795,988
Total comprehensive income attributable to:					
Owners of the Company		20,917,615	11,179,162	12,061,273	17,795,988
Non-controlling interests	6	(224,364)	(313,156)	-	-
Profit and total comprehensive income for the financial year		20,693,251	10,866,006	12,061,273	17,795,988
Basic and diluted earnings per ordinary share (sen)	27	7.49	4.00		

The notes on pages 80 to 162 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the financial year ended 31 December 2019

		Attributable to owners of the Company						
		Non-distributable			Distributable			
Group	**Note**	**Share capital RM**	**Equity reserve RM**	**Treasury shares RM**	**Retained earnings RM**	**Total RM**	**Non-controlling interests RM**	**Total equity RM**
At 1 January 2018		340,968,951	493,560	(1,222,307)	208,507,535	548,747,739	(10,102,109)	538,645,630
Profit and total comprehensive income for the financial year		-	-	-	11,179,162	11,179,162	(313,156)	10,866,006
First interim, single-tier exempt dividend	28	-	-	-	(13,978,196)	(13,978,196)	-	(13,978,196)
At 31 December 2018/ 1 January 2019		340,968,951	493,560	(1,222,307)	205,708,501	545,948,705	(10,415,265)	535,533,440
Profit and total comprehensive income for the financial year		-	-	-	20,917,615	20,917,615	(224,364)	20,693,251
Treasury shares acquired	27	-	-	(881,935)	-	(881,935)	-	(881,935)
First interim, single-tier exempt dividend	28	-	-	-	(13,951,610)	(13,951,610)	-	(13,951,610)
At 31 December 2019		340,968,951	493,560	(2,104,242)	212,674,506	552,032,775	(10,639,629)	541,393,146

STATEMENT OF CHANGES IN EQUITY
for the financial year ended 31 December 2019

Company	Note	Attributable to owners of the Company — Non-distributable — Share capital RM	Treasury shares RM	Distributable — Retained earnings RM	Total Equity RM
At 1 January 2018		340,968,951	(1,222,307)	55,035,416	394,782,060
Profit and total comprehensive income for the financial year		-	-	17,795,988	17,795,988
First interim, single-tier exempt dividend	28	-	-	(13,978,196)	(13,978,196)
At 31 December 2018/1 January 2019		340,968,951	(1,222,307)	58,853,208	398,599,852
Profit and total comprehensive income for the financial year		-	-	12,061,273	12,061,273
Treasury shares acquired	27	-	(881,935)	-	(881,935)
First interim, single-tier exempt dividend	28	-	-	(13,951,610)	(13,951,610)
At 31 December 2019		340,968,951	(2,104,242)	56,962,871	395,827,580
		(Note 15.1)	(Note 15.3)		

The notes on pages 80 to 162 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
for the financial year ended 31 December 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Cash flows from operating activities					
Profit before tax		28,408,900	15,761,373	12,780,231	18,368,580
Adjustments for:					
Change in fair value of biological assets	9	(4,674,340)	2,208,910	-	-
Change in fair value of other investments	20	-	297,542	-	-
Depreciation of property, plant and equipment	3	14,116,008	16,254,289	294	294
Depreciation of bearer plants	4	12,661,041	12,123,076	-	-
Depreciation of investment properties	8	166,280	166,280	-	-
Depreciation of right-of-use assets	5	1,134,781	-	-	-
Dividend income from:					
- subsidiaries	19	-	-	(11,000,000)	(18,300,000)
- other investments		-	(47,670)	-	-
Gain on disposal of:					
- other investments		-	(26,639)	-	-
- property, plant and equipment	20	-	(110,992)	-	-
- asset held for sale		-	(45,940)	-	-
Impairment losses on/ (Reversal of):					
- property, plant and equipment	3	-	(1,888,817)	-	-
- bearer plants	4	-	(1,167,465)	-	-
- trade and other receivables		(184,057)	59,316	-	-
Finance income	23	(2,295,104)	(3,072,994)	(3,472,240)	(2,930,065)
Finance costs	24	3,619,666	6,628,826	4,109	12,973
Inventories written down	10	590,008	66,631	-	-
Inventories written off	10	-	481,368	-	-
Property, plant and equipment written off		35,158	39,829	-	-
Operating profit/(loss) before changes in working capital		53,578,341	47,726,923	(1,687,606)	(2,848,218)

STATEMENTS OF CASH FLOWS
for the financial year ended 31 December 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Cash flows from operating activities (continued)					
Change in inventories		(609,289)	4,645,869	-	-
Change in trade and other receivables, prepayments and other assets		(1,816,809)	6,784,087	1,647	138,258
Change in trade and other payables	(ii)	(1,292,560)	(15,630,027)	(147,974)	(1,398,391)
Cash generated from/(used in) operations		49,859,683	43,526,852	(1,833,933)	(4,108,351)
Tax refunded		7,372,948	3,500	201,538	-
Tax paid		(3,313,571)	(7,645,756)	(663,958)	(425,000)
Interest/Profit paid		(6,015,498)	(5,890,027)	-	-
Interest received		2,430,745	3,545,657	1,335,662	2,302,823
Finance lease profit paid		-	(283,563)	-	-
Hire purchase facility profit paid		(503,018)	-	-	-
Net cash from/(used in) operating activities		49,831,289	33,256,663	(960,691)	(2,230,528)
Cash flows from investing activities					
Acquisition of property, plant and equipment	(i)	(6,746,540)	(9,465,735)	-	-
Dividends received		-	35,345	11,000,000	18,300,000
Net movement of deposits with original maturities exceeding three months		3,812,693	2,696,714	-	-
Bearer plants (net of depreciation of property, plant and equipment and right-of-use assets)	(iii)	(26,950,034)	(20,526,174)	-	-
Proceeds from disposal of:					
- other investment		-	1,661,486	-	-
- property, plant and equipment		-	288,000	-	-
- asset held for sale		-	796,000	-	-
Net cash (used in)/from investing activities		(29,883,881)	(24,514,364)	11,000,000	18,300,000

STATEMENTS OF CASH FLOWS
for the financial year ended 31 December 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Cash flows from financing activities					
Treasury shares acquired		(881,935)	-	(881,935)	-
Net (repayment)/proceeds of revolving credits		(20,000,000)	2,000,000	-	-
Net (repayment)/proceeds of term loans		(13,912,001)	3,890,000	-	-
Repayment of hire purchase facility		(4,461,328)	-	-	-
Repayment of finance lease liabilities		-	(3,142,199)	-	-
Dividends paid to owners of the Company	28	(13,951,610)	(13,978,196)	(13,951,610)	(13,978,196)
Amount due from subsidiaries		-	-	567,454	(23,007,049)
Net cash used in financing activities	(iv)	(53,206,874)	(11,230,395)	(14,266,091)	(36,985,245)
Net decrease in cash and cash equivalents		(33,259,466)	(2,488,096)	(4,226,782)	(20,915,773)
Cash and cash equivalents at beginning of financial year		101,911,635	104,399,731	53,523,467	74,439,240
Cash and cash equivalents at end of financial year	14	68,652,169	101,911,635	49,296,685	53,523,467

STATEMENTS OF CASH FLOWS
for the financial year ended 31 December 2019

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Cash outflows for leases as a lease				
Included in net cash from operating activities:				
Payment relating to short-term leases	61,037	-	-	-

Notes:

(i) Acquisition of property, plant and equipment

	Note	Group 2019 RM	Group 2018 RM
Paid in cash		6,746,540	9,465,735
Payables		151,719	4,684,898
In the form of hire purchase		4,353,891	-
In the form of finance lease		-	10,779,624
Total acquisitions	3	11,252,150	24,930,257

(ii) Acquisition of right-of-use assets

	Group 2019 RM	Group 2018 RM
Payables	285,800	-

(iii) Acquisition of bearer plants (net of depreciation property, plant and equipment and right-of-use assets and lease liabilities interest capitalised)

	Group 2019 RM	Group 2018 RM
Payables	26,950,034	20,526,174

STATEMENTS OF CASH FLOWS
for the financial year ended 31 December 2019

Notes: (continued)

(iv) Reconciliation of liabilities arising from financing activities

	At 1.1.2018 RM	Net changes from financing cash flows RM	Acquisition of new leases RM	At 31.12.2018 RM	Adjustment on initial application of MFRS 16 RM	At 1.1.2019 RM	Net changes from financing cash flows RM	Acquisition of hire purchase RM	At 31.12.2019 RM
Group									
Revolving credit	26,000,000	4,000,000	-	30,000,000	-	30,000,000	(20,000,000)	-	10,000,000
Revolving credit (Islamic)	2,000,000	(2,000,000)	-	-	-	-	-	-	-
Islamic term loan	109,875,211	3,890,000	-	113,765,211	-	113,765,211	(13,912,001)	-	99,853,210
Finance lease liabilities	1,993,536	(3,142,199)	10,779,624	9,630,961	(9,630,961)	-	-	-	-
Hire purchase facilities	-	-	-	-	9,630,961	9,630,961	(4,461,328)	4,353,891	9,523,524
Total liabilities from financing activities	139,868,747	2,747,801	10,779,624	153,396,172	-	153,396,172	(38,373,329)	4,353,891	119,376,734

The notes on pages 80 to 162 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Sarawak Plantation Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business

Lot 1174, Block 9, MCLD, Miri Waterfront, Jalan Permaisuri, 98000 Miri, Sarawak.

Registered office

8th Floor, Wisma Naim, 2 ½ Miles, Rock Road, 93200 Kuching, Sarawak.

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in an associate. The financial statements of the Company as at and for the financial year ended 31 December 2019 do not include other entities.

The Company is principally engaged in investment holding activities while the principal activities of the other group entities are stated in Note 6 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 15 May 2020.

1. Basis of preparation

(a) Statement of compliance

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

The following are accounting standards, interpretations and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company.

MFRS / Amendment / Interpretation	**Effective date**
Amendments to MFRS 3, *Business Combinations - Definition of a Business*	1 January 2020
Amendments to MFRS 101, *Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material*	1 January 2020
Amendments to MFRS 9, *Financial Instruments,* MFRS 139, *Financial Instruments: Recognition and Measurement and MFRS 7, Financial Instruments: Disclosures - Interest Rate Benchmark Reform*	1 January 2020
MFRS 17, *Insurance Contracts*	1 January 2021
Amendments to MFRS 101, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current*	1 January 2022
Amendments to MFRS 10, *Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Yet to be determined

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2020 for those amendments that are effective for annual periods beginning on or after 1 January 2020.
- from the annual period beginning on 1 January 2022 for the amendment that is effective for annual periods beginning on 1 January 2022.

The Group and the Company do not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on or after 1 January 2021 as it is not applicable to the Group and the Company.

The Group and the Company are currently assessing the financial impact that may arise from the initial application of the accounting standards, interpretations or amendments effective for annual periods beginning on or after 1 January 2020 and the accounting standards, interpretations or amendments effective for annual periods on or after a date yet to be confirmed.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, other than as disclosed in Note 2.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- impairment assessment of property, plant and equipment and bearer plants as disclosed in Note 3 and 4 of the financial statements respectively. In preparing the financial statements, the Group has evaluated whether these assets are stated in excess of their net recoverable amounts. The net recoverable amounts are determined either by calculating the value-in-use of the assets via estimating the cash flows from their continuing use and discounting them to their net present values or by estimating their fair value less costs of disposal, an exercise that entails a high degree of estimation uncertainty. An allowance for impairment loss is made if the net recoverable amounts of the assets are lower than their carrying amounts.
- measurement of biological assets as disclosed in Note 9.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by the Group entities, unless otherwise stated.

Arising from the adoption of MFRS 16, *Leases*, there are changes to the accounting policies applied to lease contracts entered into by the Group entities as compared to those applied in previous financial statements.

Effective 1 January 2019, the Group has also applied the amendments in relation to MFRS 123, *Borrowing Cost (Annual Improvements to 2015 -2017 Cycle),* which clarifies that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowing made specifically to obtain that qualifying asset as part of general borrowings.

Changes in the accounting policies and the impact arising from the changes are disclosed in Note 36.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:
- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as a financial asset depending on the level of influence retained.

(v) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investment in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustment if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(vi) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Financial instruments

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

2. Significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets [see Note 2(j)(i)] where the effective interest rate is applied to the amortised cost.

(b) Fair value through other comprehensive income

(i) Debt investments

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt investment, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as at fair value through profit or loss. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets [see Note 2(j)(i)] where the effective interest rate is applied to the amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

(b) Fair value through other comprehensive income (continued)

(ii) Equity investments

This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

(c) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment [see Note 2(j)(i)].

2. Significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial liabilities

The categories of financial liabilities at initial recognition are as follows:

(a) Fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

(a) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
(b) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or
(c) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

(b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

2. Significant accounting policies (continued)

(b) Financial instruments (continued)

(iii) 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 in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers.*

Liabilities arising from financial guarantees are presented together with other provisions.

(iv) Regular way purchase or sale of financial assets

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date or settlement date accounting in the current year.

Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date; and
(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Settlement date accounting refers to:

(a) the recognition of an asset on the day it is received by the Group or the Company; and
(b) derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the Group or the Company.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired asset.

Generally, the Group or the Company applies settlement date accounting unless otherwise stated for the specific class of asset.

(v) Derecognition

A financial asset or a part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or transferred or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

2. Significant accounting policies (continued)

(b) Financial instruments (continued)

(v) Derecognition (continued)

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(vi) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(c) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within “other income” and “administrative expenses” respectively in profit or loss.

2. Significant accounting policies (continued)

(c) Property, plant and equipment (continued)

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Assets under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

Infrastructure works	Remaining useful live of land
Commercial buildings	50 years
Other buildings	25 years
Furniture, fittings and equipment	5 - 10 years
Plant and machinery	5 - 20 years
Motor vehicles	5 - 20 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

2. Significant accounting policies (continued)

(d) Leases

The Group has applied MFRS 16 using the modified retrospective approach. Accordingly, the comparative information presented for 2018 has not been restated - i.e. it is presented, as previously reported under MFRS 117, *Leases* and related interpretations.

Current financial year

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

2. Significant accounting policies (continued)

(d) Leases (continued)

Current financial year (continued)

(ii) Recognition and initial measurement

(a) As a lessee

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 the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occur.

The Group has elected not to recognise right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2. Significant accounting policies (continued)

(d) Leases (continued)

Current financial year (continued)

(ii) Recognition and initial measurement (continued)

(b) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

(iii) Subsequent measurement

(a) As a lessee

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 right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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 an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) As a lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue".

2. Significant accounting policies (continued)

(d) Leases (continued)

Previous financial year

As a lessee

(i) Finance lease

Leases in terms of which the Group or the Company assumed substantially all the risks and rewards of ownership were classified as finance leases. Upon initial recognition, the leased asset was measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset was accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases were apportioned between the finance expense and the reduction of the outstanding liability. The finance expense was allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments were accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment was confirmed.

Leasehold land which in substance was a finance lease was classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

(ii) Operating lease

Leases, where the Group or the Company did not assume substantially all the risks and rewards of ownership were classified as operating leases and, except for property interest held under operating lease, the leased assets were not recognised on the statement of financial position.

Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals were charged to profit or loss in the reporting period in which they were incurred.

Leasehold land which in substance was an operating lease was classified as prepaid lease payments.

(e) Bearer plants

Bearer plants are living plants used in the production or supply of agricultural produce; are expected to bear produce for more than one period; and have a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Bearer plants include mature and immature oil palm plantations. Immature plantations are stated at cost which includes costs incurred for field preparation, planting, fertilising and maintenance, capitalisation of borrowing costs incurred on loans used to finance the developments of immature plantations and an allocation of other indirect costs based on planted areas. Mature plantations are stated at cost less accumulated amortisation and impairment, if any. Mature plantations are amortised on a straight-line basis over 22 years, the expected useful life of the oil palms, calculated from the time when the palms are declared mature, normally 36 months after initial planting. Upon maturity, all subsequent maintenance expenditure is charged to profit or loss.

