KULIM (MALAYSIA) BERHAD
197501001832 (23370-V)

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SCAN ME

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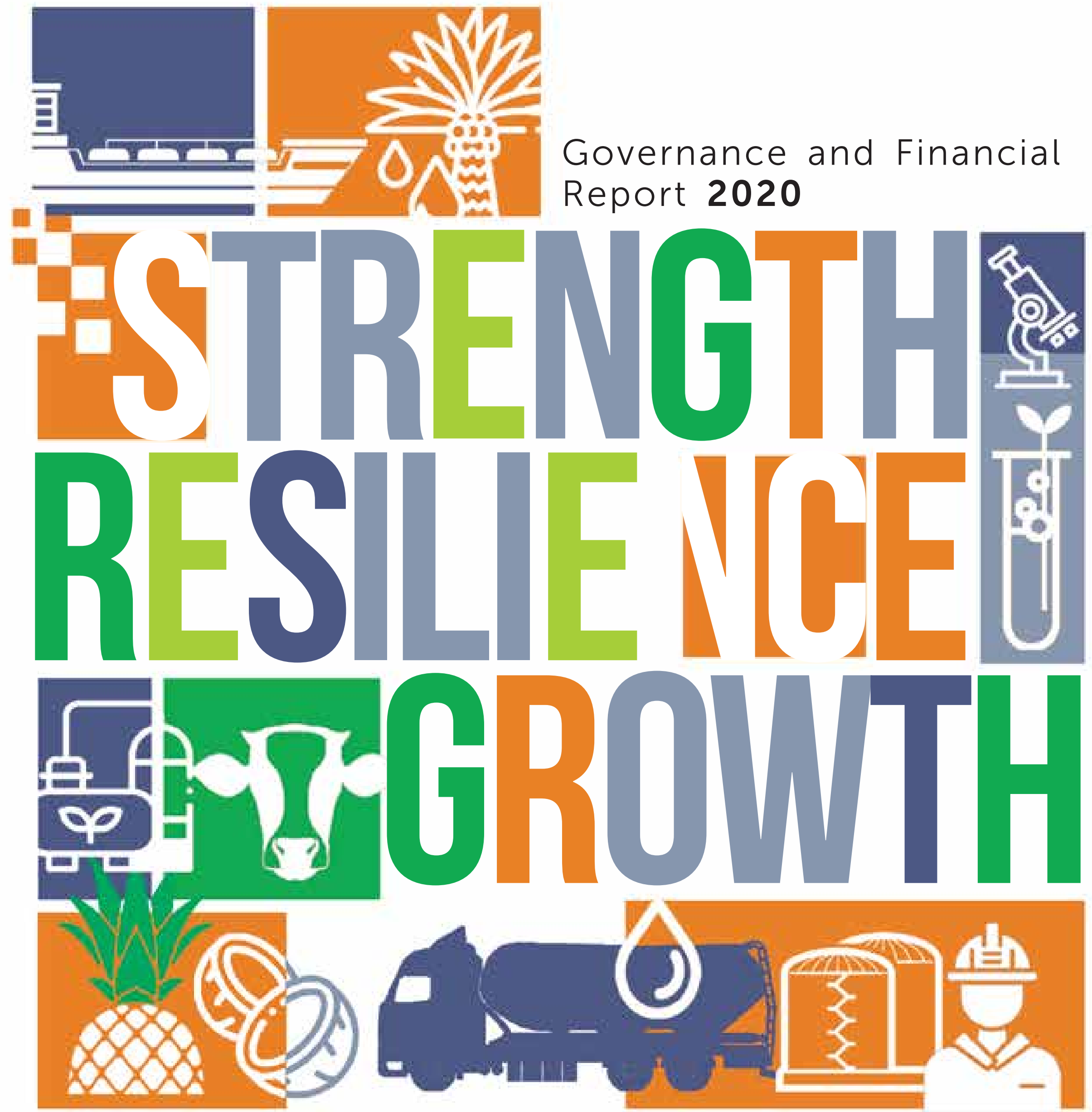
KULIM (MALAYSIA) BERHAD 197501001832 (23370-V)

Governance and Financial Report **2020**

KULIM

Governance and Financial Report **2020**



KULIM (MALAYSIA) BERHAD 197501001832 (23370-V)

a JCORP Company

ABOUT OUR REPORT

This Governance and Financial Report covers the activities of Kulim (Malaysia) Berhad for the Financial Year Ended 31 December 2020 ("FY2020") up to 15 March 2021, being the last practicable date before the printing of this report.

The Governance and Financial Report is to be read in conjunction with our Integrated Report (IR) which are both available on the Group's website at **www.kulim.com.my**

INTEGRATED REPORT
2020

SCAN ME

Contents:

Primary source of information on our Group's financial and non-financial performance across our operations in Malaysia and Indonesia.

GOVERNANCE AND FINANCIAL REPORT
2020

SCAN ME

Contents:

Our Governance and Financial Report outlines our comprehensive approach towards protection of value in our activities together with our Financial Performance of the year.

Regulations Complied:
- Companies Act 2016
- Malaysian Financial Reporting Standards
- International Financial Reporting Standards
- International Integrated Reporting Framework ("IIRF")
- Malaysian Code on Corporate Governance 2017 ("MCCG")
- United Nations' Sustainable Development Goals ("SDGs")
- Global Reporting Initiative ("GRI") Standards

SCOPE AND BOUNDARY OF REPORTING

Reporting Period
Our report is produced and published annually. It provides Material information on our application of the principles of the Malaysian Code on Corporate Governance 2017 ("MCCG"). It includes expanded information of our Corporate Governance Overview Statement, Statement on Risk Management and Internal Control and Board Audit and Risk Committee Report.

Financial and Non-financial Reporting
The report extends beyond financial reporting and includes non-financial performance, including opportunities, risks and outcomes attributable to, or associated with our key stakeholders, which have a significant influence on our ability to create value.

REPORTING FRAMEWORKS

Kulim's Governance and Financial Report, and the contents of this report are guided by the principles and requirements of the Malaysian Code on Corporate Governance 2017 ("MCCG").

Our **Financial Statements** for the FY2020 have been prepared in accordance with:
- Malaysian Financial Reporting Standards
- International Financial Reporting Standards
- Companies Act 2016

WHAT'S INSIDE

Kulim (Malaysia) Berhad
Governance and Financial Report 2020

COVER RATIONALE

The COVID-19 pandemic continues to adversely impact the global palm oil industry. Nevertheless, Kulim remains steadfast in mitigating the challenges by implementing strategic initiatives and building on the strength of our business segments.

We have strengthened our presence across the value chain by leveraging our expertise in the plantation sector as well as exploring new opportunities in agribusiness. This will reduce over-dependence on upstream activities and offer long-term potential for growth and profitability. We have also implemented cost optimisation initiatives and ensured sustainable practices in all our operations.

We are confident that Kulim will continue to stay focused and resilient to overcome adversity and drive growth across our diverse business segments.

Further information can also be found on our website:

http://www.kulim.com.my

CHAIRMAN'S GOVERNANCE OVERVIEW

SCAN ME

As a company our goal is to build a sustainable business that provides strong returns for our shareholders. The Board is cognisant that sustainable business success is not possible without a clear corporate purpose and sound corporate governance.

The Board also believes that good governance is not just about compliance with rules and regulations, it is also about our culture, behaviour and values and whether we conduct our business responsibly and ethically.

In that regard the Board is committed to ensure that the Group's purpose, culture, values and standards are appropriately set from the top and embedded across the Group, with the Board taking the lead.