2. Significant accounting policies (continued)

(e) Bearer plants (continued)

The carrying values of bearer plants are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The useful life and amortisation method are reviewed at each financial year end to ensure that the amount, method and period of amortisation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits.

A bearer plant is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the bearer plant is included in the profit or loss in the year the bearer plant is derecognised.

(f) Biological assets

Biological assets comprise produce growing on the bearer plants and living animals.

A gain or loss arising on initial recognition of a biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset shall be included in profit or loss for the period in which it arises.

(g) Investment properties

(i) Investment property carried at cost

Investment properties are properties which are owned or right-of-use assets held under a lease contract to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the prod-uction or supply of goods or services or for administrative purposes. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Investment properties are measured at cost less accumulated depreciation and accumulated impairment losses, if any, consistent with the accounting policy for property, plant and equipment as stated in accounting policy Note 2(c).

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs. Right-of-use asset held under a lease contract that meets the definition of investment property is initially measured similarly as other right-of-use assets.

Depreciation on investment property, comprising solely buildings, is charged to profit or loss on a straight-line basis over its estimated useful life of 50 years.

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted as appropriate.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

2. Significant accounting policies (continued)

(g) Investment properties (continued)

(ii) Determination of fair value

The Group exercises its judgement by reference to market information available and/or in consultation with independent valuers where warranted, to estimate the fair value of its investment property.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value.

Cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Cost of crude palm oil and palm kernel includes direct labour, an appropriate share of production overheads and the fair value attributed to agriculture produce at year end in accordance to MFRS 141. The fair value of biological assets harvested from the Group's own plantation and sold during the year are recorded as part of the biological assets movement (Note 9) and as part of "changes in fair value of biological assets" in determining profit.

Cost of fresh fruit bunches acquired from third parties includes the cost of purchase of the inventory.

Oil palm nursery inventories consist of seedlings remaining in the nursery for eventual field planting. Cost of palm oil seeds and seedlings includes the cost of treatment and cultivation.

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

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short-term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

2. Significant accounting policies (continued)

(j) Impairment

(i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables and lease receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's or the Company's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables on individual basis with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income 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.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that 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. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

2. Significant accounting policies (continued)

(j) Impairment (continued)

(ii) Other assets

The carrying amounts of other assets (except for inventories) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amountis estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows 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 or cash generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(k) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

2. Significant accounting policies (continued)

(k) Equity instruments (continued)

(iii) Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity, and the resulting surplus or deficit on the transaction is presented in share capital.

(iv) Distributions of assets to owners of the Company

The Group measures a liability to distribute assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

(l) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(m) Revenue and other income

(i) Revenue from contract with customers

Revenue from sales of goods and services in the ordinary course of business is recognised when the Group satisfies a performance obligation ("PO") by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. The individual standalone selling price of a good or service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

2. Significant accounting policies (continued)

(m) Revenue and other income (continued)

(i) Revenue from contract with customers (continued)

The transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer.

When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

The Group or the Company transfer control of a good or service at a point in time unless one of the following over time criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;
(b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
(c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

The following is a description of principal activities from which the Group and the Company generate their other revenue:

(i) Provision of services

Management fee, agronomic fee and consultancy fee are recognised in profit or loss based on services rendered.

(ii) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from sub-leased property is recognised as other income.

(iii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(iv) Interest income

Interest income is recognised in profit or loss as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

2. Significant accounting policies (continued)

(n) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(o) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against which the unutilised tax incentive can be utilised.

2. Significant accounting policies (continued)

(p) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(r) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Executive Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(s) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as 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 measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement 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.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

NOTES TO THE FINANCIAL STATEMENTS

3. Property, plant and equipment

Group	Leasehold land RM	Commercial buildings RM	Other buildings RM	Furniture, fittings and equipment RM	Infra-structure works RM	Plant and machinery RM	Motor vehicles RM	Assets under construction RM	Total RM
Cost									
At 1 January 2018	91,035,826	21,007,255	107,035,103	32,800,425	276,766,523	103,326,821	54,342,840	12,406,836	698,721,629
Additions	-	-	857,629	987,583	1,188,302	1,600,888	17,368,257	2,927,598	24,930,257
Disposals	-	-	-	(5,100)	(61,000)	(379,303)	(407,303)	-	(852,706)
Transfers	-	-	1,926,755	138,734	4,380,619	262,938	1,110,591	(7,819,637)	-
Reclassification (Note 4)	18,405,487	-	-	-	1,321,713	-	-	(826,856)	18,900,344
At 31 December 2018, *as previously reported*	109,441,313	21,007,255	109,819,487	33,921,642	283,596,157	104,811,344	72,414,385	6,687,941	741,699,524
Adjustment on initial application of MFRS 16	(109,441,313)	-	-	-	-	-	-	-	(109,441,313)
At 1 January 2019, *as restated*	-	21,007,255	109,819,487	33,921,642	283,596,157	104,811,344	72,414,385	6,687,941	632,258,211
Additions	-	-	47,483	333,268	1,915,573	1,672,612	5,087,076	2,196,138	11,252,150
Write off	-	-	-	(24,496)	-	(473,243)	(392,013)	-	(889,752)
Transfers	-	-	-	227,623	1,796,852	2,190,321	-	(4,214,796)	-
At 31 December 2019	-	21,007,255	109,866,970	34,458,037	287,308,582	108,201,034	77,109,448	4,669,283	642,620,609

3. Property, plant and equipment (continued)

Group (continued)	Leasehold land RM	Commercial buildings RM	Other buildings RM	Furniture, fittings and equipment RM	Infra-structure works RM	Plant and machinery RM	Motor vehicles RM	Assets under construction RM	Total RM
Depreciation and impairment loss									
At 1 January 2018									
Accumulated depreciation	7,994,837	8,445,454	59,616,623	29,590,332	124,975,919	54,656,684	34,965,333	-	320,245,182
Accumulated impairment loss	36,104	-	15,347	9	7,092,757	2,119,807	167,135	-	9,431,159
	8,030,941	8,445,454	59,631,970	29,590,341	132,068,676	56,776,491	35,132,468	-	329,676,341
Depreciation for the financial year	2,219,840	528,624	2,197,107	1,162,681	3,816,421	5,064,595	6,268,104	-	21,257,372
Disposals	-	-	-	(799)	-	-	(202,296)	-	(203,095)
Write off	-	-	-	-	(34,749)	-	(393,725)	-	(428,474)
Impairment loss	-	-	-	-	-	-	25,685	-	25,685
Reversal of impairment loss	-	-	-	-	(329,528)	(1,584,974)	-	-	(1,914,502)
At 31 December 2018/ 1 January 2019									
Accumulated depreciation	10,214,677	8,974,078	61,813,730	30,752,214	128,757,591	59,721,279	40,637,416	-	340,870,985
Accumulated impairment loss	36,104	-	15,347	9	6,763,229	534,833	192,820	-	7,542,342
At 31 December 2018	10,250,781	8,974,078	61,829,077	30,752,223	135,520,820	60,256,112	40,830,236	-	348,413,327

3. Property, plant and equipment (continued)

Group (continued)	Leasehold land RM	Commercial buildings RM	Other buildings RM	Furniture, fittings and equipment RM	Infra-structure works RM	Plant and machinery RM	Motor vehicles RM	Assets under construction RM	Total RM
Depreciation and impairment loss (continued)									
At 31 December 2018, *as previously reported*	10,250,781	8,974,078	61,829,077	30,752,223	135,520,820	60,256,112	40,830,236	-	348,413,327
Adjustment on initial application of MFRS 16	(10,250,781)	-	-	-	-	-	-	-	(10,250,781)
At 1 January 2019, *as restated*									
Accumulated depreciation	-	8,974,078	61,813,730	30,752,214	128,757,591	59,721,279	40,637,416	-	330,656,308
Accumulated impairment loss	-	-	15,347	9	6,763,229	534,833	192,820	-	7,506,238
	-	8,974,078	61,829,077	30,752,223	135,520,820	60,256,112	40,830,236	-	338,162,546
Depreciation for the financial year	-	535,309	1,614,220	1,075,219	4,075,680	4,982,300	5,427,213	-	17,709,941
Write off	-	-	-	(22,818)	-	(439,764)	(392,012)	-	(854,594)
At 31 December 2019									
Accumulated depreciation	-	9,509,387	63,427,950	31,804,615	132,833,271	64,263,815	45,672,617	-	347,511,655
Accumulated impairment loss	-	-	15,347	9	6,763,229	534,833	192,820	-	7,506,238
	-	9,509,387	63,443,297	31,804,624	139,596,500	64,798,648	45,865,437	-	355,017,893
Carrying amounts									
At 31 December 2018/ 1 January 2019	99,190,532	12,033,177	47,990,410	3,169,419	148,075,337	44,555,232	31,584,149	6,687,941	393,286,197
At 31 December 2019	-	11,497,868	46,423,673	2,653,413	147,712,082	43,402,386	31,244,011	4,669,283	287,602,716

3. Property, plant and equipment (continued)

Company	Furniture, fittings and equipment RM
Cost	
At 1 January 2018/31 December 2018/1 January 2019/31 December 2019	7,784
Depreciation	
At 1 January 2018	5,563
Depreciation for the financial year	294
At 31 December 2018/1 January 2019	5,857
Depreciation for the financial year	294
At 31 December 2019	6,151
Carrying amounts	
At 31 December 2018/1 January 2019	1,927
At 31 December 2019	1,633

3.1 Depreciation

Depreciation charge for the financial year is allocated as follows:

	Note	Group 2019 RM	Group 2018 RM
Amount charged to profit or loss	20	14,116,008	16,254,289
Amount capitalised in bearer plants	4.1	3,593,933	5,003,083
		17,709,941	21,257,372

3.2 Impairment loss - Group

Property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may no longer be recoverable.

3. Property, plant and equipment (continued)

3.2 *Impairment loss - Group* (continued)

In preparing the financial statements, the Group has evaluated whether the assets are stated in excess of their net recoverable amounts. The net recoverable amounts are determined either by calculating the value in use of the assets via discounting the estimated cash flows from their continuing use to net present values or by estimating their fair values less costs of disposal, an exercise that entails a high degree of estimation uncertainty. An allowance for impairment loss is made if the net recoverable amounts of the assets are lower than their carrying amounts.

3.2.1 *Infrastructure works*

3.2.1.1 *CGU 1*

The Group recognised full impairment losses on infrastructure works amounted to RM4,952,884 in previous years (Note 4.2.1). The allowance for impairment losses was made following disruption of its plantation activities by the local participants in a trust arrangement resulting in no harvesting activity being carried out since April 2010. In 2012, the Group through its subsidiary had initiated litigation against six (6) individuals, seeking injunctive, declaratory relief and claiming damages over the trespassing [see Note 35(a)].

3.2.1.2 *CGU 2 & CGU 3*

The Group recognised impairment loss of RM714,783 in previous year due to continuing inability to harvest fresh fruit bunches from certain area of these estates on similar basis as disclosed in Note 4.2.2.

3.2.1.3 *CGU 4*

The Group recognised full impairment loss on infrastructure works amounted to RM1,095,562 in previous year (Note 4.2.3). The allowance for impairment losses was made following continuing inability to harvest fresh fruit bunches from this estate.

3.2.2 *Property, plant and equipment*

The Group has recognised impairment loss of RM743,009 on property, plant and equipment in previous years.

3.3 *Security - Group*

Buildings and plant and machinery with carrying amounts of RM39,656,116 (2018: RM41,503,210) are charged to a bank for banking facilities granted to the Group (see Note 17).

4. Bearer plants - Group

	RM
Cost	
At 1 January 2018	524,246,152
Additions	32,186,829
Reclassification (Note 3)	(18,900,344)
At 31 December 2018/1 January 2019	537,532,637
Additions	35,049,000
At 31 December 2019	572,581,637
Depreciation and impairment loss	
At 1 January 2018	
Accumulated depreciation	222,443,731
Accumulated impairment loss	13,760,575
	236,204,306
Depreciation for the financial year (Note 20)	12,123,076
Reversal of impairment loss (Note 21)	(1,167,465)
At 31 December 2018/1 January 2019	
Accumulated depreciation	234,566,807
Accumulated impairment loss	12,593,110
	247,159,917
Depreciation for the financial year (Note 20)	12,661,041
At 31 December 2019	
Accumulated depreciation	247,227,848
Accumulated impairment loss	12,593,110
	259,820,958
Carrying amounts	
At 31 December 2018/1 January 2019	290,372,720
At 31 December 2019	312,760,679

4. Bearer plants - Group (continued)

4.1 Bearer plants incurred during the financial year includes:-

	2019 RM	2018 RM
Depreciation of property, plant and equipment (Note 3.1)	3,593,933	5,003,083
Depreciation of right-of-use assets (Note 5.1)	1,410,224	-
Finance costs (Note 24)	2,914,146	471,989
Lease liabilities interest capitalised	180,663	-
Personnel expenses		
- Contributions to the Employees Provident Fund	107,294	364,168
- Wages, salaries and others	5,390,352	5,080,086
	==========	==========

Included in bearer plants is a carrying amount of RM11,757,009 (2018: RM12,891,375) located on certain leasehold land (see Note 17) charged to a bank for banking facilities granted to a subsidiary.

4.2 Impairment loss

Bearer plants are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may no longer be recoverable.

In preparing the financial statements, the Group has evaluated whether the assets are stated in excess of their net recoverable amounts. The net recoverable amounts are determined either by calculating the value in use of the assets via discounting the estimated cash flows from their continuing use to net present values or by estimating their fair values less costs of disposal, an exercise that entails a high degree of estimation uncertainty. An allowance for impairment loss is made if the net recoverable amounts of the assets are lower than their carrying amounts.

4.2.1 CGU 1

In earlier financial years, the Group had recognised full impairment losses of RM5,615,216 on its oil palm estate due to inability of the Group to harvest fresh fruit bunches from the estate.

4.2.2 CGU 2 & CGU 3

In the current financial year, due to the continuing inability to harvest fresh fruit bunches from certain areas of CGU 2 and CGU 3, the Group has performed impairment testing to assess the recoverable amount. The recoverable amounts of the estates are estimated based on their values in use, on the assumption that the Group can reclaim the estates and resume its harvesting activities progressively from second half of year 2020 and in the subsequent years.

The value in use calculation was based on the following key assumptions:-

- Projected future cash flows from the plantations are based on a single cycle of 25 years;
- Average selling price of fresh fruit bunches for past 3 years (2017-2019) being used for the forecast and projection years;
- Average palm yields ranging from 5 to 16 (2018: 5 to 16) metric tonnes per hectare per annum;
- A pre-tax discount rate of 12% (2018: 12%) per annum; and
- The Group is forecasting moderate increase in the cost of sales due to higher activity level of rehabilitation.

4. Bearer plants - Group (continued)

4.2 Impairment loss (continued)

4.2.2 CGU 2 & CGU 3 (continued)

The values assigned to the key assumptions represent management's assessment of current trends in the oil palm plantations in Sarawak and are based on both external and internal sources (historical data). Any subsequent changes in the market conditions or to decisions on the harvesting levels may have a material impact on the assets' values as the future cash flows may differ from these estimates.

In previous years, the Group had recognised impairment loss of RM3,655,970 for CGU 2 and CGU 3.

4.2.3 CGU 4

In earlier financial years, the Group has recognised full impairment losses of RM3,321,924 on the oil palm estate due to the inability of the Group to harvest fresh fruit bunches (see Note 3.2.1.3).

5. Right-of-use assets - Group

	Leasehold land RM	Land use rights RM	Total RM
Cost			
At 1 January 2019 and 31 December 2018, *as previously reported*	-	-	-
Recognition of right-of-use assets on initial application of MFRS 16	109,441,313	2,272,496	111,713,809
At 1 January 2019, *as restated*	109,441,313	2,272,496	111,713,809
Addition	285,800	-	285,800
At 31 December 2019	109,727,113	2,272,496	111,999,609
Depreciation			
At 1 January 2019 and 31 December 2018, *as previously reported*	-	-	-
Recognition of right-of-use assets on initial application of MFRS 16 (Note 3)	10,250,781	-	10,250,781
At 1 January 2019, *as restated*			
Accumulated depreciation	10,214,677	-	10,214,677
Accumulated impairment loss	36,104	-	36,104
	10,250,781	-	10,250,781
Depreciation for the financial year	2,463,844	81,161	2,545,005

5. Right-of-use assets - Group (continued)

	Leasehold land RM	Land use rights RM	Total RM
At 31 December 2019			
Accumulated depreciation	12,678,521	81,161	12,759,682
Accumulated impairment loss	36,104	-	36,104
	12,714,625	81,161	12,795,786
	==========	==========	==========
Carrying amount			
At 31 December 2019	97,012,488	2,191,335	99,203,823
	==========	==========	==========

The Group leases a piece of land for 30 years, with an option to renew the lease after that date.

5.1 *Depreciation*

Depreciation charge for the financial year is allocated as follows:

	2019 RM
Amount charged to profit or loss (Note 20)	1,134,781
Amount capitalised in bearer plants (Note 4.1)	1,410,224
	2,545,005
	=========

5.2 *Significant judgements and assumptions in relation to leases*

The Group assesses at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. The Group considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term. The Group has opted not to exercise the extension options.

The Group also applied judgement and assumptions in determining the incremental borrowing rate of the lease. The Group first determine the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the lease.

5.3 *Restriction imposed by lease*

The lease agreement for the land leased by the Group restricts the subsidiary from entering into an Assignment or Sublease Agreement and from charging, mortgaging or otherwise encumbering the said portion of the land with third party interest(s) without the prior consent of the lessor.

5.4 *Security - Group*

Right-of-use assets with carrying amount of RM305,066 are charged to a bank for banking facilities granted to the Group (see Note 17).

NOTES TO THE FINANCIAL STATEMENTS

6. Investment in subsidiaries - Company

	Note	2019 RM	2018 RM
Unquoted shares, at cost		328,374,738	328,374,738
Deemed capital contribution	6.1	1,807,509	1,807,509
Less: Allowance for impairment losses	6.2	(3,129,765)	(3,129,765)
		327,052,482	327,052,482

6.1 Deemed capital contribution

Deemed capital contribution is related to fair value effect of the interest free advances to its subsidiaries recognised in the year ended 31 December 2010.

6.2 Impairment losses

In the previous years, the Company recognised impairment losses of RM3,129,765 based on the estimated recoverable amount of the investment in subsidiaries. The recoverable amount is estimated based on the fair value less costs of disposal with reference to the net tangible assets of the subsidiaries. During the year, the Company reassessed on similar basis and concluded no further impairment to the investment in subsidiaries.

The principal activities of the subsidiaries, all of which are incorporated and principal place of business in Malaysia, and the Company's interests therein are as follows:

Subsidiary	Principal activities	Effective ownership interest and voting interest 2019 %	2018 %
Sarawak Plantation Agriculture Development Sdn. Bhd. ("SPAD")	Cultivation of oil palm and processing of fresh fruit bunches	100	100
Sarawak Plantation Property Holding Sdn. Bhd. ("SPPH")	Property investment	100	100
Sarawak Plantation Services Sdn. Bhd. ("SPSSB")	Provision of management, agronomic and consultancy services	95	95
SPB Pelita Suai Sdn. Bhd.* ("SPBPS")	Cultivation of oil palm	60	60
Azaria Sdn. Bhd.*^	Dormant	75	75
Sarawak Plantation Property Development Sdn. Bhd.	Dormant	100	100
Telliana Oil Palm Sdn. Bhd.	Cultivation of oil palm	100	100
SPB PPES Karabungan Plantation Sdn. Bhd.	Cultivation of oil palm	70	70

* *The financial statements of the subsidiaries are audited by a firm of Chartered Accountants other than KPMG PLT.*

^ *In the progress of winding up.*

6. Investment in subsidiaries - Company (continued)

Non-controlling interests in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

2019	SPB Pelita Suai Sdn. Bhd. RM	Other subsidiaries with immaterial NCI RM	Total RM
NCI percentage of ownership interest and voting interest	40%		
Carrying amount of NCI	(9,733,740)	(905,889)	(10,639,629)
Loss allocated to NCI	(7,242)	(217,122)	(224,364)

Summarised financial information before intra-group elimination

As at 31 December 2019	
Current assets	32,673
Current liabilities	(24,051,860)
Net liabilities	(24,019,187)
Year ended 31 December 2019	
Loss for the financial year	(18,106)
Total comprehensive loss	(18,106)
Cash flows used in operating activities	(6,616)
Net decrease in cash and cash equivalents	(6,616)

6. Investment in subsidiaries - Company (continued)

Non-controlling interests in subsidiaries (continued)

2018	SPB Pelita Suai Sdn. Bhd. RM	Other subsidiaries with immaterial NCI RM	Total RM
NCI percentage of ownership interest and voting interest	40%		
Carrying amount of NCI	(9,726,498)	(688,767)	(10,415,265)
Loss allocated to NCI	(54,844)	(258,312)	(313,156)

Summarised financial information before intra-group elimination

As at 31 December 2018	
Current assets	39,289
Current liabilities	(24,073,043)
Net liabilities	(24,033,754)
Year ended 31 December 2018	
Loss for the financial year	(137,109)
Total comprehensive loss	(137,109)
Cash flows used in operating activities	(9,062)
Net decrease in cash and cash equivalents	(9,062)

7. Investment in associate - Group

	2019 RM	2018 RM
Unquoted shares, at cost	205,000	205,000
Share of post-acquisition losses	(205,000)	(205,000)
	-	-

The Group's share of losses of the associate is restricted to the cost of its investment therein.

The principal activities of the associate, which is incorporated in Malaysia, and the Group's interest therein are as follows:

Name of entity	Principal activity	Effective ownership interest and voting interest 2019 %	 2018 %
Wonderland Transport Services Sdn. Bhd.*	Dormant	35	35

* *Held through a subsidiary, Sarawak Plantation Services Sdn. Bhd. The associate had been dissolved.*

8. Investment properties - Group

	Buildings RM
Cost	
At 1 January 2018/31 December 2018/ 1 January 2019 and 31 December 2019	8,313,388
Depreciation	
At 1 January 2018	3,858,197
Depreciation for the financial year (Note 20)	166,280
At 31 December 2018/1 January 2019	4,024,477
Depreciation for the financial year (Note 20)	166,280
At 31 December 2019	4,190,757
Carrying amounts	
At 31 December 2018/1 January 2019	4,288,911
At 31 December 2019	4,122,631
Estimated fair value	
At 31 December 2018/1 January 2019	16,152,207
At 31 December 2019	16,152,207

8. Investment properties - Group (continued)

The following are recognised in profit or loss in respect of investment properties:

	2019 RM	2018 RM
Rental income	536,243	440,454
Direct operating expenses:		
- income generating investment properties	(349,971)	(209,628)
- non-income generating investment properties	(49,364)	(23,921)
	==========	==========

Determination of fair value

The estimated fair value of investment properties was based on the valuation performed on 2 November 2017 and 19 January 2018 by an independent valuer. The Directors are of the opinion that there are no significant changes on the estimated fair value.

Fair value information

Fair value of investment properties are categorised as Level 3, which is estimated using unobservable inputs for the investment properties.

	2019			
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Investment properties	-	-	16,152,207	16,152,207
	==========	==========	==========	==========

	2018			
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Investment properties	-	-	16,152,207	16,152,207
	==========	==========	==========	==========

Valuation processes applied by the Group for Level 3 fair value

The fair value of investment properties is determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The values derived are based on the comparative method. The comparative method entails comparing the property with similar properties that were sold recently and those that are currently being offered for sale in the vicinity. Diligent adjustment are then made for location, size and shape of land, age, size, design, type and condition of building, improvements, availability of facilities and amenities, time element and other relevant factors to equalise the differences so as to arrive at an acceptable degree of comparability with the subject property.

9. Biological assets- Group

The biological assets of the Group are as follows:

	Fresh fruit bunches RM	Living livestock RM	Total RM
Fair value			
At 1 January 2018	19,273,172	5,434,157	24,707,329
Disposals	-	(456,356)	(456,356)
Changes in fair value less costs to sell (Note 22)	(1,229,936)	(978,974)	(2,208,910)
At 31 December 2018/1 January 2019	18,043,236	3,998,827	22,042,063
Disposals	-	(357,780)	(357,780)
Changes in fair value less costs to sell (Note 21)	4,783,588	(109,248)	4,674,340
At 31 December 2019	22,826,824	3,531,799	26,358,623

9.1 *Fresh fruit bunches ("FFB")*

The fair value of fresh fruit bunches was measured at fair value less cost to sell model by reference to the actual selling price and the estimated yield of FFB at the point of harvest, net of despatch and harvesting costs.

The valuation of the FFB is premised on the following assumptions:

(a) Valuation of the 3 months prior to harvest.
(b) FFB average selling price is based on actual average selling price for November 2019 and December 2019 and contracted and spot price for January 2020.
(c) Despatch and harvesting costs are based on actual average cost incurred for Quarter 4 2019.

At 31 December 2019, the Group has total of 20 estates (2018 : 20 estates) which comprises of total mature area of 29,934 hectares (2018: 29,664 hectares).

During the financial year, the Group has harvested approximately 280,649 metric tonnes of FFB (2018 : 245,852 metric tonnes). As at 31 December 2019, the quantity of unharvested FFB of the Group included in the fair value of FFB was 62,874 metric tonne (2018 : 68,149 metric tonne).

9.2 *Living livestock*

Living livestock comprise the cattle and goat livestock. The fair value of living livestock is based on the Group's assessment of weights and estimated market value of the living livestock.

During the financial year, the Group has sold 81 head of cattle and 7 goats (2018 : 109 head of cattle and 3 goats). As at 31 December 2019, living livestock comprised 814 head of cattle and 61 goats (2018 : 765 head of cattle and 51 goats).

9. Biological assets- Group (continued)

9.3 *Fair value information*

Fair value of biological assets is categorised as Level 3, which is estimated using unobservable inputs for biological assets.

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2019				
Fresh fruit bunches	-	-	22,826,824	22,826,824
Living livestock	-	-	3,531,799	3,531,799
	-	-	26,358,623	26,358,623
2018				
Fresh fruit bunches	-	-	18,043,236	18,043,236
Living livestock	-	-	3,998,827	3,998,827
	-	-	22,042,063	22,042,063

9.4 *Sensitivity analysis*

9.4.1 *Fresh fruit bunches ("FFB")*

The sensitivity analysis below indicates the approximate change in the Group's fair value of FFB and profit for the year that would arise if the following key estimates and assumptions adopted in the valuation model had changed at the reporting date, assuming all other estimates, assumption and other variables remained constant.

	2019		2018	
	Increase/ (Decrease) in price and volume	Increase/ (Decrease) in fair value of biological assets and profit before tax for the year RM	Increase/ (Decrease) in price and volume	Increase/ (Decrease) in fair value of biological assets and profit before tax for the year RM
Selling price	10%	2,871,448	10%	2,469,859
	(10%)	(2,871,448)	(10%)	(2,469,859)
Production volume	10%	2,282,683	10%	1,804,330
	(10%)	(2,282,683)	(10%)	(1,804,330)

9. Biological assets- Group (continued)

9.4 Sensitivity analysis (continued)

9.4.2 Living livestock

The sensitivity analysis below indicates the approximate change in the Group's fair value of living livestock and profit for the year that would arise if the following key estimates and assumptions adopted in the valuation model had changed at the reporting date, assuming all other estimates, assumption and other variables remained constant.

	2019		2018	
	Increase/ (Decrease) in price and weight	Increase/ (Decrease) in fair value of biological assets and profit before tax for the year RM	Increase/ (Decrease) in price and weight	Increase/ (Decrease) in fair value of biological assets and profit before tax for the year RM
Selling price	10%	353,180	10%	399,883
	(10%)	(353,180)	(10%)	(399,883)
Weight	10%	353,180	10%	399,883
	(10%)	(353,180)	(10%)	(399,883)
	=======	==========	=======	=========

9.5 Risk management strategy related to agriculture activities

The Group is exposed to the following risks relating to its oil palm plantations.

i) Regulatory and environmental risk

The Group is exposed to the environmental risk. Nevertheless, the Group has placed the Sustainability and Environmental Policies and health, safety and environmental procedures to create and maintain safe workplace and conservation of the environment at the same time comply with relevant regulations.

ii) Supply and demand risk

The Group is exposed to risks arising from fluctuations in the price and sales volume of fresh fruit bunches. The Group constantly analyse and monitor global palm oil demand patterns and trends to make prompt and informed decisions. The Group also continously focus on increasing yield and productivity as well as adopting cautious spending to mitigate the price risk.

iii) Climate and other risk

The Group's plantations are exposed to the risk of damages from climatic changes, diseases, forest fires and other natural forces. The Group has in place the processes and procedures aimed at monitoring and mitigating those risks. Such processes include but not limit to close monitoring on harvesting and crop recovery, adequate measures to control pest population, emphasize on proper fire safety procedures and other necessary measures to ensure smooth running of the operation.

10. Inventories - Group

	2019 RM	2018 RM
At costs		
Crude palm oil and palm kernel	3,755,446	2,362,706
Stores and consumables	5,878,826	5,895,319
Oil palm nursery	2,024,412	2,827,704
Oil palm seeds	309,251	201,205
Oil palm fresh fruit bunches	647,045	950,984
	12,614,980	12,237,918
Recognised in profit or loss:		
Inventories recognised as part of cost of sales	271,167,873	242,626,196
Inventories written off	-	481,368
Inventories written down	590,008	66,631

Oil palm nursery and oil palm seeds incurred during the financial year include:-

	2019 RM	2018 RM
Personnel expenses		
- Contributions to the Employees Provident Fund	27,396	41,760
- Wages, salaries and others	957,876	924,060

11. Trade and other receivables

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Non-current					
Non-trade					
Amount due from subsidiaries	11.1	-	-	5,666,020	5,666,020
Less: Allowance for impairment losses		-	-	(5,666,020)	(5,666,020)
Non-current total		-	-	-	-
Current					
Trade					
Trade receivables		14,476,641	13,384,023	-	-
Less: Allowance for impairment losses		(4,845)	(140,230)	-	-
		14,471,796	13,243,793	-	-

11. Trade and other receivables (continued)

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Non-trade					
Other receivables		646,831	1,066,701	76,503	88,772
Less: Allowance for impairment losses		(52,048)	(100,720)	-	-
		594,783	965,981	76,503	88,772
Amount due from subsidiaries	11.1	-	-	28,634,096	27,088,786
		594,783	965,981	28,710,599	27,177,558
GST refundable		592,330	592,330	-	-
Current total		15,658,909	14,802,104	28,710,599	27,177,558
Total		15,658,909	14,802,104	28,710,599	27,177,558

11.1 Amount due from subsidiaries is unsecured and bears interest ranging from 4.60% to 7.95% (2018: 4.60% to 7.95%) per annum.

11.2 Included in trade and other receivables are amounts of RM1,032,227 (2018: RM507,256) due from companies related to a substantial corporate shareholder.

12. Prepayments and other assets

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Non-trade					
Deposits	12.1	5,519,578	5,492,611	-	-
Less: Allowance for impairment losses		(1,874,000)	(1,874,000)	-	-
		3,645,578	3,618,611	-	-
Prepayments		2,045,001	1,070,075	-	563
Less: Allowance for impairment losses		(74,384)	(74,384)	-	-
		1,970,617	995,691	-	563

12. Prepayments and other assets (continued)

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Club membership		116,810	117,820	116,810	117,820
		2,087,427	1,113,511	116,810	118,383
Total		5,733,005	4,732,122	116,810	118,383

12.1 Deposits - Group

Included in deposits is a deposit of RM2,077,614 (2018: RM2,077,614) paid for an acquisition of land.

12.2 Impairment losses - Group

A full impairment loss of RM1,862,000 was made in earlier years following disruption of its plantation activities by the local participants in a trust arrangement resulting in no harvesting activity being carried out since April 2010 (see Note 3.2.1.1).