A key responsibility for me as Chairman is to ensure that the Board is skilled, balanced and effective and delivers strong leadership in securing the long-term success and sustainability of the Group, as well as the creation of long-term value for our stakeholders.

I am pleased to inform that the present Board has the dimensions which are necessary for the long-term success of the Group, with a majority of the Board composition comprising Independent Non-Executive Directors. With their vast industry wide expertise and experience, they have brought with them perspectives that are objective and balanced thereby safeguarding the interests of all stakeholders.

In discharging its stewardship, the Board is resolute in sustaining the highest standards of corporate governance. This is imperative in order to support our ability to create strategic objectives and value for our stakeholders.

As Chairman it is also my duty to ensure the actualisation of the corporate governance framework, in that it is sound, transparent, responsive and protective. The Board is fully committed towards continuously improving the Company's governance practices and processes to meet the increasingly challenging operating environment.

In the coming year, we are optimistic that we will be able to sustain our performance towards further growth. We will continue to be committed to acting with transparency and integrity and fostering the right culture within our businesses.

I am pleased to present our Corporate Governance Overview Statement for the financial year under review which describes how the Board functions and the approach we have taken to ensure effective governance and oversight of the Group's business.

TAN SRI DR. ALI HAMSA
Chairman

BOARD OF DIRECTORS' PROFILE

TAN SRI DR. ALI HAMSA

Chairman/Independent Non-Executive Director

Malaysian | Male
66 Years Old | 1 March 2021

Board Skills and Experience Matrix

Skills Matrix

P M F R EC EX

Board Committee

BNRC

DECLARATION

Other than as disclosed, he does not have any family relationship with any director and/or major shareholder of Kulim. He has no personal interest in any business arrangement involving Kulim and has not been convicted for any offences.

Board Skills and Experience Matrix

T Information Technology	M Commercial and Marketing	EX Industry Experience
H Human Resource	EC Economics	L Legal
P Corporate Planning and Development	F Finance/Audit	C Construction
O Operations – Plantation	R Risk Management and Compliance	B Business Administration/ Management

QUALIFICATION & EXPERIENCE

He graduated with a Bachelor of Arts (Hons) from the University of Malaya in 1979. He obtained his Master of Economics in 1986 and PhD in Environmental Science and Economics in 1997 from Oklahoma State University, USA.

He began his civil service career with the University of Malaya prior to embarking on an illustrious career that spans 40 years. In 1981, he entered the Administrative and Diplomatic Service ("PTD") as an Assistant Director at the Ministry of Trade and Industry. In 1986 he was appointed the Senior Project Manager of the Economy and Public Policy Management Centre ("PUTERA") at National Institute of Public Administration ("INTAN").

Upon obtaining his PhD, he served at the Economic Planning Unit ("EPU"), Prime Minister's Department where he consecutively held the position of Director of the Distribution Division; Regional Economics Division; and Deputy Director-General of the National Transformation and Advancement Programme. In 2009, he was appointed the first Director-General of the Public Private Partnership Unit, Prime Minister's Department.

He served the Government of Malaysia as the 13th Chief Secretary from 2012 till 2018. Currently, he is the Pro-Chancellor of University Tun Hussein Onn, Malaysia.

CHAIRMANSHIP/DIRECTORSHIP

He was appointed as the Director of JCorp with effect from 1 November 2009 before being appointed as the Deputy Chairman as well as the Independent Director on 15 June 2020.

MOHD FARIS ADLI SHUKERY
Managing Director

Malaysian | Male
49 Years Old | 1 October 2020

Board Skills and Experience Matrix

Skills Matrix

P O M R EX L

Board Committee

BTC

DECLARATION

Other than as disclosed, he does not have any family relationship with any director and/or major shareholder of Kulim. He has no personal interest in any business arrangement involving Kulim and has not been convicted for any offences.

QUALIFICATION & EXPERIENCE

He graduated with a Bachelor of Laws (Hons) from Sheffield Hallam University, United Kingdom in 1995 before he obtained his Masters of Laws (International and Commercial Law) from University of Sheffield, United Kingdom in 1997.

He began his career with Kuala Lumpur Stock Exchange in 1997 in the Policy and Development Division before joining AmMerchant Bank as Compliance Manager in 2003. He later joined Kumpulan Guthrie Berhad as Manager in the Corporate Planning Department in 2005. He then became Vice President for Plantation Upstream in Sime Darby Plantation in 2008. In 2014, he joined downstream operations to become Head of Sime Darby Foods & Beverages Marketing. His last position in downstream operations was Head of Customer Solutions for Sime Darby Oils before rejoining Sime Darby Plantation's upstream operations as Regional Chief Executive Officer, Sabah in July 2019 until September 2020.

CHAIRMANSHIP/DIRECTORSHIP

He also sits on the Board of several companies within Kulim Group.

MOHD NORDIN JAMALUDIN
Non-Independent Non-Executive Director

Malaysian | Male
59 Years Old | 10 July 2020

Board Skills and Experience Matrix

Skills Matrix

T H R EX L

Board Committee

BNRC

DECLARATION

Other than as disclosed, he does not have any family relationship with any director and/or major shareholder of Kulim. He has no personal interest in any business arrangement involving Kulim and has not been convicted for any offences.

QUALIFICATION & EXPERIENCE

He obtained his Bachelor Degree in Law (Hons) from University of West London, United Kingdom. He began his career as Senior Legal Counsel and Company Secretary at Shell Malaysia Trading Sdn Bhd from 1990 until 2007. His skills and experience from Multinational Company had exposed him with other important areas such as ICT and Innovation, Human Resource, and Governance from the perspective of various countries in ASEAN region.

He further expanded his working career in Iskandar Investment Berhad from 2008 until 2018 where his last position was Executive Vice President, primarily responsible for Human Capital Management and Company Secretarial functions. He was responsible for all company secretarial matters and ensures full compliance to relevant statutory requirements to mitigate risk of reprimand, fines and related due to non-compliance for Iskandar Investment and its Group of subsidiaries. Further, he was also responsible in formulating the long-term human capital strategy and strategic initiatives to levarage on the Company's human capital capabilities to support the execution of business strategies and plans effectively.

He commenced his tenure as Chief Corporate Services Officer with JCorp on 2 February 2020.

CHAIRMANSHIP/DIRECTORSHIP

Presently, he is the Non-Independent Non-Executive Director of QSR Brands (M) Holdings Berhad.

BOARD OF DIRECTORS' PROFILE

SHAMSUL ANUAR ABDUL MAJID

Non-Independent Non-Executive Director

Malaysian | Male
50 Years Old | 10 July 2020

Board Skills and Experience Matrix

Skills Matrix

P F EC EX B

Board Committee

BIC

DECLARATION

Other than as disclosed, he does not have any family relationship with any director and/or major shareholder of Kulim. He has no personal interest in any business arrangement involving Kulim and has not been convicted for any offences.

QUALIFICATION & EXPERIENCE

He graduated with a Bachelor of Science (Hons) in Chemistry from Imperial College, London, England before obtaining his Master of Business Administration (Islamic Finance) from International Islamic University, Malaysia. He is also a Chartered Financial Analyst ("CFA") from CFA Institute, Charlottesville, Virginia, USA.

He began his career with Shell Malaysia as a Planning Analyst in 1994 before joining Boston Consulting Group in 2000. He later joined Grenland Malaysia as Vice President, Finance and Special Projects in 2004. He was the Executive Vice President of Strategy and Feasibility, Iskandar Investment Berhad in 2007. He then joined Iskandar Waterfront Holdings in 2011 as the Special Officer to the Managing Director. In 2014, he was the Director of Fikiran Sepakat Sdn Bhd.