13. Other investments - Group

	2019 RM	2018 RM
Deposits with original maturities exceeding three months	1,254,165	5,066,859

14. Cash and cash equivalents

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Cash in hand and at banks	3,373,646	3,140,037	164,632	68,795
Deposits with original maturities not exceeding three months	65,278,523	98,771,598	49,132,053	53,454,672
	68,652,169	101,911,635	49,296,685	53,523,467

15. Capital and reserves - Group and Company

15.1 Share capital

	2019		2018	
	Amount RM	Number of shares	Amount RM	Number of shares
Ordinary shares				
Issued and fully paid shares with no par value classified as equity instruments:				
Opening and closing balance	340,968,951	280,000,000	340,968,951	280,000,000
	=========	=========	=========	=========

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

15.2 Equity reserve

Equity reserve represents the capital contribution by certain shareholders of the Company, in respect of shares granted to employees of a subsidiary, Sarawak Plantation Agriculture Development Sdn. Bhd., in conjunction with the listing of the Company on the Main Market of Bursa Malaysia Securities Berhad in 2007. This entailed the sale of 135,000 ordinary shares in the Company by corporate shareholders, to eligible employees of the subsidiary, on a basis proportionate to their then existing shareholdings in the Company.

15.3 Treasury shares

The shareholders of the Company, at an Annual General Meeting held on 18 June 2008, approved the Company's plan to repurchase its own shares. Such authority was last renewed at the Annual General Meeting held on 23 May 2019. The Directors of the Company are committed to enhance the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

The Company repurchase 531,700 of its own shares during the year ended 31 December 2019 (31 December 2018: Nil). The number of treasury shares held was 967,800 ordinary shares as at the year ended 31 December 2019 (31 December 2018: 436,100 ordinary shares).

16. Deferred tax liabilities - Group

Movements in temporary differences during the financial year are as follows:

	At 1.1.2018 RM	Recognised in profit or loss RM	At 31.12.2018/ 1.1.2019 RM	Recognised in profit or loss RM	At 31.12.2019 RM
Property, plant and equipment	51,376,003	(557,763)	50,818,240	(1,060,553)	49,757,687
Bearer plants	56,826,347	1,020,318	57,846,665	3,917,578	61,764,243
Biological assets	5,929,759	(639,664)	5,290,095	1,035,975	6,326,070
	114,132,109	(177,109)	113,955,000	3,893,000	117,848,000
		(Note 25)		(Note 25)	

Unrecognised deferred tax assets - Group

Deferred tax assets have not been recognised in respect of the following temporary differences (stated at gross):

	2019 RM	2018 RM
Unutilised capital allowance and agriculture allowances carried forward	8,800,000	7,300,000
Unabsorbed business losses carried forward	13,300,000	12,378,000
	22,100,000	19,678,000

Deferred tax assets of RM5,304,000 (2018: RM4,700,000) have not been recognised in the statement of financial position in respect of the temporary differences because it is not probable that future taxable profits will be available against which the affected group entities can utilise the benefits.

Pursuant to the announcement of Finance Bill 2018 in conjunction with the Budget Announcement 2019, unabsorbed business losses from a year of assessment can only be carried forward up to 7 consecutive year of assessment. Unutilised capital allowances and agriculture allowances attributable to group entities incorporated in Malaysia do not expire under the current tax legislation. In the case of a dormant company, such allowances and losses will not be available to the affected group entities if there has been a change of 50% or more in the shareholdings thereof.

17. Loans and borrowings - Group

	Note	2019 RM	2018 RM
Non-current			
Islamic term loan - secured		67,853,210	89,765,211
Finance lease liabilities (Islamic) - secured	17.3	-	5,834,015
Hire purchase facility - secured	17.3	1,815,975	-
Hire purchase facility (Islamic) - secured	17.3	2,563,111	-
		72,232,296	95,599,226
Current			
Revolving credit - secured		10,000,000	30,000,000
Islamic term loan - secured		32,000,000	24,000,000
Finance lease liabilities (Islamic) - secured	17.3	-	3,796,946
Hire purchase facility - secured	17.3	1,078,730	-
Hire purchase facility (Islamic) - secured	17.3	4,065,708	-
		47,144,438	57,796,946
		119,376,734	153,396,172

One of the subsidiaries has been granted banking facilities comprising one term loan facility of RM150 million (2018: RM150 million) and two revolving credit facilities of RM40 million and RM30 million respectively (2018: RM50 million and RM30 million). The Islamic term loan and revolving credit facilities of RM150 million and RM30 million respectively are Islamic facilities under Bai' Inah contract.

The subsidiary shall maintain a gearing measured by total group financings over total group shareholders' funds of not more than 1.00 time.

17.1 Security

The Islamic term loan and the revolving credit are secured by way of legal charges over certain land and buildings of a subsidiary (see Notes 3.3 and 5.4) and a corporate guarantee from the Company.

Assets under finance lease are charged to secure the finance lease liabilities (Islamic)/hire purchase facility (Islamic) of the Group.

17. Loans and borrowings - Group (continued)

17.2 Interest and profit rates

The Islamic term loan of RM99,853,210 (2018: RM113,765,211) bears profit rate of 12% (2018: 12%) per annum, which is equivalent to effective profit rate of 0.75% (2018: 0.75%) per annum above the Bank's i-cost of funds.

The effective interest rate of revolving credit ranges from 4.97% to 5.22% (2018: 4.96% to 5.23%) per annum.

Hire purchase facility carries profit rates fixed at 5.09% to 5.22% per annum.

Finance lease liabilities carry profit rates fixed at 4.94% to 5.13% per annum.

17.3 Hire purchase facility are payable as follows:

	Payments RM	Profit RM	Principal RM
2019			
Less than one year	1,201,619	122,889	1,078,730
Between one and five years	1,894,863	78,888	1,815,975
	3,096,482	201,777	2,894,705
2019			
Less than one year (Islamic)	4,306,697	240,989	4,065,708
Between one and five years (Islamic)	2,620,788	57,677	2,563,111
	6,927,485	298,666	6,628,819

Finance lease liabilities (Islamic) were payable as follows:

	Future minimum lease payments RM	Profit RM	Present value of minimum lease payments RM
2018			
Less than one year	3,988,122	191,176	3,796,946
Between one and five years	6,127,758	293,743	5,834,015
	10,115,880	484,919	9,630,961

18. Trade and other payables

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Current					
Trade					
Trade payables	18.1	23,450,444	22,761,188	-	-
Non-Trade					
Amount due to subsidiaries	18.2	-	-	9,873	41,773
Accrued expenses		11,090,598	13,947,463	118,219	114,704
Other payables	18.1	16,711,322	14,972,605	9,017,536	9,169,025
		27,801,920	28,920,068	9,145,628	9,325,502
Total		51,252,364	51,681,256	9,145,628	9,325,502

18.1 Trade payables, accruals and other payables

Included in trade payables, accruals and other payables of the Group are:

(a) an amount of RM1,122,802 (2018: RM2,872,778) due to companies related to a substantial corporate shareholder, companies with certain Directors have interest and companies in which persons connected to certain Directors have interest;

(b) an amount of RM1,016,565 (2018: RM1,226,511) being construction retention sums mainly for the construction of buildings, infrastructures and plant and machinery; and

(c) an amount of RM8,956,130 (2018: RM8,956,130) being the balance purchase consideration for acquisition of equity interest in a subsidiary.

18.2 Amount due to subsidiaries

Amount due to subsidiaries is unsecured and bears interest at 7.70% to 7.95% (2018: 7.95%) per annum.

19. Revenue

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Revenue from contracts with customers	346,991,797	310,346,231	-	-
Other revenue				
- Rental income	536,243	440,454	-	-
- Dividend income from subsidiaries	-	-	11,000,000	18,300,000
	347,528,040	310,786,685	11,000,000	18,300,000

19. Revenue (continued)

19.1 Disaggregation of revenue

	Oil palm operation		Management/ Agronomic services		Total	
	2019 RM	2018 RM	2019 RM	2018 RM	2019 RM	2018 RM
Major products and service lines						
Sales of oil palm products	346,665,159	309,894,966	-	-	346,665,159	309,894,966
Management/Agronomic services income	-	-	326,638	451,265	326,638	451,265
	346,665,159	309,894,966	326,638	451,265	346,991,797	310,346,231
Geographical markets						
Malaysia	346,665,159	309,894,966	326,638	451,265	346,991,797	310,346,231
Timing and recognition						
At a point in time	346,665,159	309,894,966	250,738	375,365	346,915,897	310,270,331
Over time	-	-	75,900	75,900	75,900	75,900
	346,665,159	309,894,966	326,638	451,265	346,991,797	310,346,231

NOTES TO THE FINANCIAL STATEMENTS

19. Revenue (continued)

19.2 Nature of goods and services

The following information reflects the typical transactions of the Group:

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms	Variable element in consideration	Obligation for returns or refunds	Warranty
Oil palm products	Revenue is recognised when the goods are delivered and accepted by the customers at their premises	Credit period of 4 - 30 days from the receipt of invoice by the buyers	Not applicable	Not applicable	Not applicable
Management service income	Revenue is recognised over time	Credit period of 30 days from invoice date	Not applicable	Not applicable	Not applicable
Agronomic service income	Revenue is recognised when the services is delivered	Credit period of 30 days from invoice date	Not applicable	Not applicable	Not applicable

20. Results from operating activities

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Results from operating activities are arrived at after charging/(crediting):				
Auditors' remuneration:				
- Audit fees:				
- KPMG PLT	210,000	214,000	55,000	55,000
- Other auditors	3,800	3,850	-	-
- Non-audit fees:				
- KPMG PLT	10,000	55,000	10,000	35,000
- Local affiliates of KPMG PLT	74,630	92,965	12,880	13,270
Material expenses/(income)				
Depreciation of property, plant and equipment (Note 3.1)	14,116,008	16,254,289	294	294
Depreciation of bearer plants (Note 4)	12,661,041	12,123,076	-	-
Depreciation of right-of-use assets (Note 5)	1,134,781	-	-	-
Depreciation of investment properties (Note 8)	166,280	166,280	-	-
Personnel expenses (including key management personnel):				
- Contributions to the Employees Provident Fund	2,893,316	3,568,383	74,574	161,353
- Wages, salaries and others	53,960,075	50,449,162	942,933	1,803,326
Change in fair value of other investments	-	297,542	-	-
Gain on disposal of property, plant and equipment	-	(110,992)	-	-
Net (gain on reversal of impairment)/loss of impairment on financial instruments	(184,057)	59,316	-	-
	=========	=========	=========	=========

Included in the personnel expenses of the Company disclosed above are salary costs (including compensations to key management personnel) recharged by a subsidiary.

21. Other non-operating income - Group

Included in other non-operating income of the Group as shown below:

	2019 RM	2018 RM
Reversal of impairment losses on:		
- property, plant and equipment (Note 3)	-	1,914,502
- bearer plants (Note 4)	-	1,167,465
Changes in fair value of biological assets (Note 9)	4,674,340	-
	4,674,340	3,081,967

22. Other non-operating expenses - Group

Included in other operating expenses of the Group as shown below:

	2019 RM	2018 RM
Changes in fair value of biological assets (Note 9)	-	2,208,910

23. Finance income

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Interest income of financial assets that are not at fair value through profit or loss:				
- receivables	-	122	2,148,803	1,012,870
- deposits with banks/ financial institutions	2,295,104	3,064,059	1,323,437	1,917,195
Interest income from other investments	-	8,813	-	-
Recognised in profit or loss	2,295,104	3,072,994	3,472,240	2,930,065

24. Finance costs

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Interest expense/profit payments of financial liabilities that are not at fair value through profit or loss:				
- loans and borrowings	6,532,796	7,100,815	-	-
- payables	1,016	-	4,109	12,973
	6,533,812	7,100,815	4,109	12,973
Amount charged to profit or loss	3,619,666	6,628,826	4,109	12,973
Amount capitalised in bearer plants (Note 4.1)	2,914,146	471,989	-	-
	6,533,812	7,100,815	4,109	12,973

25. Taxation

Recognised in profit or loss

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Current tax expense				
Malaysian				
- current year	5,175,000	4,675,000	720,000	575,000
- prior year	(1,352,351)	397,476	(1,042)	(2,408)
	3,822,649	5,072,476	718,958	572,592
Deferred tax income (Note 16)				
Origination and reversal of temporary differences				
- current year	3,893,000	(177,109)	-	-
Total taxation	7,715,649	4,895,367	718,958	572,592

Reconciliation of taxation

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Profit for the financial year	20,693,251	10,866,006	12,061,273	17,795,988
Total taxation	7,715,649	4,895,367	718,958	572,592
Profit excluding tax	28,408,900	15,761,373	12,780,231	18,368,580

25. Taxation (continued)

Recognised in profit or loss (continued)

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Income tax calculated using Malaysian tax rate of 24% (2018: 24%)	6,818,136	3,782,729	3,067,255	4,408,460
Non-deductible expenses	1,758,840	1,907,929	297,648	610,768
Movements in unrecognised deferred tax assets	604,000	114,462	-	-
Tax exempt income	-	-	(2,644,903)	(4,444,228)
Non-taxable income	(112,976)	(1,307,229)	-	-
	9,068,000	4,497,891	720,000	575,000
(Over)/Under provision in prior year	(1,352,351)	397,476	(1,042)	(2,408)
Total taxation	7,715,649	4,895,367	718,958	572,592

26. Compensations to key management personnel

Compensations to key management personnel are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Directors:				
- Fees	648,354	1,430,503	538,188	1,165,003
- Short-term employee benefits (including estimated benefits-in-kind)	430,788	196,942	67,327	61,911
- Post employment benefits	16,080	24,751	1,602	3,683
	1,095,222	1,652,196	607,117	1,230,597
Other key management personnel:				
- Short-term employee benefits (including estimated benefits-in-kind)	1,111,632	1,084,917	285,923	309,246
- Post employment benefits	148,088	162,108	34,754	43,421
	1,259,720	1,247,025	320,677	352,667
	2,354,942	2,899,221	927,794	1,583,264

Other key management personnel comprise persons, other than the Directors of the Group entities, having authority and responsibility for planning, directing and controlling the activities of the Group entities either directly or indirectly.

27. Earnings per ordinary share - Group

Basic and diluted earnings per ordinary share

The calculation of basic and diluted earnings per ordinary share at 31 December 2019 and 31 December 2018 was based on the earnings attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding calculated as follows:

	2019 RM	2018 RM
Earnings attributable to ordinary shareholders	20,917,615	11,179,162

Weighted average number of ordinary shares

	2019	2018
Issued ordinary shares at 1 January	280,000,000	280,000,000
Effect of issued ordinary shares repurchased	(827,960)	(436,100)
Weighted average number of ordinary shares at 31 December	279,172,040	279,563,900

The shareholders of the Company, at an Annual General Meeting held on 18 June 2008, approved the Company's plan to repurchase its own shares. Such authority was last renewed at the Annual General Meeting held on 23 May 2019. The Directors of the Company are committed to enhance the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

The Company repurchase 531,700 ordinary shares of its own shares during the year ended 31 December 2019 (31 December 2018: Nil). The number of treasury shares held was 967,800 ordinary shares as at the year ended 31 December 2019 (31 December 2018: 436,100 ordinary shares).

Basic and diluted earnings per ordinary share

	2019 Sen	2018 Sen
Basic and diluted earnings per ordinary share	7.49	4.00

28. Dividend

Dividend recognised by the Company was:

2019	Sen per share (tax exempt)	Total RM	Date of payment
First interim 2019 ordinary	5.00	13,951,610	8 August 2019
2018			
First interim 2018 ordinary	5.00	13,978,196	11 June 2018

29. Financial instruments

29.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as amortised cost ("AC").

	Note	Carrying amount RM	AC RM
2019			
Financial assets			
Group			
Trade and other receivables*	11	15,066,579	15,066,579
Deposits	12	3,645,578	3,645,578
Other investments	13	1,254,165	1,254,165
Cash and cash equivalents	14	68,652,169	68,652,169
		88,618,491	88,618,491
Company			
Trade and other receivables	11	28,710,599	28,710,599
Cash and cash equivalents	14	49,296,685	49,296,685
		78,007,284	78,007,284
Financial liabilities			
Group			
Loans and borrowings	17	(119,376,734)	(119,376,734)
Trade and other payables	18	(51,252,364)	(51,252,364)
		(170,629,098)	(170,629,098)
Company			
Trade and other payables	18	(9,145,628)	(9,145,628)

** Excluding amount receivable from Royal Malaysian Customs Department.*

29. Financial instruments (continued)

29.1 Categories of financial instruments (continued)

	Note	Carrying amount RM	AC RM
2018			
Financial assets			
Group			
Trade and other receivables*	11	14,209,774	14,209,774
Deposits	12	3,618,611	3,618,611
Other investments	13	5,066,859	5,066,859
Cash and cash equivalents	14	101,911,635	101,911,635
		124,806,879	124,806,879
Company			
Trade and other receivables	11	27,177,558	27,177,558
Cash and cash equivalents	14	53,523,467	53,523,467
		80,701,025	80,701,025
Financial liabilities			
Group			
Loans and borrowings	17	(153,396,172)	(153,396,172)
Trade and other payables	18	(51,681,256)	(51,681,256)
		(205,077,428)	(205,077,428)
Company			
Trade and other payables	18	(9,325,502)	(9,325,502)

* *Excluding amount receivable from Royal Malaysian Customs Department.*

29. Financial instruments (continued)

29.2 Net gains/(losses) arising from financial instruments

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Net gains/(losses) on:				
Financial assets at amortised cost				
- reversal of impairment loss on trade and other receivables	184,057	-	-	-
- impairment losses on trade and other receivables	-	(59,316)	-	-
- interest income from receivables	-	122	2,148,803	1,012,870
- interest income from term deposits	2,295,104	3,064,059	1,323,437	1,917,195
	2,479,161	3,004,865	3,472,240	2,930,065
Financial assets at fair value through profit or loss				
Mandatorily required by MFRS 9				
- gain on disposal of other investments	-	26,639	-	-
- change in fair value of other investments	-	(297,542)	-	-
- dividend income	-	47,670	-	-
- interest income	-	8,813	-	-
	-	(214,420)	-	-

29. Financial instruments (continued)

29.2 Net gains/(losses) arising from financial instruments (continued)

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Financial liabilities at amortised cost				
- interest expense on term loan	(2,747,874)	(5,362,030)	-	-
- interest expense on revolving credits	(367,758)	(983,233)	-	-
- payables	(1,016)	-	(4,109)	(12,973)
	(3,116,648)	(6,345,263)	(4,109)	(12,973)
Profit payment on finance lease liabilities	-	(283,563)	-	-
Profit payments on hire purchase facility	(503,018)	-	-	-
	(3,619,666)	(6,628,826)	(4,109)	(12,973)
	(1,140,505)	(3,838,381)	3,468,131	2,917,092

29.3 Financial risk management

The Group is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

29.4 Credit risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from the individual characteristics of each customer and investment in debt securities. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries. There are no significant changes as compared to prior periods.

Trade receivables

Risk management objectives, policies and processes for managing the risk

Management regularly reviews and monitors on an on-going basis by setting appropriate credit limits on trade receivables on a case-by-case basis.

At each reporting date, the Group and the Company assesses whether any of the trade receivables is credit impaired.

29. Financial instruments (continued)

29.4 Credit risk (continued)

Trade receivables (continued)

The gross carrying amounts of credit impaired trade receivables is 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.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amounts in the statement of financial position. The credit risk is concentrated to one (2018: one) major customer, who are mainly involved in palm oil refinery as disclosed in Note 34, representing 87% (2018: 90%) of the total trade receivables.

Recognition and measurement of impairment losses

In managing credit risk of trade receivables, the Group manages its debtor and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within 90 days. The Group's debt recovery process is above 30 days past due after credit term, the Group will start to initiate a structured debt recovery process which is monitored by the sales marketing team.

As there are only a few customers, the Group assessed the risk of loss of each customer individually based on their financial information, past trend of payments and external credit ratings, where applicable. All of these customers have low risk of default.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at the end of the reporting period which are grouped together as they are expected to have similar risk nature.

	Gross carrying amount RM	Loss allowances RM	Net balance RM
2019			
Group			
Current (not past due)	14,235,847	-	14,235,847
1 - 30 days past due	7,618	-	7,618
31 - 60 days past due	3,158	-	3,158
61 - 90 days past due	156,859	-	156,859
More than 90 days past due	68,314	-	68,314
	14,471,796	-	14,471,796
Credit impaired			
Individually impaired	4,845	(4,845)	-
Trade receivables	14,476,641	(4,845)	14,471,796

29. Financial instruments (continued)

29.4 Credit risk (continued)

Trade receivables (continued)

Recognition and measurement of impairment losses (continued)

	Gross carrying amount RM	Loss allowances RM	Net balance RM
2018			
Group			
Current (not past due)	12,888,788	-	12,888,788
1 - 30 days past due	75,601	-	75,601
31 - 60 days past due	50,724	-	50,724
61 - 90 days past due	19,902	-	19,902
More than 90 days past due	205,696	-	205,696
	13,240,711	-	13,240,711
Credit impaired			
Individually impaired	143,312	(140,230)	3,082
Trade receivables	13,384,023	(140,230)	13,243,793

The movements in the allowance for impairment in respect of trade receivables during the year are shown below.

	Trade receivables		
	Lifetime ECL RM	Credit impaired RM	Total RM
Group			
Balance at 1 January 2018	67,451	13,463	80,914
Net remeasurement of loss allowance	5,547	53,769	59,316
Balance at 31 December 2018/ 1 January 2019	72,998	67,232	140,230
Net remeasurement of loss allowance	(72,998)	(62,387)	(135,385)
Balance at 31 December 2019	-	4,845	4,845

An allowance account in respect of receivables is used to record impairment losses. Unless the Group is satisfied that recovery is possible, the amount considered irrecoverable is written off against the receivables directly.

29. Financial instruments (continued)

29.4 Credit risk (continued)

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

Other investments

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group.

As at the end of the reporting period, the Group has only invested in deposit with original maturities exceeding three months. The maximum exposure to credit risk is represented by the carrying amounts of the deposits in the statement of financial position.

The investments are unsecured.

Other receivables

As at the end of reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

As at the end of reporting period, there was no indication that the other receivables are not recoverable, other than those on which an allowance for impairment losses has been made (see Note 11).

Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the ability of the subsidiaries to repay the loans and advances on an individual basis.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position. There are no significant concentrations of credit risk as at the end of the reporting period other than the amount due from two (2018: two) subsidiaries of RM28,062,344 (2018: RM27,082,971).

Loans and advances provided are not secured by any collateral or supported by any other credit enhancements.

29. Financial instruments (continued)

29.4 Credit risk (continued)

Inter-company loans and advances (continued)

Recognition and measurement of impairment loss

Generally, the Company considers loans and advances to subsidiaries have low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's loan or advance to be credit impaired when:

- The subsidiary is unlikely to repay its loan or advance to the Company in full;
- The subsidiary's loan or advance is overdue for more than 365 days; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default for these loans and advances individually using internal information available.

The following table provides information about the exposure to credit risk and ECLs for subsidiaries' loans and advances.

	Gross carrying amount RM	Impairment loss allowances RM	Net balance RM
2019			
Low credit risk	28,634,096	-	28,634,096
Credit impaired	5,666,020	(5,666,020)	-
	34,300,116	(5,666,020)	28,634,096
2018			
Low credit risk	27,088,786	-	27,088,786
Credit impaired	5,666,020	(5,666,020)	-
	32,754,806	(5,666,020)	27,088,786

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to a subsidiary. The Company monitors on an ongoing basis the results of the subsidiary and repayments made by the subsidiary.

29. Financial instruments (continued)

29.4 Credit risk (continued)

Financial guarantees (continued)

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM109,853,210 (2018: RM143,765,211) representing the outstanding banking facilities of a subsidiary as at the end of the reporting period.

As at the end of the reporting period, there was no indication that the subsidiary would default on repayment.

Recognition and measurement of impairment loss

The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. The Company considers a financial guarantee to be credit impaired when:

- The subsidiary is unlikely to repay its credit obligation to the bank in full; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default of the guaranteed loans individually using internal information available.

29.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

29. Financial instruments (continued)

29.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM	Contractual interest rate/ profit rate %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
2019							
Group							
Non-derivative financial liabilities							
Islamic term loan - secured	99,853,210	5.00	104,845,872	33,600,000	42,000,000	29,245,872	-
Revolving credit - secured	10,000,000	4.97	10,497,000	10,497,000	-	-	-
Hire purchase facility (Islamic) - secured	6,628,819	5.16	6,927,485	4,306,697	2,515,174	105,614	-
Hire purchase facility - secured	2,894,705	5.09	3,096,482	1,201,619	1,201,619	693,244	-
Lease liabilities	2,042,309	7.95	5,683,425	-	205,425	616,275	4,861,725
Trade and other payables	51,252,364	-	51,252,364	51,252,364	-	-	-
	172,671,407		182,302,628	100,857,680	45,922,218	30,661,005	4,861,725
Company							
Non-derivative financial liabilities							
Other payables	9,145,628	-	9,145,628	9,145,628	-	-	-
Corporate guarantees	-	-	230,000,000	230,000,000	-	-	-
	9,145,628		239,145,628	239,145,628	-	-	-

29. Financial instruments (continued)

29.5 Liquidity risk (continued)

Maturity analysis (continued)

	Carrying amount RM	Contractual interest rate/ profit rate %	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
2018							
Group							
Non-derivative financial liabilities							
Islamic term loan - secured	113,765,211	5.24	119,730,830	25,258,512	33,678,016	60,794,302	-
Revolving credit - secured	30,000,000	5.22	31,566,870	31,566,870	-	-	-
Finance lease liabilities - secured	9,630,961	4.94 – 5.13	10,115,880	3,988,122	6,127,758	-	-
Trade and other payables	51,681,256	-	51,681,256	51,681,256	-	-	-
	205,077,428		213,094,836	112,494,760	39,805,774	60,794,302	-
Company							
Non-derivative financial liabilities							
Other payables	9,325,502	-	9,325,502	9,325,502	-	-	-
Corporate guarantees	-	-	230,000,000	230,000,000	-	-	-
	9,325,502		239,325,502	239,325,502	-	-	-

29. Financial instruments (continued)

29.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows.

29.6.1 Currency risk

The Group and Company are not exposed to any foreign currency risk as it operates domestically and most of its transactions are denominated in Ringgit Malaysia.

29.6.2 Interest and profit rates risk

The primary interest and profit rates risk to which the Group is exposed relates to the deposits which are fixed rate instruments placed with approved financial institutions. The exposure to a risk of change in their fair value due to changes in interest rates would not be significant as the deposits are usually placed for less than three months.

The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest/profit rates. Short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group monitors its exposure to changes in interest and profit rates on a regular basis.

Borrowings are negotiated with a view to securing the best possible terms, including rates of interest/profit, to the Group.

29. Financial instruments (continued)

29.6 Market risk (continued)

29.6.2 Interest and profit rates risk (continued)

Exposure to interest and profit rates risk

The interest and profit rates profile of the Group's and the Company's significant interest-bearing financial instruments, based on their carrying amounts as at the end of the reporting period are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Fixed rate instruments				
Deposits with banks/ financial institutions	66,532,688	103,838,457	49,132,053	53,454,672
Amount due from subsidiaries	-	-	28,634,096	27,047,013
Hire purchase facility - secured	(9,523,524)	-	-	-
Finance lease liabilities (Islamic) - secured	-	(9,630,961)	-	-
Lease liabilities	(2,042,309)	-	-	-
Revolving credits - secured	(10,000,000)	(30,000,000)	-	-
	44,966,855	64,207,496	77,766,149	80,501,685
Floating rate instruments				
Islamic term loan	(99,853,210)	(113,765,211)	-	-

29. Financial instruments (continued)

29.6 Market risk (continued)

29.6.2 Interest and profit rates risk (continued)

Exposure to interest and profit rates risk (continued)

The amount due from subsidiaries of the Company bears interest ranging from 4.60% to 7.95% (2018: 4.60% to 7.95%) per annum. The Company bears interest at 7.70% to 7.95% (2018: 7.95%) per annum for amount due to subsidiaries.

The term loan facilities to the Group bears interest at 12.00% per annum, which is equivalent to effective profit rate of 0.75% (2018: 0.75%) per annum above the Bank's i-cost of funds.

The secured revolving credit facilities of the Group bears effective interest at 1.00% (2018: 1.00%) per annum above the Bank's cost of funds.

The deposits placed with licensed banks of the Group and the Company (see Notes 12 and 13) bear interest ranging from 2.60% to 3.90% (2018: 2.80% to 3.85%) per annum.

Finance lease liabilities/Hire purchase facility under loans and borrowings bear interest ranging from 5.09% to 5.22% (2018: 4.94% to 5.13%) per annum.

Interest and profit rates risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss. The exposure to interest rate risk is consequently not material and hence sensitivity analysis is not presented.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	2019 Profit or loss		2018 Profit or loss	
	100bp increase RM	100bp decrease RM	100bp increase RM	100bp decrease RM
Group				
Floating rate instruments	(759,000)	759,000	(865,000)	865,000
	=======	=======	=======	=======

29.7 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings approximate fair values due to the relatively short term nature of these financial instruments.

29. Financial instruments (continued)

29.7 Fair value information (continued)

The table below analyses financial instruments non-current financial liabilities not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	RM	RM
2019						
Financial liabilities						
Islamic term loan - secured	-	-	(63,358,921)	(63,358,921)	(63,358,921)	(67,853,210)
Hire purchase facility (Islamic) - secured	-	-	(2,430,854)	(2,430,854)	(2,430,854)	(2,563,111)
Hire purchase facility - secured	-	-	(1,723,543)	(1,723,543)	(1,723,543)	(1,815,975)
	-	-	(67,513,318)	(67,513,318)	(67,513,318)	(72,232,296)
2018						
Financial liabilities						
Islamic term loan - secured	-	-	(81,763,794)	(81,763,794)	(81,763,794)	(89,765,211)
Finance lease liabilities (Islamic) - secured	-	-	(5,554,089)	(5,554,089)	(5,554,089)	(5,834,015)
	-	-	(87,317,883)	(87,317,883)	(87,317,883)	(95,599,226)

29. Financial instruments (continued)

29.7 Fair value information (continued)

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.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access 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 financial assets or liabilities, either directly or indirectly.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2018: no transfer in either directions).

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

The fair value of term loans approximate their carrying amounts as these are variable rate borrowings.

Amount due from subsidiaries bears interest at a rate that is in line with prevailing rates, also approximate fair value.

Financial instruments not carried at fair value

Type	Valuation technique	Significant unobservable inputs (%)	Inter-relationship between significant unobservable inputs and fair value measurement
Hire purchase facility	Discounted cash flows	Interest rate 5.09% to 5.22% (2018 : nill)	The estimated fair value would increase (decrease) if the interest rate were lower (higher).
Finance lease liabilities	Discounted cash flows	Interest rate nil (2018: 4.94% to 5.13%)	The estimated fair value would increase (decrease) if the interest rate were lower (higher).
Term loan - secured	Discounted cash flows	Interest rate 5.00% (2018: 5.24%)	The estimated fair value would increase (decrease) if the interest rate were lower (higher).

30. Contingencies

The Directors are of the opinion that provision is not required in respect of the following corporate guarantees as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement:

	Company	
	2019 RM	2018 RM
Corporate guarantees for banking facilities granted to a subsidiary	230,000,000	230,000,000

31. Capital management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The Group is required to maintain a maximum gearing ratio of 1.00 to comply with a bank covenant, failing which the bank may call an event of default (see Note 17). The Group has not breached this covenant as evident from the following tabulation:

	2019 RM	2018 RM
Total loans and borrowings (Note 17)	119,376,734	153,396,172
Total equity	541,393,146	535,533,440
Debt-to-equity ratio	0.22	0.29

There was no change in the Group's approach to capital management during the financial year.