He joined JCorp as General Manager in 2017 prior to his appointment as the Chief Investment Officer.

CHAIRMANSHIP/DIRECTORSHIP

Presently, he is a Non-Independent Non-Executive Director of QSR Brands (M) Holdings Malaysia Berhad, KPJ Healthcare Berhad, Al-'Aqar Healthcare REIT and Al-Salam REIT. He is also director of Damansara Assets Sdn Bhd, Johor Land Berhad, Damansara REIT Managers Sdn Bhd, TLP Terminal Sdn Bhd and several other companies within JCorp Group.

DATO' SR. HISHAM JAFREY

Independent Non-Executive Director

Malaysian | Male
63 Years Old | 1 March 2020

Board Skills and Experience Matrix

Skills Matrix

P H R EX C B

Board Committee

BACR BIC

DECLARATION

Other than as disclosed, he does not have any family relationship with any director and/or major shareholder of Kulim. He has no personal interest in any business arrangement involving Kulim and has not been convicted for any offences.

QUALIFICATION & EXPERIENCE

He graduated with a Bachelors Degree in Quantity Surveying (Hons) from Leeds Metropolitan University. He started his career with Harlow and Milner of Wakefield, England. Returning to Malaysia in 1983, he joined Antara Construction Sdn Bhd.

He later joined University Technology Malaysia and played a prominent role in the development of the Department of Quantity Surveying, Faculty of Built Environment.

He was the Chairman of Royal Institution of Surveyors Malaysia (Johor Branch) and he was also a member of the One Stop Approval Centre of Majlis Bandaraya Johor Bahru.

CHAIRMANSHIP/DIRECTORSHIP

Presently, he is the Managing Director of ARH Jurukur Bahan Sdn Bhd, which is one of the largest quantity surveying practice in Malaysia. He also sits as an Independent Non-Executive Director in JCorp as well as Cement Industries of Malaysia Berhad.

KANDASAMY A/L KANNY

Independent Non-Executive Director

Malaysian
Male
70 Years Old
1 March 2020

Board Skills
and Experience Matrix

Skills Matrix

H O EX B

Board Committee

BIC BTC

DECLARATION

Other than as disclosed, he does not have any family relationship with any director and/or major shareholder of Kulim. He has no personal interest in any business arrangement involving Kulim and has not been convicted for any offences.

QUALIFICATION & EXPERIENCE

He graduated with a Master of Business Management Majoring in Plantation Management from Camden University, USA in March 2011.

He started his career with Mados's Holding Sdn Bhd (formerly known as Mado's Sdn Bhd) as a Field Conductor in 1981. In 1992, he was promoted to Cadet Assistant. Later, he was then promoted to Assistant Manager in 1994 and Manager in 1996. In 2012, he was promoted as Estate General Manager until present.

CHAIRMANSHIP/DIRECTORSHIP

NIL

ABDULLAH ABU SAMAH

Independent Non-Executive Director

Malaysian
Male
55 Years Old
1 January 2021

Board Skills
and Experience Matrix

Skills Matrix

O EC F R EX C B

Board Committee

BARC

DECLARATION

Other than as disclosed, he does not have any family relationship with any director and/or major shareholder of Kulim. He has no personal interest in any business arrangement involving Kulim and has not been convicted for any offences.

QUALIFICATION & EXPERIENCE

He graduated with a Master of Business Administration from the University of Washington, Seattle, USA. He also holds a Bachelor of Science in Business Administration from University of the Pacific, California. He started his career with KPMG in 1988. He was a partner in its Audit Division from 1997 until his retirement in 2020. He was seconded to KPMG London for two years between 1993 and 1995 to focus on the financial services sector.

He has over 32 years of experience in servicing clients from various industries including oil palm plantations, oil & gas, banking and finance, construction and property development, hotel and hospitality, manufacturing, industrial products, trading, investment holding companies as well as large multinational companies.

In addition, he was also involved in reviews of prospective financial information for purposes of IPOs, right issues and bond issues. He has significant experience in due diligence reviews in connection with the proposed composite scheme of arrangement and restructuring scheme.

He is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants.

CHAIRMANSHIP/DIRECTORSHIP

Presently, he is the Chairman of Extreme Edge Sdn Bhd, a subsidiary company of Kulim. He sits as an Independent Non-Executive Director in Board of Media Prima Berhad. He is also sits in Damansara REIT Managers Sdn Bhd as an Independent Non-Executive Director and as a Chairman of Audit Committee.

FAWZI AHMAD
Independent Non-Executive Director

Malaysian | Male
68 Years Old | 1 January 2021

Board Skills and Experience Matrix

Skills Matrix

P O M EX

Board Committee

BNRC BARC BTC

DECLARATION

Other than as disclosed, he does not have any family relationship with any director and/or major shareholder of Kulim. He has no personal interest in any business arrangement involving Kulim and has not been convicted for any offences.

QUALIFICATION & EXPERIENCE

Upon graduation, he joined the Executive Scheme in Kulim Group at Ulu Tiram. Was initially posted to Ulu Tiram Estate and then transferred to Ulu Tiram Manufacturing Company Ltd. He attended various courses held by the Rubber Institute of Malaysia ("RRI").

Towards the end of 1980, he transferred to the Plantation Division at Ulu Tiram Estate as Senior Assistant Manager. He was then seconded to a subsidiary company of Kulim and established an infrastructure for Yayasan Pelajaran Johor ("YPJ") in 1985 through 1988.

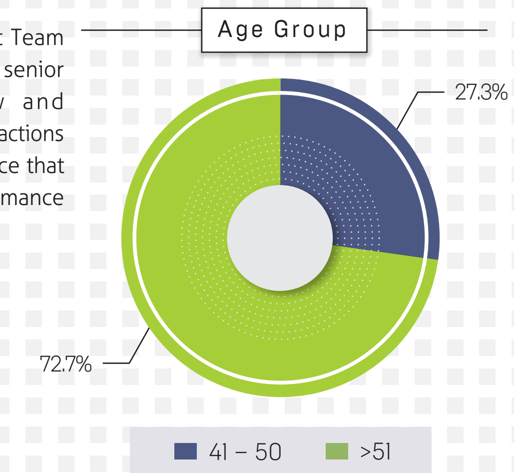
He transferred back to Ulu Tiram Estate in late 1988 before joining Austral Enterprise (a subsidiary of Island & Peninsula) in 1989 and subsequently made a Planting Advisor in 1991. In 1992, he established and spearheaded the Plantation Division for Yayasan Pelajaran Johor. He was the National Vice Chairman of the Incorporated Society of Planters and State Vice Chairman of the Royal Johor Planters Association. He retired from YPJ Oil Palm Estates Sdn Bhd in 2013. Currently, he conducts advisory services for plantation visits for an established GLC plantation company.

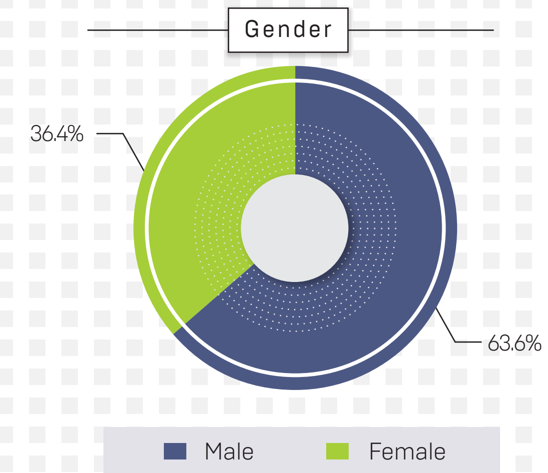
CHAIRMANSHIP/DIRECTORSHIP

NIL

SENIOR MANAGEMENT'S PROFILE

The Senior Management Team is the Group's executive senior leaders who review and deliberate on issues and actions of Group-wide significance that are charted in the performance of the Group.





MOHD FARIS ADLI SHUKERY
Managing Director

Malaysian | Male
49 Years Old | 1 October 2020

RELEVANT EXPERIENCE

He graduated with a Bachelor of Laws (Hons) from Sheffield Hallam University, United Kingdom in 1995 before he obtained his Masters of Laws (International and Commercial Law) from University of Sheffield, United Kingdom in 1997.

He began his career with Kuala Lumpur Stock Exchange in 1997 in the Policy and Development Division before joining AmMerchant Bank as Compliance Manager in 2003. He later joined Kumpulan Guthrie Berhad as Manager in the Corporate Planning Department in 2005 before becoming the Vice President of Plantation Upstream in Sime Darby Plantation in 2008. In 2014, he joined downstream operations to become Head of Sime Darby Foods & Beverages Marketing. He become the Head of Customer Solutions for Sime Darby Oils before rejoining Sime Darby Plantation's upstream operations as Regional Chief Executive Officer, Sabah in July 2019 until September 2020. He also sits on the Board of several companies within Kulim Group.

SENIOR MANAGEMENT'S PROFILE

AZIAH AHMAD

Chief Financial Officer, Finance Division

Malaysian | Female
55 Years Old | 1 April 2020

RELEVANT EXPERIENCE

She is a Certified Practicing Accountant of CPA Australia and a member of the Malaysia Institute of Accountants. She graduated with a Bachelor of Commerce in Accountancy from University of Wollongong, New South Wales, Australia. She joined JCorp as a General Manager on 1 April 2014 before her secondment to Damansara Assets Sdn Bhd as the Chief Financial Officer. From October 2016 to December 2019, she headed the Group Financial Monitoring and Advisory Department of JCorp. She became the Vice President and the Group Chief Financial Officer prior to joining Kulim. She also sits on the Board of several companies within Kulim Group.

MOHAMMED IZUDDIN ROSLI

Head of Strategy Division

Malaysian | Male
55 Years Old | 1 January 2021

RELEVANT EXPERIENCE

He joined Kulim on 1 September 2020 before assuming his current position. He graduated with a Diploma in Banking from Institute Technology Mara and started his career at Maybank in the Corporate Banking Division in 1988. He then pursued his first Degree at the Sheffield Hallam University and graduated with BA (Hons) in Business Studies majoring in Finance in 1992.

He has wide experience in Business Development and Communications through his various stints at Sepang F1 International Circuit and Iskandar Investment Berhad ("IIB"). Later, he joined FGV Holdings Berhad for six years as the General Manager in various capacities. In April 2020, he joined JCorp as Head of Business Development Department, before taking up his current position at Kulim. He also sits on the Board of several companies within Kulim Group.

MOHAMAD YAMI BAKAR

Head of Plantation Division

Malaysian | Male
53 Years Old | 1 January 2021

RELEVANT EXPERIENCE

He holds a Diploma in Planting Industry and Management from Institute Technology Mara in 1990. He joined the Company on 4 August 1990 as a Cadet Planter. He was seconded to Damansara Forest Project ("PNG") Pte Ltd in 1996 and promoted as a Manager in 2004. He became a Regional Controller of Sindora Complex in 2011 and Tunjuk Laut Complex in 2014. Later, he was seconded to PT Wahana Semesta Kharisma, Indonesia in October 2014 until December 2016. He then heads Kulim Pineapple Farm on 1 August 2017 before assuming his current position on 1 January 2021. He also sits on the Board of several companies within Kulim Group.

AMRAN ZAKARIA

Head of Corporate Services Division

Malaysian | Male
53 Years Old | 1 January 2021

RELEVANT EXPERIENCE

He graduated with a Bachelor of Science in Horticulture from Universiti Putra Malaysia, Diploma in Training and Development from Auckland College of Education, New Zealand and Diploma in Industrial Relations from Malaysian Employers Federation. He brings with him vast experience in Human Resources Management at operation and strategic levels from his previous employment at the Prime Minister's Department, Toyota Group, Nestle and several GLCs.

He joined Kulim as Head of Human Resource Division on 24 April 2017 and was seconded to JCorp in January 2020 to head the Group Human Resources before he resuming the same position at Kulim in September 2020. He also sits on the Board of several companies within Kulim Group.

SENIOR MANAGEMENT'S PROFILE

NOOR EFFENDY MOHD ALI

Head of Marketing & Sustainability Division

Malaysian | Male
57 Years Old | 1 January 2021

Relevant Experience:

He graduated with a Bachelor of Science (BSc) in Finance from the Northern Illinois University, USA in 1987. He joined the Company as an Executive at Internal Audit Department in 1990 and transferred to Marketing/Commercial Department in 1993. He was promoted as a Manager in 2004 before becoming the Senior Manager from the year 2014 until December 2016. He was then appointed as the Head of Business Development and Marketing Division on 12 February 2018 before assuming his current position. He also sits on the Board of several companies within Kulim Group.

ZAINURIAH ABDULLAH

Head of Plantation Advisory & Services Division

Malaysian | Female
56 Years Old | 1 July 2017

RELEVANT EXPERIENCE

She graduated with a Bachelor in Agricultural Science from Universiti Pertanian Malaysia in 1988. She joined Kulim as Cadet Executive in 1990 and later confirmed as an Agronomist and was attached to the R&D Division. She was promoted as a Manager of the R&D Division in 2000. In 2004, she was promoted to Senior Manager before becoming Comptroller of Kulim's R&D Division in 2007. She heads the Plantation Advisory & Services Division since 2017. She also sits on the Board of several companies within Kulim Group.

MOHD AKHIR WANTEH

Head of Plantation Inspectorate Division

Malaysian | Male
59 Years Old | 1 January 2021

RELEVANT EXPERIENCE

He holds a Diploma in Planting Industry and Management from Institute Technology Mara in 1984. He joined the Company on 1 December 1987 as Cadet Planter before being promoted as a Manager in 2004. He was the Regional Controller of Tunjuk Laut Complex in 2009 and became the Region Head of Plantation Operations in 2015 until December 2016. On 1 January 2017, he was the Head of Plantation Division before assuming his current position. He also sits on the Board of several companies within Kulim Group.

WAN ADLIN WAN MAHMOOD

Head of Engineering & Projects Division

Malaysian | Male
46 Years Old | 1 January 2021

RELEVANT EXPERIENCE

He graduated with a Master of Business Administration in Manufacturing and Production from Open University Malaysia in 2018. He also holds a Bachelor of Engineering (Chemical) from Vanderbilt University, Nashville, Tennessee, USA in 1997 and Diploma in Palm Oil Milling and Technology from MPOB in 2002. He also garnered the First Grade Steam Engineer Certification from the Department of Safety and Health in 2003. He joined the Company in November 2012 as Senior Manager at the Sedenak Palm Oil Mill until December 2016. He was then appointed as Deputy General Manager of the Engineering Department on 1 July 2019. He has more than 20 years of experience in palm oil milling in various locations in Malaysia, Papua New Guinea and Sarawak. He also sits on the Board of several companies within Kulim Group.