32. Capital expenditure commitments

	Group	
	2019 RM	2018 RM
Contracted for but not provided for		
Property, plant and equipment	1,692,133	2,455,617
Bearer plants	3,254,623	451,778
	4,946,756	2,907,395

NOTES TO THE FINANCIAL STATEMENTS

33. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel, defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

The Group has a related party relationship with:

(i) its subsidiaries;
(ii) its associate;
(iii) key management personnel;
(iv) companies/organisations connected to certain Directors of the Company and/or of its subsidiaries;
(v) its substantial corporate shareholders; and
(vi) companies related to its substantial corporate shareholders.

Significant related party transactions

Significant related party transactions of the Group and of the Company, other than compensations to key management personnel (see Note 26) and those disclosed elsewhere in the financial statements, are shown below.

Subsidiaries

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Dividend income	-	-	(11,000,000)	(18,300,000)
Interest income	-	-	(2,148,803)	(1,012,870)
Interest expense	-	-	4,109	12,973
Administrative fee	-	-	26,712	58,729
	==========	==========	==========	=========

A company in which a Director have interest

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Purchase of oil palm fresh fruit bunches	11,041,350	1,315,124	-	-
Rental and annual support for satellite and broadband services	211,418	172,063	-	-
	==========	==========	==========	=========

33. Related parties (continued)

Significant related party transactions (continued)

Companies related to a substantial corporate shareholder

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Sale of oil palm fresh fruit bunches	(11,004,793)	(7,430,833)	-	-
Sale of store items	(206,250)	(177,132)	-	-
Sale of oil palm seeds	(90,000)	-	-	-
Agronomics service fee	(2,720)	-	-	-
Purchase of oil palm fresh fruit bunches	1,918,841	4,378,605	-	-
Transport services	1,076	776,318	-	-
Purchase of material and store item	144,569	211,630	-	-
Rental of machineries	-	54,000	-	-
Field maintenance work and rental of machineries	315,080	905,079	-	-
Purchase of assets	1,476,506	1,017,800	-	-
Rental of office	13,970	-	-	-
Purchase of oil palm and other seedlings	245,230	-	-	-

Companies in which certain Directors have interest

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Purchase of materials	239,414	279,981	-	-
Purchase of oil palm fresh fruit bunches	5,131,667	4,771,188	-	-
Purchase of seedlings	118,000	-	-	-
Field maintenance work	21,305	-	-	-
Insurance premium	651,889	628,847	-	-

33. Related parties (continued)

Significant related party transactions (continued)

Companies which persons connected to certain Directors have interest

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Software support, customisation, maintenance and implementation costs	437,124	420,581	-	-
Purchase of software	49,862	109,760	-	-
Purchase of equipment	-	140,131	-	-
Purchase of spare parts and consumables	2,968,893	1,745,167	-	-
	=========	=========	=========	=========

The balances related to the above transactions are shown in Notes 11 and 18. There is no allowance for impairment loss on doubtful receivables provided against the outstanding balances of related parties, other than that provided against the amount due from subsidiaries as disclosed in Note 11.

Related party transactions are based on negotiated terms and the amounts outstanding at the statement of financial position date are unsecured and expected to be settled in cash.

34. Segment reporting

The Group has three reportable segments, as described below, which are the Group's strategic business units. For each of the strategic business units, the Executive Director (being the Chief Operating Decision Maker), reviews internal management reports on a monthly basis. The following describes the operations in each of the Group's reportable segments:

Investment holding	- Investment holding company.
Oil palm operations	- Cultivation of oil palm and processing of fresh fruit bunches.
Management services and rental	- Provision of management service and rental of investment properties.

There are varying levels of integration between the reportable segments. Inter-segment pricing is determined on negotiated terms.

Performance is measured based on segment gross profit as included in the internal management reports. Segment gross profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of the segments relative to other entities that operate within these industries.

34. Segment reporting (continued)

	Investment holding RM	Oil palm operations RM	Management services/ Rental RM	Consolidated RM
2019				
Revenue				
Segment revenue	11,000,000	428,882,632	2,262,061	442,144,693
Inter-segment revenue	(11,000,000)	(82,217,472)	(1,399,181)	(94,616,653)
External revenue	-	346,665,160	862,880	347,528,040
Cost of sales				
Segment cost of sales	-	(366,405,081)	(1,863,507)	(368,268,588)
Inter-segment cost of sales	-	82,292,847	180,000	82,472,847
External cost of sales	-	(284,112,234)	(1,683,507)	(285,795,741)
Gross profit/(loss)	-	62,552,926	(820,627)	61,732,299
Distribution cost	-	(20,472,449)	-	(20,472,449)
Segment profit/(loss)	-	42,080,477	(820,627)	41,259,850
Other income including finance income	3,472,240	3,482,825	441,305	7,396,370
Inter-segment	(2,148,803)	(1,070,206)	(111,179)	(3,330,188)
External other income	1,323,437	2,412,619	330,126	4,066,182
Other expenses including finance costs	(1,692,009)	(21,267,415)	(1,083,805)	(24,043,229)
Inter-segment	110,456	1,636,059	705,242	2,451,757
External other expenses	(1,581,553)	(19,631,356)	(378,563)	(21,591,472)
Changes in fair value of biological assets	-	4,674,340	-	4,674,340
(Loss)/Profit before tax	(258,116)	29,536,080	(869,064)	28,408,900
Included in the measure of segment gross profit is:				
Depreciation of property, plant and equipment, right-of-use assets and investment properties	-	12,520,432	948,301	13,468,733

34. Segment reporting (continued)

	Investment holding RM	Oil palm operations RM	Management services/ Rental RM	Consolidated RM
2018				
Revenue				
Segment revenue	18,300,000	394,314,318	3,295,307	415,909,625
Inter-segment revenue	(18,300,000)	(84,419,352)	(2,403,588)	(105,122,940)
External revenue	-	309,894,966	891,719	310,786,685
Cost of sales				
Segment cost of sales	-	(341,050,961)	(1,811,018)	(342,861,979)
Inter-segment cost of sales	-	84,535,792	180,000	84,715,792
External cost of sales	-	(256,515,169)	(1,631,018)	(258,146,187)
Gross profit/(loss)	-	53,379,797	(739,299)	52,640,498
Distribution cost	-	(17,638,983)	-	(17,638,983)
Segment profit/(loss)	-	35,740,814	(739,299)	35,001,515
Other income including finance income	2,930,565	2,995,787	556,933	6,483,285
Inter-segment	(1,012,870)	(812,734)	(69,759)	(1,895,363)
External other income	1,917,695	2,183,053	487,174	4,587,922
Other expenses including finance costs	(2,861,986)	(23,416,830)	(1,943,520)	(28,222,336)
Inter-segment	248,416	2,527,882	744,917	3,521,215
External other expenses	(2,613,570)	(20,888,948)	(1,198,603)	(24,701,121)
Other operating income	-	3,081,967	-	3,081,967
Changes in fair value of biological assets	-	(2,208,910)	-	(2,208,910)
(Loss)/Profit before tax	(695,875)	17,907,976	(1,450,728)	15,761,373
Included in the measure of segment gross profit is:				
Depreciation of property, plant and equipment and investment properties	-	13,466,489	943,593	14,410,082

34. Segment reporting (continued)

	2019 RM	2018 RM
Segment assets		
Investment holding	405,178,209	407,925,352
Oil palm operations	741,917,280	758,639,996
Management services/Rental	24,149,774	26,664,808
Others	6,812	44,013
	1,171,252,075	1,193,274,169
Elimination	(337,255,877)	(338,707,531)
Total assets	833,996,198	854,566,638

Reconciliation of reportable segment revenue, profit or loss, assets and other material items

	2019 RM	2018 RM
Profit or loss		
Total segment profit for reportable segments	41,259,851	35,001,515
Depreciation of tangible assets	(1,948,334)	(2,010,488)
Finance costs	(3,619,666)	(6,628,826)
Finance income	2,295,104	3,072,994
Corporate expenses	(1,581,553)	(2,613,570)
Other expenses	(12,670,842)	(11,933,309)
Changes in fair value of biological assets	4,674,340	(2,208,910)
Reversal of impairment losses	-	3,081,967
Consolidated profit before tax	28,408,900	15,761,373

Segment information is presented in respect of the Group's business segments. As the Group operates within one geographical segment, geographical segment analysis is not applicable.

Major customers

The following are the major customers with revenue equal or more than 10% of the Group's total revenue:

	Revenue 2019 RM	Revenue 2018 RM	Segment
- Customer A	324,713,766	294,954,365	Cultivation of oil palm and processing of fresh fruit bunches

The major customer listed above collectively owe RM12,547,214 (2018: RM12,032,411) to the Group, equivalent to 87% (2018: 90%) of the total trade receivables.

35. Material litigations

(a) A subsidiary of the Group, SPB Pelita Suai Sdn. Bhd. ("SP Suai") sued 6 individuals ("Defendants"), seeking injunctive and declaratory relief against the Defendants for various acts of trespass over 2 parcels of Native Communal Reserve Land which the Defendants had given consent for development into an oil palm estate. SP Suai also seeks to claim damages from the Defendants.

On 18 September 2013, the learned Judge decided as follows:

(i) There is no concluded contract between the Defendants and SP Suai;
(ii) It has not been shown by the parties that the Defendants were members of the Penan community for which the land was gazetted for their exclusive use;
(iii) That the gazette to allow SP Suai to deal with native land has no retrospective effect;
(iv) Generally, parties have not proven their case against each other.

SP Suai filed a Notice of Appeal against the whole of the learned Judge's decision on 14 October 2013. The Defendants also filed a Notice of Appeal against the whole of the learned Judge's decision on the same date. SP Suai had filed and served the Record of Appeal on 2 December 2013. The Court of Appeal heard the appeal on 10 December 2015, and ordered that the case be remitted back to the High Court (before a different Judge) for a retrial. They were of the view that there was a mistrial in respect of the High Court's finding. There was no order as to costs.

The retrial of the case proceeded on 26 July 2016.

At the conclusion of the proceedings, the Court directed as follows:

(1) The parties are to file and exchange Written Submissions;
(2) Thereafter, the parties are to file Written Reply; and
(3) Counsels for the parties are to appear before the Court to go through their Submissions on 25 August 2016.

The Court allowed the Counsel for the Defendants' application for an extension of 2 weeks from 27 October 2016 to file the Written Submission and the same has to be filed on or before 10 November 2016. Thereafter, the parties may file Reply (if any) by 17 November 2016. Hearing of the Submissions is fixed on 28 November 2016.

The Court delivered its Judgement on 23 February 2017 as follows:

(i) Dismissed SP Suai's claim;
(ii) Allowed part of the Defendants' claim, namely SP Suai is prohibited from entering the 2 parcels of NCR Land and SP Suai has to vacate and remove its machineries, equipments and structures existing on the Defendants' 2 parcels of NCR land.

SP Suai filed a Notice of Appeal against the whole of the learned Judge's decision on 9 March 2017 and an application for a stay of execution on 11 April 2017. The Court heard and allowed the application for a stay of execution on 9 June 2017. The Appeal came up for Case Management on 6 September 2017. The Court of Appeal fixed the hearing of the Appeal on 27 June 2018.

At the hearing of the Appeal on 27 June 2018, the Court of Appeal adjourned the same for Case Management to 10 July 2018. On 10 July 2018, the Court of Appeal directed the 1st Respondent's Advocates to file an application to substitute the deceased 1st Respondent within one month. The Court of Appeal then fixed the hearing of the appeal on 15 April 2020 regardless of whether or not the deceased 1st Respondent's family had decided on their representative to substitute the deceased.

35. Material litigations (continued)

(a) The hearing fixed on 15 April 2020 had to be vacated in view of the COVID-19 Movement Control Order. Instead the case was fixed for case management by way of e-Review on 14 April 2020. On 14 April 2020, the Deputy Registrar of the Court of Appeal fixed the hearing of the Appeal on 23 September 2020 regardless of whether or not the deceased's 1st Respondent's family has decided on their representative to substitute the deceased.

(b) On 13 July 2016, the Company and SPAD were served with legal proceedings. Amongst other things, the Plaintiffs seeked a declaration to the effect that they have acquired native customary rights and/or are the customary owners over land situated at/around all of Kampung Melugu Sri Aman.

The Company and SPAD had on 20 July 2016 entered appearance. On 10 August 2016, an application to strike out the Plaintiffs' Writ and Statement of Claim was filed and served the Plaintiffs. On 17 October 2016, the Court dismissed SPAD's application to strike out the Plaintiff's Statement of Claim. SPAD filed its appeal against the Court's said decision on 9 November 2016.

On 14 July 2017, the Court of Appeal dismissed the Company and SPAD's appeal with costs in the cause.

On 18 July 2017, the parties informed the Court of the verdict of the appeal hearing. The Company and SPAD also informed the Court of their intention to amend the 'Defence of the 1st and 2nd Defendants'. The Court fixed 18 August 2017 as the next mention date to monitor the progress of the application for amendment of the Defence of the 1st and 2nd Defendants.

On 28 August 2017, the Court had allowed the 1st and 2nd Defendants' application for amendment of the Defence. The Court on 20 September 2017 had given directors for the parties to file the bundle of documents and documents pertinent to the trial. The court fixed the case for trial from 21 May 2018 to 25 May 2018.

The Court gave its decision on 16 July 2018 as follows:

i) The Plaintiffs' action against the 1st, 2nd , 3rd and 4th Defendants is dismissed.
ii) Costs of RM40,000.00 is awarded to the 1st & 2nd Defendants and RM40,000.00 to the 3rd and 4th Defendants, all subject to payment of Allocatur fees.

On 3 August 2018, the Plaintiffs filed their appeal against the whole of the Court's decision delivered on 16 July 2018.

At the last hearing date fixed on 21 February 2020, the Court of Appeal adjourned the matter to be heard on 15 September 2020.

The Directors, in consultation with the Company's and SPAD's advocates, are of the opinion that the Company and SPAD have strong merits in the case.

36. Significant changes in accounting policies

As of 1 January 2019, the Group adopted MFRS 16, *Leases* and Amendments to MFRS 123, *Borrowing Cost (Annual Improvements 2015-2017 Cycle).*

The principal changes in accounting policies and their effects are set out below:

(i) MFRS 16, *Leases*

During the year, the Group adopted MFRS 16 using the modified retrospective approach with no cumulative effect recognised in the retained earnings as at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated - i.e. it is presented, as previously reported under MFRS 117, *Leases* and related interpretations.

Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for a consideration. On transition to MFRS 16, the Group has reassessed all contacts to determine whether the contracts are, or contain a lease at the date of initial application.

As a lessee

Where the Group is a lessee, the Group applied the requirements of MFRS 16 retrospectively.

At 1 January 2019, for leases that were classified as operating lease under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at a subsidiary's incremental borrowing rate as at 1 January 2019. The rate applied is 7.95%. Right-of-use assets of the Group is measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying MFRS 16 to leases previously classified as operating lease under MFRS 117:

- applied a single discount rate to a portfolio of leases with similar characteristics;
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term as at 1 January 2019;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application;
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease; and
- adjusted the right-of-use assets by the amount of provision for onerous contract under MFRS 137 immediately before the date of initial application, as an alternative to an impairment review.

For leases that were classified as finance lease under MFRS 117, the carrying amounts of the right of-use asset and the lease liability at 1 January 2019 are determined to be the same as the carrying amount of the lease asset and lease liability under MFRS 117 immediately before that date.

As a lessor

Group entities who is an intermediate lessor reassessed the classification of a sublease previously classified as an operating lease under MFRS 117 and concluded that the sublease is an operating lease under MFRS 16.

36. Significant changes in accounting policies (continued)

(i) MFRS 16, *Leases* (continued)

Impacts on financial statements

The following table explains the difference between operating lease commitments disclosed applying MFRS 117 at 31 December 2018, and lease liabilities recognised in the statement of financial position at 1 January 2019.