SENIOR MANAGEMENT'S PROFILE

KASMAWATI KASIAN

Head of Governance Division

Malaysian
Female
49 Years Old
24 July 2017

RELEVANT EXPERIENCE

She graduated with a Bachelor of Arts in Accounting from the University of Liverpool, UK in 1995. She is a Certified Internal Auditor, possesses the Certification in Risk Management Assurance ("CRMA") with 24 years experience in internal auditing, risk management and compliance, external auditing and corporate affairs. She started her career in Kulim as Internal Audit Executive on 1 September 1999. In 2010, she was appointed as Manager of the Corporate Affairs Department. She was promoted as the General Manager of Internal Audit Department in 2016 before assuming her current position.

MAZIAH MAHMOD

Head of Digital Division

Malaysian
Female
53 Years Old
1 February 2021

RELEVANT EXPERIENCE

She graduated with a Bachelor of Computer Science from University Technology Malaysia. She started her career with JCorp as an Executive on 16 May 1993. She was appointed as Deputy Manager of the ICT Development Division in 2000 and was promoted to Manager in 2006. She was later seconded to Sovereign Multimedia Resources Sdn Bhd, a subsidiary of JCorp before returning to JCorp in 2014 as Deputy General Manager of the ICT Development Division. She left JCorp as General Manager of the ICT Development Division before assuming her current role at Kulim. She also sits in the Board of several companies within Kulim Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

CORPORATE GOVERNANCE OVERVIEW STATEMENT

INTRODUCTION

The Board of Directors ("the Board") of Kulim (Malaysia) Berhad is pleased to present the Corporate Governance Overview Statement ("CG Overview") which provides shareholders and stakeholders with an overview of the corporate governance practices of Kulim Group during the FY2020 with reference to the key corporate governance principles and practices as set out in the Malaysian Code on Corporate Governance 2017 ("MCCG 2017").

The Board acknowledges the importance of good corporate governance in protecting and enhancing the interest of shareholders. As such, the Board conscientiously strives to attain high business ethics and governance in conducting the day-to-day business affairs of the Group, to build a sustainable business and discharging its regulatory role.

The Board will continue its efforts in evaluating its governance practices in response to evolving best practices and the changing needs of Kulim Group. The Board shall remain committed to attain the highest possible standards of corporate governance through continuous adoption of principles and best practices of the MCCG 2017 and all other applicable laws and regulations.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

BOARD RESPONSIBILITIES

The Board functions on the principle that all significant and material matters are addressed by the Board as it is accountable for the strategic management, performance monitoring and measurement, enterprise risk management, standard of conduct and critical business issues. The Board is responsible in determining the long-term direction and strategy of the Group, and creating value for shareholders.

Established clear functions reserved for the Board and those delegated to Management.

The Board is responsible for the oversight and overall management of the Group by providing guidance and direction to the Management with regards to sustainability, strategic planning, risk management, succession planning, financial and operations to meet the expectations and obligations to the shareholders.

The Board assumed the following principal responsibilities in discharging its functions:

1. **Reviewing and adopting a strategic plan for the Group and monitoring thereof and addressing the sustainability of the Group's business.**

   The Board will review and approve the annual budget and strategic plan for the Group. It has in place an annual strategic planning process, whereby a comprehensive strategic plan will be tabled and debated at divisional level before the Management presents to the Board its recommended strategy and proposed business and regulatory plans. At this session, the Board reviews and deliberates upon both the Management's and its own perspectives, as well as challenges the Management's views and assumptions, to deliver the best outcomes.

   Additionally, on an on-going basis, the Board will assess whether the projects, purchases and sale of equity as well as other strategic consideration being proposed at Board meetings during the year are in line with the objectives and broad outline of the adopted strategic plans.

2. **Overseeing the conduct of the Group's business including the formulation of strategy and performance objectives, control and accountability systems, corporate governance framework, risk management practices and human capital management.**

   At Board meetings, all operational matters will be discussed, and expert advice will be sought if necessary. The Board oversees the performance of Management through quarterly results which is tabled during the Board meeting.

   The Board would then make the necessary business decisions to adapt to changing circumstances. The Management is tasked with the responsibility to keep the Board informed on all matters which may materially affect the Group and its business. The Management is also required to present and brief the Board on the quarterly report of the Group's financial performance.

   The performances of various companies and operating units within the Group represent major element of the Board's agenda. Where and when available, data are compared against national trends and performance of similar companies.

3. **Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures to manage risks.**

   The Group has set up Governance Management Committee ("GMC") to assist the Board in identifying, evaluating, reviewing and managing the principal risks and compliance management system.

   GMC is established primarily to assist and advise the Management Committee ("MCM") and the Managing Director in fulfilling its corporate governance and responsibilities towards compliance with the rules and regulations, and its internal control structure.

   Details on GMC and the risk management framework are set out in the Statement of Risk Management and Internal Control of this Integrated Annual Report.

4. **Established and identified succession plan for the Group that provide continuity in leadership within the Group.**

   The Board's responsibility in this aspect is being strongly supported by the Human Capital Management Department ("HCMD"). More importantly, after several years of continuous effort in emphasising and communicating the importance of succession planning, the subject has now become an on-going agenda being reviewed at various high-level Management and operational meetings of the Group. HCMD had assessed the performance of identified potential candidates undergoing the following leadership programmes:

   a) Johor Corporation Leadership Programme ("JLP"). JLP is a structured leadership programme aiming to accelerate the career of high potential Senior Executives up to Senior Manager to be developed as future leaders of Johor Corporation Group. Participants will be exposed to business challenges from different angles and will have the opportunity to share their leadership experiences. In 2019, three employees were selected for JLP Cohort IV 2019/2020 which the programme had been completed in December 2020.

   b) Advance Johor Leadership Programme ("AJLP"). AJLP is a one year structured programmed which consists of intensive learning and development experience for high potential leaders across Johor Corporation Group. In 2019, three employees were selected to undergo AJLP II 2019/2020 and completed their programme in December 2020.

5. **Overseeing the development and implementation program for effective communication with shareholder and investors.**

   Various strategies and approaches are employed by the Group to ensure that shareholders are well informed about the Group's affairs and development.

6. **Reviewing the adequacy and integrity of the management information and internal control system of the Group including systems for compliance with applicable laws, regulations, rules, directive and guidelines.**

   The Board's function in fulfilling the above responsibility is supported and reinforced through the various Committees established at both the Board and the Management's level. Aided by an independent function of the Internal Audit Department, the active functioning of these Committees through their regular meetings and discussions would provide a strong check and balance and reasonable assurance on the adequacy of the Group's internal controls.

   Details on the Internal Audit functions are further discussed in the Board Audit and Risk Committee Report of this Integrated Report.

BOARD COMMITTEES

On 22 December 2020, the Board has approved for Kulim to establish four Board Committees, namely the Board Nomination and Remuneration Committee ("BNRC"), Board Audit and Risk Committee ("BARC"), Board Investment Committee ("BIC") and Board Tender Committee ("BTC") to assist the Board in discharging its fiduciary duties and responsibilities.

The Board Committees review and deliberate in detail the issues within their terms of references and make the necessary recommendations to the Board with regards to the matters under their review. The Board remain fully responsible for the effective control of the Company. Similar to the Board, each Board Committee is supported by the Company Secretary and has access to independent advice as required for the performance of its duties.

a) **Board Nomination and Remuneration Committee ("BNRC")**

   Assist the Board in nominating new candidates to the Board and Board Committees and assessing their performance and remuneration packages.

   The members comprise the following non-executive directors, the majority of whom are independent directors:

Name	Designation/Directorship
YBhg. Tan Sri Dr. Ali Hamsa	Chairman/Independent Non-Executive Director
Fawzi Ahmad	Member/Independent Non-Executive Director
Mohd Nordin Jamaludin	Member/Non-Independent Non-Executive Director

b) Board Audit and Risk Committee ("BARC")

Assist the Board with regards to:

- review and report on the Group's results, external audit procedures and internal audit function.
- identify, assess, monitor key business risks and oversee the Risk Management activities of the Group.