	2019 RM
Operating lease commitments at 31 December 2018 as disclosed in the Group's financial statements	-
Discounted using the incremental borrowing rate and lease liabilities recognised at 1 January 2019	2,272,496

Other than the above, the land has been reclassified from property, plant and equipment to right-of-use assets.

(ii) Amendments to MFRS 123, *Borrowing Costs (Annual Improvements 2015 -2017 Cycle)*

During the year, the Group has applied amendments to MFRS 123 prospectively, there is no adjustment made to the prior period presented.

In previous years, borrowing costs relating to a specific qualifying assets were capitalised into the cost of the bearer plants. The capitalisation of borrowing costs ceased when substantially all activities necessary to prepare the qualifying asset for its intended use was completed. Any borrowing costs incurred subsequent were expensed off to profit or loss.

Following the amendments to MFRS 123, when the qualifying asset is ready for its intendeduse, any outstanding borrowing made specifically to obtain that qualifying asset is treated as part of the general borrowings. Capitalisation rate is determined as the weighted average of the borrowing costs applicable to all borrowings of the Group during the year.

The change in this accounting policy is applied prospectively.

Impacts on financial statements

The Group has capitalised additional finance cost of RM2,178,211 into the cost of the bearer plants during the financial year.

37. Event after the reporting period

World Health Organisation has declared coronavirus (COVID-19) as global health emergency on 30 January 2020 and has since spread to countries across the world including Malaysia. The widespread of the virus has resulted lockdowns in many countries and the Government of Malaysia has announced a Movement Control Order ("MCO"), which began on 18 March 2020. The COVID-19 pandemic has resulted in disruptions to businesses and various macro-economic impacts, which weakening the global economic outlook.

The Group considers this outbreak to be a non-adjusting event after the reporting period as the effect of COVID-19 was not as far reaching as at the reporting date. As such, the current conditions arising from this outbreak do not have an impact on the financial statements balances and accounts for the financial year ended 31 December 2019.

As at the date the financial statements are authorised for issuance, the current situation is still very unpredictable. As a result, it is not practicable for the Group to estimate the financial effect of this outbreak at this juncture. If the situation does not improve over time, the Group anticipates that the assumptions used to estimate the recoverable amount for bearer plants and property, plant and equipment will have to be reassessed to reflect current conditions.

STATEMENT BY DIRECTORS PURSUANT TO
Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 71 to 162 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2019 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

……………………………………………………

Datuk Amar Abdul Hamed Bin Sepawi

Director

……………………………………………………

Datuk Wong Kuo Hea

Director

Kuching,

Date: 15 May 2020

STATUTORY DECLARATION
pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Koay Bee Eng**, the officer primarily responsible for the financial management of Sarawak Plantation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 71 to 162 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed, **Koay Bee Eng**, NRIC: 690102-07-5398, MIA CA12155, at Kuching in the State of Sarawak on 15 MAY 2020

....

Koay Bee Eng

Before me:

PESURUHJAYA SUMPAH
Q137
Evelyn Lau Sie Jiong
01.07.2018 - 31.12.2020
MALAYSIA

EVELYN LAU SIE JIONG
Commissioner For Oaths
No. 10, Lot 663, Ground Floor
Lorong 2 Jalan Ong Tiang Swee
93200 Kuching, Sarawak.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SARAWAK PLANTATION BERHAD

Registration No. 199701035877 (451377-P)
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sarawak Plantation Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 71 to 162.

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 their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standard 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 auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Key Audit Matters (continued)

1. Impairment assessment of property, plant and equipment and bearer plants

Refer to Note 2(c) and 2(e) (accounting policy) and Notes 3.2.1 and 4.2 (financial disclosures).

Key audit matter	How our audit addressed the key audit matter
Two subsidiaries of the Group, SPB Pelita Suai Sdn. Bhd. and Sarawak Plantation Agriculture Development Sdn. Bhd., recognised impairment losses of RM10,568,100 and RM8,788,239 on property, plant and equipment and bearer plants in prior years. The impairment losses were made following the inability of the Group to harvest fresh fruit bunches from these estates. We have identified this as a key audit matter because of the required exercise of judgement in our assessment of the recoverable amount and the significance of the remaining carrying amount of the said plantations to the overall financial statements. Following the reassessment, there is neither additional impairment loss nor reversal of impairment loss required for the financial year ended 31 December 2019. The impairment assessment of the property, plant and equipment and bearer plants is disclosed in Notes 3.2.1 and 4.2 to the financial statements.	Our procedures focused on evaluating and assessing key assumptions used by management in carrying out the impairment assessment. The key procedures included the following: i) We assessed management's determination of the Group's CGU, as required under the MFRS 136 Impairment of Assets; ii) We evaluated the key assumptions as below: • Forecast selling price; • Yield; • Forecast costs (operating and administration costs); and • Discount rate by comparing them to historical results, known market and industry trends. We challenged the basis of estimations applied by the management and assessed whether there were any management biasness. iii) We considered the adequacy of the Group's disclosures about the assumptions to which the outcome of the impairment assessment were most sensitive.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report 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 annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with 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 ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and 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.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and 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 internal control of the Group and of the Company.
- 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 ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- 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 gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' 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 6 to the financial statements.

Other Matter

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.

KPMG

KPMG PLT
(LLP0010081–LCA & AF 0758)
Chartered Accountants

Lee Hean Kok
Approval Number: 02700/12/2021 J
Chartered Accountant

Kuching,

Date: 15 May 2020

ANALYSIS OF SHAREHOLDINGS
as at 29 May 2020

According to the number of securities held in respect of Ordinary Shares:

Size of Shareholdings	No. of Shareholders / Depositors	% of Shareholders / Depositors	No. of Shares Held	% of Issued Capital
1 - 99	14	0.675	543	0.000
100 - 1000	462	22.287	383,143	0.137
1,001 - 10,000	1,188	57.308	5,464,026	1.958
10,001 - 100,000	320	15.437	10,406,405	3.729
100,001 - 13,951,609*	86	4.149	87,800,558	31.467
13,951,610 and above**	3	0.144	174,977,525	62.709
Total	2,073	100.000	279,032,200	100.000

* Less than 5% of Issued Shares ** 5% and above of Issued Shares

Top Thirty Shareholders

	Names	Holdings Number	%
1.	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account - Ambank (M) Berhad for Ta Ann Holdings Berhad	84,968,024	30.451
2.	State Financial Secretary Sarawak	71,218,101	25.523
3.	Urusharta Jamaah Sdn. Bhd.	18,791,400	6.734
4.	Yayasan Sarawak	11,604,939	4.159
5.	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Mohamad Bolhair Bin Reduan	10,799,285	3.870
6.	Amanah Khairat Yayasan Budaya Melayu Sarawak	6,932,151	2.484
7.	Dayak Cultural Foundation	5,315,000	1.905
8.	Lembaga Amanah Kebajikan Masjid Negeri Sarawak	5,000,000	1.792
9.	CIMB Group Nominees (Tempatan) Sdn. Bhd. CIMB Islamic Trustee Berhad for Amanah Khairat Yayasan Budaya Melayu Sarawak	4,672,788	1.675
10.	Palmhead Holdings Sdn. Bhd.	4,518,300	1.619
11.	RHB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Law Kiu Kiong	3,500,000	1.254

Top Thirty Shareholders (continued)

	Names	Holdings Number	%
12.	Nature Palms Sdn. Bhd.	3,159,900	1.132
13.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Hasmi Bin Hasnan	2,955,700	1.059
14.	Cheng Ah Teck @ Cheng Yik Lai	1,800,000	0.645
15.	Trinity MMM Holdings Sdn Bhd	1,630,400	0.584
16.	Wong Kuok Kiong	1,496,400	0.536
17.	Lambaian Kukuh Sdn. Bhd.	1,481,600	0.531
18.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Law Kiu Kiong (6000710)	1,400,000	0.502
19.	CIMB Group Nominees (ASING) Sdn. Bhd. Exempt An for DBS Bank Ltd (SFS)	1,209,000	0.433
20.	UOB Kay Hian Nominees (Tempatan) Sdn. Bhd. Exempt An for UOB Kay Hian Pte Ltd (A/C Clients)	1,163,500	0.417
21.	Law Kiu Kiong	1,060,000	0.380
22.	Amanahraya Trustees Berhad Public Islamic Opportunities Fund	960,000	0.344
23.	Wong Kuo Hea	757,600	0.272
24.	Maybank Nominees (Tempatan) Sdn Bhd MTrustee Berhad for Tabung Baitulmal Sarawak (Majlis Islam Sarawak) (FM-ASSAR-TBS) (419511)	750,000	0.269
25.	Training MMM Holdings Sdn. Bhd.	644,800	0.231
26.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Law Kiu Kiong	632,400	0.227
27.	Tiong Siew Ling	580,000	0.208
28.	Law Kiu Kiong	575,700	0.206
29.	Yii Chee Kin	540,000	0.194
30.	Goldmakers Sdn. Bhd.	500,000	0.179

ANALYSIS OF SHAREHOLDINGS
as at 29 May 2020

Substantial Shareholders

Names of Substantial Shareholders	NRIC/ Registration No.	Malaysian/ Foreign	Nationality/ Country of Incorporation	Direct Holdings		Indirect Holdings (excluding bare trustees)	
				No.	%	No.	%
1. Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account - Ambank (M) Berhad for Ta Ann Holdings Berhad	102918-T	Malaysian	Malaysia	84,968,024	30.451	-	-
2. State Financial Secretary Sarawak	ORD211948	Malaysian	Malaysia	71,218,101	25.523	-	-
3. Urusharta Jamaah Sdn. Bhd.	1307642V	Malaysian	Malaysia	18,791,400	6.734	-	-
4. Datuk Amar Abdul Hamed bin Sepawi	490531-13-5129	Malaysian	Malaysian	200,000	0.072	84,969,024	30.451
5. Dato Wong Kuo Hea	511117-13-5553	Malaysian	Malaysian	907,600	0.325	89,986,324	32.249

Directors' Direct and Indirect Shareholding in the Company

Names of Directors	Designation	Nationality	Direct Holdings		Indirect Holdings	
			No.	%	No.	%
1. Datuk Amar Abdul Hamed bin Sepawi	Executive Chairman	Malaysian	200,000	0.072	84,969,024	30.451
2. Dato Wong Kuo Hea	Executive Director	Malaysian	907,600	0.325	89,986,324	32.249
3. Hasmawati binti Sapawi	Non Executive Non Independent Director	Malaysian	-	-	-	-
4. Ali bin Adai	Independent Director	Malaysian	-	-	-	-
5. Datu Haji Soedirman Haji Aini	Independent Director	Malaysian	42,000	0.015	-	-
6. Brig Gen (R) Dato' Muhammad Daniel bin Abdullah	Independent Director	Malaysian	-	-	-	-

Audit and Non Audit Fees

The amount of audit fees payable to the Company's auditors KPMG PLT for the Group and the Company amounted to RM210,000 and RM55,000 respectively.

The amount of non audit fees incurred by the Company for services, for example tax compliance services and review of the Statement on Risk Management and Internal Control rendered by the external auditors, KPMG PLT and its affiliates to the Company and its subsidiaries during the financial year ended 31 December 2019 amounted to RM84,630 and RM22,880 for the Group and the Company, respectively.

Material Contracts

There were no material contracts of the Company and its subsidiaries involving the Directors and or major shareholders either subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

Recurrent Related Party Transactions ('RRPT')

Breakdown of recurrent related party transactions ('RRPT') of a revenue or trading nature conducted with Sarawak Plantation Agriculture Development Sdn. Bhd. (SPAD), the Company's wholly owned subsidiary pursuant to shareholders' mandate during the financial year are as follows:

Name of related parties	Relationship	Nature of transactions	Aggregated Amount RM
Danawa Resources Sdn Bhd	Datuk Amar Abdul Hamed bin Sepawi is a director and shareholder of SPB and is also a major shareholder of Danawa Resources Sdn. Bhd.	Rental and annual support fee for satellite broadband services	211,418
Intuitive Systems Sdn Bhd	Datuk Amar Abdul Hamed bin Sepawi is a director and shareholder of SPB and his sister is a director and shareholder of Intuitive Systems Sdn. Bhd.	Software support, customisation, maintenance and implementation costs for Estate Management System (EMS)	437,124
KUB Sepadu Sdn Bhd	Datuk Amar Abdul Hamed bin Sepawi is a director and shareholder of SPB and a shareholder of Medan Sepadu Sdn. Bhd., a company which holds 30% equity interest in KUB Sepadu Sdn. Bhd.	Purchase of oil palm fresh fruit bunches	11,041,350

OTHER COMPLIANCE INFORMATION

Name of related parties	Relationship	Nature of transactions	Aggregated Amount RM
Manis Oil Sdn Bhd	Datuk Amar Abdul Hamed bin Sepawi and Dato Wong Kuo Hea are directors and shareholders of SPB and are also directors and shareholders of Ta Ann Holdings Bhd., a company which holds 100% equity interest in Manis Oil Sdn. Bhd. Ta Ann Holdings Berhad is a substantial shareholder of SPB.	Sale of oil palm fresh fruit bunches	8,853,937
Stonehead Sdn Bhd	Datuk Amar Abdul Hamed bin Sepawi and Dato Wong Kuo Hea are directors and shareholders of SPB and are also directors and shareholders of Stonehead Sdn. Bhd.	Purchase of materials	239,414
Butrasemari Sdn Bhd	Datuk Amar Abdul Hamed bin Sepawi and Dato Wong Kuo Hea are directors and shareholders of SPB and are also shareholders of Palmhead Holding Sdn. Bhd., a company which holds 100% equity interest in Butrasemari Sdn. Bhd. Palmhead Holdings Sdn Bhd is a shareholder of SPB.	Purchase of oil palm fresh fruit bunches	5,131,667
Ta Ann Plywood Sdn Bhd	Datuk Amar Abdul Hamed bin Sepawi and Dato Wong Kuo Hea are directors and shareholders of SPB and also directors and shareholders of Ta Ann Holdings Bhd., a company which holds 100% equity interest in Ta Ann Plywood Sdn. Bhd. Ta Ann Holdings Bhd. is a substantial shareholder of SPB.	Field maintenance work and rental of machineries	315,080
Lik Shen Sawmill Sdn Bhd	Datuk Amar Abdul Hamed bin Sepawi and Dato Wong Kuo Hea are directors and shareholders of SPB and also directors and shareholders of Ta Ann Holding Bhd., a company which holds 100% equity interest in Lik Shen Sawmill Sdn. Bhd. Ta Ann Holdings Berhad is a substantial shareholder of SPB.	Purchase of materials	141,959

Name of related parties	Relationship	Nature of transactions	Aggregated Amount RM
Ironhead Sdn Bhd	Datuk Amar Abdul Hamed bin Sepawi and Dato Wong Kuo Hea are directors and shareholders of SPB and are also directors and shareholders of Ta Ann Holdings Bhd., a shareholder of Ta Ann Plantation Sdn. Bhd., a company which holds 100% equity interest in Ironhead Sdn. Bhd. Ta Ann Holdings Bhd is a substantial shareholder of SPB and a shareholder of Ta Ann Plantation Sdn. Bhd., a company which holds 100% equity interest in Ironhead Sdn. Bhd.	Provision of equipment	1,249,400
Ta Ann Pelita Igan Sdn Bhd	Datuk Amar Abdul Hamed bin Sepawi and Dato Wong Kuo Hea are directors and shareholders of SPB and are also directors and shareholders of Ta Ann Holdings Bhd., a shareholder of Ta Ann Plantation Sdn. Bhd., a company which holds 60% equity interest in Ta Ann Pelita Igan Sdn. Bhd. Ta Ann Holdings Bhd is a substantial shareholder of SPB and a shareholder of Ta Ann Plantation Sdn. Bhd., a company which holds 60% equity interest in Ta Ann Pelita Igan Sdn. Bhd.	Transport services	1,076