The members comprise the following non-executive directors, in which all are independent directors:

Name	Designation/Directorship
Abdullah Abu Samah	Chairman/Independent Non-Executive Director
Dato' Sr. Hisham Jafrey	Member/Independent Non-Executive Director
Fawzi Ahmad	Member/Independent Non-Executive Director

c) Board Investment Committee ("BIC")

Assist the Board in reviewing, monitoring, recommending and advising in existing and potential investment and funding related matters.

The members consist of the following non-executive directors, the majority of whom are independent directors:

Name	Designation/Directorship
Dato' Sr. Hisham Jafrey	Chairman/Independent Non-Executive Director
Shamsul Anuar Abdul Majid	Member/Non-Independent Non-Executive Director
Kandasamy A/L Kanny	Member/Independent Non-Executive Director

d) Board Tender Committee ("BTC")

Assist the Board in reviewing the tender papers prior to tabling to the Board.

The members comprise the following directors, the majority of whom are independent non-executive directors:

Name	Designation/Directorship
Fawzi Ahmad	Chairman/Independent Non-Executive Director
Mohd Faris Adli Shukery	Member/Managing Director
Kandasamy A/L Kanny	Member/Independent Non-Executive Director

There is a division of function between the Board and Management. The Board is duly assisted by the key management team of the Group, comprising Managing Director, Head of Divisions, and other key management of respective departments. The principal responsibilities of the Management team are as follow:

- Developing, coordinating, and implementing business and corporate strategies for the approval of the Board;
- Assume day-to-day responsibility to ensure Company's conformity with relevant laws and regulations;
- Achieve the performance targets set by the Board;
- Communicating to the staff and implementing the strategic plan approved by the Board and any decision of the Board to ensure that the objectives of the Company that were approved by the Board are met;
- Assisting the Board in the establishment of the Company or Group's policies by developing such policies for the Board's review and approval for the Company's and Group's adoption, and implementation of the approved policies; and
- Developing effective Management information and internal control systems of the Group to ensure that integrity and adequacy of the systems are intact.

Schedule of Matters/Agenda Reserved for Collective Decision of the Board

The authorities of the Board are specified below. The authorities may be varied from time to time as determined unanimously by the Board.

1. Conduct of Board

- Appointment and resignation of Directors;
- Appointment and resignation of Company Secretaries;
- Appointment and resignation of Board Members in Board Committees;
- Approval of terms of references of Board Committees and amendments to such items;
- Appointment and resignation of Senior Management positions, including the Managing Director, their duties, and the continuation of their service; and
- Disclosure of the corporate governance practices of the Company in the Integrated Report.

2. Remuneration

- Approval of remuneration arrangements for Non-Executive Directors. The Non-Executive Directors whose remuneration are being deliberated by the Board should play no part in the deliberations;
- Approval of remuneration structure and policy for Managing Director and key executives; and
- Approval of remuneration packages for Managing Director and Senior Management.

3. Operational

- Approval of business strategy and Group's operational plans and budgets;
- On-going review of performance against business strategy and Group's operational plans, including monitoring of marketing, key risks and risk management policies and actions;
- Approval of capital expenditure;
- Approval of asset write-off;
- Approval of investment or divestment in a company/ business/property/undertaking;
- Approval of investment or divestment of a capital project which represents a significant diversification from existing business activities;
- Approval of changes in the major activities of the Company; and
- Approval of treasury policies and Bank mandate.

4. Financial

- Approval of quarterly and annual financial statements based on recommendations of the Audit Committee;
- Approval of the Integrated Report and Statutory Financial Statements;
- Approval of interim dividends, recommendation of final dividends and the making of any other distribution;
- Adoption of accounting policies;
- Approval of corporate policies and procedures, including the Group's system of internal control;
- Review of the effectiveness of the Group's system of internal control; and
- Disclosure of the state of internal controls of the Group, which is to be included in the Integrated Report.

5. Other matters to be considered including:

- Granting of powers of attorney by the Company;
- Entering into any indemnities or guarantees;
- Recommendations for the alteration of the Constitution of the Company;
- Alteration of the accounting reference date, registered office, and name of the Company;
- Purchase of own shares by the Company;
- Issuance of any debt instruments;
- Political or charitable contributions;
- Scheme of reconstruction or restructuring; and
- Any other significant business decision.

Segregation of Roles and Responsibilities of Chairman and Managing Director

The role and responsibilities of our Board's Chairman and Managing Director are separate and distinct, to ensure that there is an appropriate balance of power, authority and accountability at the Board level.

The Board is led by the Chairman, YBhg. Tan Sri Dr. Ali Hamsa who is responsible for leadership of the Board, ensuring its effectiveness on all aspects of its role and setting its agenda. The Chairman is also responsible for creating an environment for open, robust, and effective debate. This include ensuring, via Company Secretary, that the Directors receive accurate, timely and clear information.

Mohd Faris Adli Shukery is the Managing Director of the Company, and are responsible for the day-to-day management of the Group's business operations and execution of decisions of the Board. He, together with the support of the Management team, formulate business strategies and plans to achieve the Group's vision and missions, targeted growth, turnover, and profitability to meet the stakeholders' expectation. He is responsible for implementing the policies and decisions of the Board, and coordinating the implementation of business and corporate strategies.

Qualified and Competent Company Secretary

The Company Secretary plays an advisory role to the Board and supports the Board in fulfilling its fiduciary duties and leadership role in shaping the corporate governance practices of the Group. The Company Secretary also facilitates the communication of key decisions and policies between the Board and Senior Management.

The Company Secretary of the Company has professional credential and is qualified to act as a Company Secretary under Section 235(2) of the Companies Act 2016.

The Secretary whose appointment and removal are subjected to the Board's approval, is required to attend all Board and Board Committees' meetings.

Access to information

The Board has direct access to the advice and service of the Company Secretary and has full unrestricted access to information in relation to the Group's business and affairs.

The Chairman, assisted by the Company Secretary takes responsibility in ensuring that the Directors receive all notices, agendas and minutes of the previous meetings and supplied with pertinent information well in advance of each meeting. The agenda for each meeting shall be circulated at least seven working days before each meeting to the Board Members and all those who are required to attend the meeting. Written materials including information requested by the Board from the Management and/or external consultants shall be received together with the agenda for the meetings. The Managing Director, in consultation with the Chairman, would decide on the agenda, and accordingly structure and prioritise the respective matters based on their relevance and importance, to enable quality and in-depth discussion of the matters. All decisions and conclusions of the Board meetings are to be duly recorded and minutes are kept by the Company Secretary.

The Board recognises the importance of providing timely, relevant and up-to-date information in ensuring an effective decision-making process by the Board. In this regard, the Board is provided with not just quantitative information but also those of qualitative nature that is pertinent and of quality that are necessary to allow the Board to effectively deal with matters that are tabled in the meeting.

Board Charter

The duties and responsibilities of the Board of Directors are clearly defined in the Board Charter which regulates how business is to be conducted by the Board, in accordance with the principles of good Corporate Governance.

The Board Charter addresses, which include amongst others, the Board responsibilities, Directors' Code of Ethics, composition of Board, responsibilities of Chairman and Managing Director, the establishment of Board Committees, meetings, remuneration, accountability and audit, Company Secretary, conflict of interests and access to independent professional advice.

The Board Charter will adopt any changes to the MCCG 2017, the Companies Act 2016 or any other relevant rules and regulations from time to time for best practices.

ACCESS TO INDEPENDENT PROFESSIONAL ADVICE

In discharging Directors' duties, each member of the Board is entitled to obtain independent professional advice at the cost of the Company.

If a member considers such advice is necessary, the member shall first discuss it with the Chairman and having done so, the member shall bring this matter up to the Board. The reason(s) for seeking independent professional advice and the proposed cost involved should be presented to the Board for approval. Once Board's approval is obtained, the member is free to proceed.

The member should provide proper notice to the Company Secretary of the intention to seek independent advice and shall provide the name(s) of the professional advisors that he/she intends to contact, together with a brief summary of the subject matter for which professional advice is to be sought. The Company Secretary shall provide written acknowledgement of acceptance of notification. If one or more Directors seek to appoint one or more advisors, the Chairman should take steps to facilitate discussions to arrive at a consensus. Fees for the independent professional advice will be borne by the Company but approval from the Board will be required. The above restriction shall not apply to Managing Director acting in furtherance of his executive responsibilities and within his delegated powers.

For the purpose of this section, independent professional advice shall include legal, accounting, or other professional financial advice. Independent professional advice shall exclude any advice concerning the personal interests of the Directors (such as with respect to their contracts or disputes with the Company), unless these are matters affecting the Board as a whole and have the unanimous agreement of the Board.

ACCESS TO THE MANAGEMENT

Board members must have complete unimpeded access to the Company's Management. Board members must have unrestricted access to information pertaining to the Company including the Company's auditors and consultants.

In accessing its rights to information and the Management, Board members must use judgement to ensure that such access is not distracting the operations of the Company and that such contact, be copied to the Managing Director and Chairman.

Furthermore, during deliberations, the Board should encourage the Management when necessary, to bring managers into Board meetings who:

- Can provide additional insight into the items being discussed because of personal involvement in these areas; and/or
- Have potential for future senior managerial positions that Senior Management believes could be enhanced by exposure to the Board.

BOARD COMPOSITION

The composition of the Board will reflect the duties and responsibilities to discharge and perform as representative of the interests of the shareholders. The composition of the Board shall reflect as much as possible or practicable, proportional representation of investments in the Group. Directors are not required to hold any qualification share.

A formal invitation to join the Group as a Board member would be extended by the Chairman after approval from the Board. The Chairman should ensure that all Board members, when taking up office, are fully briefed on the terms of their appointment, duties and responsibilities. New members will also be briefed on the operations of the Group to increase their understanding of the business, environment and markets in which the Group operates. The new members will be given a copy of the Board Policy Manual, which consists of the following information:

- Group Organisation;
- Board Organisation;
- Board Responsibilities;
- Board Procedures;
- Board's and Director's Evaluation; and
- Additional information including the latest business plan and budget, the latest Integrated Reports and accounts, and minutes from previous three Board of Directors' meetings and applicable Committee Meetings.

The new members will be required to meet key members of the Management. Members are expected to keep themselves abreast of changes and trends in the business and with the Group's business environment and markets, and changes and trends in the economic, political, social, legal and regulatory climate that could affect the business of the Group.

In addition, the Constitution provide that the office of any Director shall become vacant if such Director:

- Becomes bankrupt;
- Be found to be lunatic or of unsound mind;
- Ceases to be a Director under the provisions of the Companies Act 2016;
- Be convicted of any sizeable offences; and
- By notice in writing given to the Company, resigns from his office;
  - is removed by ordinary resolution of the Company subject to the provisions of Article 104; and
  - is absent for more than 50% of the total Board of Directors' meeting held during a financial year.

As at the date of this Statement, the Board has eight members, comprising of a Non-Executive Chairman, a Managing Director and six Non-Executive Directors, of which four are Independent Non-Executive Directors. The size and composition of the Board are adequate to provide for a diversity of views and the effectiveness stewardship of the Company.

Managing Director

- Mohd Faris Adli Shukery

Independent Non-Executive Directors

- YBhg. Tan Sri Dr. Ali Hamsa *(Chairman)*
- Dato' Sr. Hisham Jafrey
- Abdullah Abu Samah
- Fawzi Ahmad
- Kandasamy A/L Kanny

Non-Independent Non-Executive Directors

- Mohd Nordin Jamaludin
- Shamsul Anuar Abdul Majid

There were several changes to the Board composition. Mohd Nordin Jamaludin and Shamsul Anuar Abdul Majid were appointed to the Board as Non-Independent Non-Executive Directors ("NINED") on 10 July 2020. On the same date, the Board accepted the resignation of Wan Su Ali as NINED and Idham Jihadi Abu Bakar as Non-Independent Executive Director ("NIED"). Abdullah Abu Samah and Fawzi Ahmad were appointed as Independent Non-Executive Directors ("INED") on 1 January 2021. Meanwhile, Dr. Radzuan A. Rahman had resigned as INED on 31 December 2020.

Zulkifly Zakaria had resigned from the Board as Executive Director on 15 September 2020. Mohd Faris Adli Shukery was appointed to the Board as Managing Director on 1 October 2020.

On 1 March 2021 YBhg. Tan Sri Dr. Ali Hamsa was appointed as Chairman/Independent Non-Executive Director, replacing Datuk Anuar Ahmad who had resigned on the same date.

INDEPENDENT NON-EXECUTIVE DIRECTOR

The presence of INED provides a pivotal role in corporate accountability. The role of the INED is particularly important as they provide independent and objective view, advice and judgement, and ensure strategies proposed by the Management are thoroughly discussed and evaluated, and that the long-term interests of stakeholders are considered. The INED do not participate in operation of the Group in order to uphold their objectivity and fulfil their responsibility to provide check and balance to the Board.

Currently, we have five INED in the Board which are in line with Practice 4.1, that recommend the Board to have at least half of the Board independent.

The Board is presently of the view that there is no necessity to fix a maximum tenure limit for INED as there are significant advantages to be gained from the long-serving Director who possesses tremendous insight and knowledge of the Company's businesses and affairs.

BOARD DIVERSITY

The size and composition of the Board provides for a diversity of views, the desired level of objectivity and independence in Board deliberations and decision making. The Directors of the Group are persons of high integrity and calibre who come from diverse backgrounds with expertise and skills, such as accounting, plantations, economics, taxation and legal.

The appointment of Senior Management are based on objective criteria, merit and with due regard for diversity in skills, experience, length of service and knowledge of the Group and cultural background.

FOSTER COMMITMENT OF THE DIRECTOR

The Director dedicated sufficient time to carry out their responsibilities in Board representations. The dates of the meetings of the Board for each financial year were fixed in advance for the whole year to ensure all Director's members dates are booked and also to facilitate Management's planning for the whole financial year. During the FY2020, five Board Meetings including two Special Board Meetings have been held.

The Board is satisfied with the level of time commitment given by the Directors in the discharge of their roles and responsibilities as the Directors of the Company as evidenced by their attendance at the respective meetings, during the FY2020, set out as below:

	299th BOD 10/05/2020	300th BOD 16/08/2020	SPECIAL BOARD 10/09/2020	301st BOD 08/11/2020	SPECIAL BOARD 22/12/2020	Total
Datuk Anuar Ahmad	/	/	/	/	/	5/5
Mohd Faris Adli Shukery	NA	NA	NA	/	/	2/5
Dr. Radzuan A. Rahman	/	/	/	/	/	5/5
Dato' Sr. Hisham Jafrey	/	/	/	X	/	4/5
Kandasamy A/L Kanny	/	/	/	/	/	5/5
Mohd Nordin Jamaludin	/	/	/	/	/	5/5
Shamsul Anuar Abdul Majid	/	/	/	/	/	5/5

DIRECTORS' TRAINING

The Board is provided with opportunities to update and refresh their knowledge throughout the year, ensuring that they can fulfil their role as members of the Board and Committees effectively. In financial year 2020, the Directors attended various training programmes on issues relevant to the Group.