TOP 10 PROPERTIES

Registered Owner/Lessee	Estate/Address	Title/Location	Description	Approximate Age of Building (years)
SPAD	Bakau 6KM off KM24 Selangau-Matadeng Road	Lot 12, Blk 13, Bawan LD	Land and Building	2 - 7
	Pinji Mewah 45KM off KM53 Miri-Bintulu Road via Beluru Bakong Road	Lot 32, Blk 20, Puyut LD Lot 3, Blk 30, Puyut LD	Land and Building	2 - 4
	Matadeng 5KM off KM35 Selangau-Matadeng Road	Lot 5, Blk 15, Mukah LD	Land and Building	4 - 6
	Mukah 1 KM12, Selangau-Matadeng Road	Part of Lot 23, 25, 54 & 55 Blk 8, Sikat LD Part of Lot 55, Blk 8, Sikat LD	Land and Building Land and Building	7 - 37 4 - 39
	Tulai 3KM off KM20 Sibu/Sarikei Road	Lot 619, Blk 5, Tulai LD Lot 25, Tulai LD Lot 1281 Assan LD	Land and Building	3 - 14
	Bukut 18KM off KM20, Selangau-Matadeng Road	Lot 8 Blk 13 Bawan LD Lot 2 Blk 4 Buloh LD	Land and Building	3 - 6
	Subis 3 6KM off KM87 Miri-Bintulu Road	Part of Lot 15, 16 and 17, Blk 18, Niah LD, Part of Lot 4, Blk 8, Bukit Kisi LD	Land and Building	7 - 37
	Ladang Kosa 4KM off KM55 Miri - Bintulu Road	Lot 16, 17 Blk 14 Niah LD Lot 42 Blk 8 Bukit Kisi LD Lot 65 Blk 17 Niah LD Lot 3 Blk 16 Niah LD	Land and Building	4 - 36
	Melugu KM16, Sri Aman/ Serian Road	Lot 1, 2 and 85, Blk 11, Klauh LD Lot 185-188 and 309-315 Melugu Town Lot 44, 252, 298, 307, 319-321 Blk 7 Klauh LD. Lot 14, 26, 149, 250-252 Blk 12 Klauh Land. Lot 84, Blk 13 Klauh Land Lot 8, Blk 3 Klauh LD	Land and Building	2 - 17
Telliana Oil Palm Sdn. Bhd.	Tugau 37KM off KM15, Sibu-Teku Road via Rantau Panjang Road	Lot 76, Blk 5, Retus LD	Land	-

SPAD - Sarawak Plantation Agriculture Development Sdn Bhd   Blk - Block   LD - Land District

TOP 10 PROPERTIES

Year of Acquisition	Tenure/Expiry of Lease	Existing use	Land Area (Ha)	Net book value as at 31 December 2019: Land and building (RM)	Bearer Plants & Infrastructure works (RM)	Total (RM)
2009	60 years/ 06.03.2067	Oil palm activities/ residential/office	3,413	14,443,212	67,517,747	81,960,959
2016	60 years/ 07.12.2070/ 23.09.2068	Oil palm activities/ residential/office	1,908	31,937,258	49,058,823	80,996,081
2009	60 years/ 06.03.2067	Oil palm activities/ residential/office/store	1,848	9,575,780	46,589,936	56,165,716
1997	60 years/ 11.06.2049	Oil palm activities/ residential/office/store	3,854	7,512,814	31,906,667	39,419,481
	60 years/ 11.06.2049	Mill/residential/ office/store	23	4,321,898	186,568	4,508,466
1997	60 years/ 07.05.2063/ 10 years/ 31.12.2023	Oil palm activities/ residential/ office/store	2,079	4,242,742	37,626,454	41,869,196
2009	60 years/ 06.03.2067	Oil palm activities/ residential/office/ store	1,561	5,263,708	33,039,402	38,303,110
1997	60 years/ 06.05.2043/ 29.11.2057	Oil palm activities/ residential/office/store	2,559	989,725	35,195,734	36,185,459
1997	60 years/ 06.05.2043 60 years/ 16.07.2055	Oil palm activities/ residential/office/store	2,844	2,168,313	33,752,161	35,920,474
1997/2009	60 years/ 20.03.2060/ 18.08.2068/ 07.09.2068/ 11.01.2069/ 14.01.2069/ 21.01.2069	Oil palm activities/ residential/office/ store	2,996	5,365,873	27,863,577	33,229,450
2016	60 years/ 29.09.2074	Oil palm activities	3,050	28,072,663	2,114,278	30,186,941

Cautionary Statement Regarding Forward-looking Statements

This Annual Report contains some forward-looking statements in respect of the Company's financial condition, results of operations and business. These forward-looking statements represent the Company's expectations or beliefs concerning future events and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Readers are hereby cautioned that a number of factors could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statements. In this respect readers must therefore not rely solely on these statements in making investment decisions regarding Sarawak Plantation Berhad. The Board and the Company shall not be responsible for any investment decisions made by the readers in reliance on those forward-looking statements. Forward looking statements speak only as of the date they are made, and it should not be assumed that they have been reviewed or updated in the light of new information or future events that would arise between the time of publication of this Annual Report and the time of reading this Annual Report. The Board has however established a Risk Management Committee to mitigate as much as practicably possible the consequences of any uncertainties and contingencies. Further details can be found in the Corporate Governance Overview Statement on pages 50 to 56 of this Annual Report.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 23rd Annual General Meeting (AGM) of Sarawak Plantation Berhad will be held at Grand Margherita Hotel Dewan Asajaya Level 1 Jalan Tunku Abdul Rahman 93100 Kuching Sarawak on Wednesday, 29 July 2020 at 10am to transact the following businesses:

AGENDA:

Ordinary Business

1.	To receive the Audited Financial Statements for the year ended 31 December 2019 together with the Directors' and Auditors' Reports thereon	**Please refer to Explanatory Note 1**
2.	To approve payment of Directors' Fees up to an amount of RM531,375 in respect of the financial year ending 31 December 2020	**Resolution 1**
3.	To approve payment of Directors' benefits up to an amount of RM60,000 from 29 July 2020 up to the date of the next AGM	**Resolution 2**
4.	In accordance with Article 91 of the Company's Constitution, the following directors retire from the Board and being eligible offer themselves for re-election:	
	Datuk Amar Abdul Hamed bin Sepawi	**Resolution 3**
	Dato Wong Kuo Hea	**Resolution 4**
5.	To re-appoint Messrs. KPMG PLT as auditors for the Company and authorise the Directors to fix their remuneration	**Resolution 5**

SPECIAL BUSINESSES

To consider and if thought fit to pass the following as Ordinary Resolutions:

6. AUTHORITY TO ALLOT AND ISSUE SHARES **Resolution 6**

"THAT pursuant to Section 76 of the Companies Act 2016 and subject always to approval of the relevant authorities, the Directors of the Company be and are hereby empowered to issue and allot shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to the resolution does not exceed 10% of the Issued Share Capital of the Company for the time being AND THAT the Directors be and are hereby empowered to obtain approval from Bursa Malaysia Securities Berhad for the listing and quotation for the additional shares so issued AND THAT such authority shall continue to be in force until the conclusion of the next AGM of the Company."

7. PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE AND PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS (RRPT) OF A REVENUE OR TRADING NATURE **Resolution 7**

"THAT approval be and is hereby given to the Company and its subsidiaries to enter into RRPT of a Revenue or Trading Nature as set out in Appendix 1 of the Circular to Shareholders dated 29 June 2020 ("Circular") with the related parties mentioned therein which are necessary for the Group's day to day operations, subject to the following:

(a) That the RRPT are entered into on generally acceptable commercial terms not more favourable to the mandated related parties, they are at arm's length and are not prejudicial to the interests of the minority shareholders; and

(b) A disclosure of the aggregate amount of RRPT conducted pursuant to the Proposed Renewal and New Shareholders' Mandate shall be made in the Annual Report, including a breakdown of the aggregate value of the RRPT made during the financial year, amongst others, based on the following information:

(i) The type of recurrent transactions made; and

(ii) The names of the related parties involved in each type of recurrent transaction made and their relationship with the Company

AND THAT such approval shall continue to be in force until:

(i) The conclusion of the next AGM of the Company;

(ii) The expiration of the period within which the next AGM of the Company subsequent to this date is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or

(iii) Revoked or varied by resolution passed by the shareholders in general meeting;

Whichever is the earlier

AND THAT the Directors of the Company be authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the Proposed Shareholders' Mandate for the period from this AGM to the next AGM."

8. PROPOSED RENEWAL OF AUTHORITY TO PURCHASE OWN SHARES **Resolution 8**

"THAT subject always to the Companies Act 2016 and all other applicable laws, guidelines, rules and regulations, the Directors of the Company be and are hereby unconditionally authorised to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Malaysia Securities Berhad upon such terms and conditions as the Directors may deem fit, necessary and expedient in the interest of the Company provided that:

(a) The aggregate number of shares to be purchased and / or held pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company as quoted on Bursa Securities as at the point of purchase;

(b) An amount not exceeding the Company's retained profits based on the latest audited financial statements be allocated for the proposed share buy back;

(c) The Directors of the Company may decide in their discretion to cancel and / or retain the ordinary shares in the Company as Treasury Shares and subsequently distribute them as dividends, transfer the shares for the purposes of or under an employee share scheme that has been approved by the shareholders, transfer the shares as purchase consideration or resold on Bursa Malaysia Securities Berhad or be cancelled.

AND THAT authority be and is hereby given to the Directors of the Company to act and to take all such steps and to do all things as are necessary or expedient to implement and finalise and give effect to the proposed share buy back;

AND THAT such authority conferred by this resolution will commence immediately and shall continue to be in force until the conclusion of the next AGM of the Company following the passing of this ordinary resolution, unless revoked or varied by an ordinary resolution of the shareholders of the Company in a general meeting."

9. TO TRANSACT ANY OTHER BUSINESS OF WHICH DUE NOTICE SHALL HAVE BEEN GIVEN

BY ORDER OF THE BOARD
TRINA TAN YANG LI (0666-KT032)
Company Secretary
Kuching Sarawak
Dated this 29 June 2020

NOTICE OF ANNUAL GENERAL MEETING

NOTES:

1. A Member including authorised nominees as defined under the provisions of the Securities Industry (Central Depositories) Act 1991 and Exempt Authorised Nominees who hold ordinary shares in the Company for multiple owners in one securities account (Omnibus Account), is entitled to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote on his behalf at this AGM. Such proxy need not be a Member of the Company.
2. If a Member appoints more than 1 proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
3. If the appointer is a corporation, the proxy form must be executed under its common seal or under the hand of an officer or attorney duly authorised.
4. To be valid, the instrument appointing a proxy must be in writing and deposited at the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01 Level 32 Tower A Vertical Business Suite Avenue 3 Bangsar South No. 8 Jalan Kerinchi 59200 Kuala Lumpur not less than 48 hours before the time set for holding this AGM or any adjournment thereof.

   If there is any alteration to the instrument appointing a proxy, the same must be initialed.
5. In respect of deposited securities, only Members whose name appears in the Record of Depositors as at 21 July 2020 shall be eligible to attend, participate, speak and vote at this AGM.
6. Pursuant to Paragraph 8.29A of Bursa Malaysia Securities Berhad's Main Market Listing Requirements, all resolutions in this Notice of AGM will be put to vote on a poll.

EXPLANATORY NOTES:

1. **Audited Financial Statements**

   Pursuant to Section 340(1) of the Companies Act 2016, the Audited Financial Statements are meant for discussion only and do not require the shareholders' formal approval. Hence this item on the Agenda is not put forward for voting.
2. **Resolution 6 - Authority to Allot and Issue New Shares**

   This proposed resolution, if passed, will empower the Directors of the Company to issue and allot ordinary shares from the unissued capital of the Company up to an aggregate amount not exceeding 10% of the issued share capital of the Company for the time being, for such purposes as the Directors consider would be in the interest of the Company. This authority will, unless revoked or varied by the Company in general meeting, expire at the next AGM.

   The general mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s), working capital and/or acquisitions.

   As at the date of this Notice, no new shares in the Company were issued pursuant to the general mandate granted to the Directors at the 22nd AGM held on 23 May 2019.
3. **Resolution 7 - Proposed Renewel of Existing Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions (RRPT) of a Revenue or Trading Nature**

   This ordinary resolution, if passed, will authorise the Company and its subsidiaries to transact with mandated related parties for the period from this AGM till the next AGM. Please refer to Part I of the Circular to Shareholders dated 29 June 2020 for further details.
4. **Resolution 8 - Proposed Renewal of Authority to Purchase Own Shares**

   Please refer to Part II of the Statement to Shareholders dated 29 June 2020 for further details.

CDS Account no. of Authorized Nominee:

FORM OF PROXY

SARAWAK PLANTATION BERHAD
Registration No. 199701035877 (451377-P)
Incorporated in Malaysia

I / We ....

NRIC No. / ID No. / Company No .... (new) .... (old)

of ....

being a member of SARAWAK PLANTATION BERHAD, hereby appoint ....

NRIC No. / ID No. .... (new) .... (old)

of ....

or failing which the Chairman of the Meeting as my / our proxy / proxies to vote for me / us on my / our behalf at the 23rd Annual General Meeting (AGM) of Sarawak Plantation Berhad which will be held at Grand Margherita Hotel Dewan Asajaya Level 1 Jalan Tunku Abdul Rahman 93100 Kuching Sarawak on Wednesday, 29 July 2020 at 10am or at any adjournment thereof, in the manner as indicated below:

RESOLUTIONS		FOR	AGAINST
Resolution 1	Approval of Directors' Fees for financial year ending 31 December 2020		
Resolution 2	Approval of Directors' Benefits from 29 July 2020 up to the date of the next AGM		
Resolution 3	Re-election of Director: Datuk Amar Abdul Hamed bin Sepawi		
Resolution 4	Re-election of Director: Dato Wong Kuo Hea		
Resolution 5	Re-appointment of Auditors		
Special Businesses:			
Resolution 6	Authority to Allot and Issue Shares		
Resolution 7	Proposed Renewal of Existing Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions (RRPT) of a Revenue or Trading Nature		
Resolution 8	Proposed Renewal of Authority to Purchase Own Shares		

(Please indicate with an "X" in the spaces above how you wish your votes to be casted on the resolutions specified in the Notice of Meeting. If no specific direction as to the voting is indicated, the proxy / proxies will vote or abstain from voting as he / she / they think fit.)

NOTES:

1. A Member including authorised nominees as defined under the provisions of the Securities Industry (Central Depositories) Act 1991 and Exempt Authorised Nominees who hold ordinary shares in the Company for multiple owners in one securities account (Omnibus Account), is entitled to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote on his behalf at this AGM. Such proxy need not be a Member of the Company.
2. If a Member appoints more than 1 proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
3. If the appointer is a corporation, this proxy form must be executed under its common seal or under the hand of an officer or attorney duly authorised.
4. To be valid, the instrument appointing a proxy must be in writing and deposited at the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01 Level 32 Tower A Vertical Business Suite Avenue 3 Bangsar South No. 8 Jalan Kerinchi 59200 Kuala Lumpur not less than 48 hours before the time set for holding this AGM or any adjournment thereof.

   If there is any alteration to the instrument appointing a proxy, the same must be initialed.
5. In respect of deposited securities, only Members whose name appears in the Record of Depositors as at 21 July 2020 shall be eligible to attend, participate, speak and vote at this AGM.

Dated this ...... day of 2020

....
Signature of Shareholder(s) /
Common Seal

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STAMP

The Company Secretary

SARAWAK PLANTATION BERHAD

8th Floor, Wisma NAIM, 2½ Mile, Rock Road
93200 Kuching, Sarawak.
Tel: 082-233550 Email: info@spbgroup.com.my

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REGISTERED OFFICE
8th Floor, Wisma NAIM, 2 1/2 Mile,
Rock Road, 93200 Kuching, Sarawak.
082-233550 info@spbgroup.com.my

BUSINESS OFFICE
Wisma SPB, Lot 1174, Block 9, MCLD Miri Waterfront,
Jalan Permaisuri, 98000 Miri, Sarawak.
085-413814 info@spbgroup.com.my

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