Training programmes, seminars and briefings attended by the Directors during the year were, among others:

- Mandatory Accreditation Programme for Directors of Public Listed Companies;
- IFRS Annual update for Partners;
- COVID-19 Auditing Considerations;
- IFRS update on Rent Concession; and
- Anti-Money Laundering Seminar 2020.

REMUNERATION

The Board believes that the levels of remuneration offered by the Group are sufficient to attract Directors, with sufficient experience and talents, to contribute to the performance of the Group. Comparison with similar position within the industry is made to arrive at a fair rate of remuneration. The Board will determine the level of remuneration paid to members.

The details of the remuneration of each Director paid by the Company during the FY2020 are as follows:

	Salary	Allowance/ Others Emolument	Bonuses	Benefits in-kind	Total
	RM'000				
Executive Director					
Zulkifly Zakariah	247	384	19	18	667
Managing Director					
Mohd Faris Adli Shukery	105	65	1	5	175
Independent Non-Executive Directors					
Datuk Anuar Ahmad	–	13	–	–	13
Dato' Sr. Hisham Jafrey	–	15			15
Dr. Radzuan A. Rahman	–	16	–	–	16
Kandasamy A/L Kanny	–	12	–	–	12
Non-Independent Non-Executive Directors					
Ahamad Mohamad	–	9	–	–	9
Idham Jihadi Abu Bakar	105	25	–	–	130
Mohd Nordin Jamaludin	–	–	–	–	–
Shamsul Anuar Abdul Majid	–	–	–	–	–
Grand Total	457	539	20	23	1,037

CODE OF ETHICS

The Code of Ethics sets forth the standard of conduct and culture required for all employees of the Group. It sets out the ethical standards of conduct that all employees are expected to comply with, in their dealings with colleagues, customers, shareholders, suppliers, competitors, the wider community and the environment. Among others, it also requires the employees to ensure the following:

- Maintaining full and accurate company's records;
- All assets and properties of the company will be used only for the benefit of the company;
- Always deal with customers and suppliers based on merit and fairness;
- Engage competitors in a fair manner and not to engage in any unfair or illegal practice in order to gain an unfair advantage;
- Always act to ensure a workplace environment that is free from harassment and discrimination;
- Deal with all team members with respect, courtesy and fairness;
- Engage competitors in a fair manner and not to engage in any unfair or illegal practice in order to gain an unfair advantage; and
- Adhere to the Group's Code of Ethics

The Board has set up guidelines which are designed to legalise acceptable behaviours for the committee members to increase confidence in the Group, by showing that the Board members are committed in the following basic ethical guidelines in the course of discharging its duties that cover:

- Corporate Governance;
- Relationships: Shareholders, Employees, Creditors, Customers; and
- Social Responsibilities and Environment.

The Directors are required to adhere to the Code of Ethics which is contained in the Board Policy Manual, comprising important aspects as follows:

- Members must represent non-conflicted loyalty in the interests of the Group;
- Members must avoid conflict of interest with respect to their fiduciary responsibility;
- Members may not attempt to exercise individual authority over the Group except as explicitly set forth in the Board Policy; and
- Members will respect the confidentiality, appropriate to issues of a sensitive nature.

The Directors have the duty to declare immediately to the Board of their interests in any transaction to be entered into, directly or indirectly, with the Company/Group. The interested director shall abstain from all deliberations and decision making of the Board on the transaction.

WHISTLE-BLOWING POLICY

This Policy covers any information or complaints received related to an "improper conduct", committed or about to be committed. Kulim assures that all information and identity of the informant or whistle-blower will be processed confidentially and securely.

The objectives of the Policy are as follows:

- Provide a channel for secure reporting against improper conducts;
- Provide assurance to the whistle-blower that he/she will be protected from retaliation or reprisal; and
- Ensure that any complaints received will be processed, proper action to be taken and ends with a systematic and effective action.

This policy encourages informant or whistle-blowers to disclose their identity or how they can be contacted. However, anonymous information will be entertained and considered for action subject to the decision of the Board Audit and Risk Committee. Kulim views retaliation or reprisal against the informant or whistle-blower seriously. Kulim provides assurance that all disclosures are protected with confidentiality and he/she would be protected against retaliation in any form under this policy.

Other than make a report to the Kulim's whistle-blowing channel, any employees or person who wants to disclose or report any improper conduct is free to lodge a report to any enforcement agency, if they choose to do so. Employees or any person who discloses improper conduct to any enforcement agency shall be protected under the Whistleblower Protection Act 2010.

Kulim's Whistle-blowing Policy is published on the Group's website.

ISO 37001: 2016 ANTI BRIBERY MANAGEMENT SYSTEM

Kulim has signed JCorp's Corporate Integrity Pledge on 15 November 2018 and remains committed to uphold the integrity principles and creating a business environment that is free from corruption through the establishment of Integrity Unit in November 2019.

In ensuring that Kulim is free from corruption in the conduct of its business and in its interactions with its business partners and the authorities as well as complying to the Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018 on corporate liability, Kulim is in the progress to be certified for ISO 37001:2016 Anti-Bribery Management System ("ABMS"), one of the tools for fighting corruption and as a defense in meeting the requirement of "adequate procedures". The process for certification commenced in November 2019 and is expected to be certified in the second quarter of 2021.

KULIM Anti-Bribery and Corruption Plan has been developed and will be continuously reviewed to translate the framework to key deliverable areas to achieve the anti-bribery and corruption objectives. The achievement against the objectives shall be monitored and reviewed periodically by:

1. Reviewing anti-bribery and corruption related policies and procedures.
2. Conducting integrity and ABMS awareness programs annually.
3. Promoting ABMS amongst all business associates and obtain their commitment.
4. Conducting ABMS performance evaluation annually.

On 10 September 2020, Kulim's Board of Directors have approved the new and revised six anti-bribery and corruption policies that will set out the Group's position on corruption in all its forms and provide guidance on how to act when subjected to potential acts of corruption that might confront the Group in its day-to-day operation.

Apart from the commitment made by the Board, Kulim has successfully obtained the cooperation and commitment on anti-bribery and corruption from its employees and business associates through the declaration made on Employees' Asset, Conflict of Interest and Anti-Bribery and Corruption pledge. The declaration will be continuously practiced for the existing and new employees, and business associates. A Bribery Risk Assessment was conducted to identify and evaluate the exposures within the Group, and mitigation plans have subsequently been developed and implemented during the year.

The Integrity Unit is responsible for continually promoting good governance, strengthening integrity, monitoring compliance, and dealing with improper conduct.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

FINANCIAL REPORTING

The Board is committed to ensure that the financial statement of the Group present a balanced, clear and meaningful assessment of the financial performance and prospects of the Group.

The Board Audit and Risk Committee ("BARC") is entrusted with the responsibility of reviewing the integrity and reliability of the Group's financial statements as well as ensuring that these financial statements comply with the relevant accounting and regulatory requirements prior to recommending for the Board's approval.

The Statement of Responsibility by Directors in respect of the preparation of the annual audited financial statements of the Company and the Group is presented in the Integrated Report.

RELATIONSHIP WITH EXTERNAL AUDITORS

The BARC has established a formal and transparent relationship with the external auditors. During the year 2020, the BARC had met with external auditors once without the presence of the Management to discuss the Group's audited financial statements for the year ended 31 December 2019 and any matters arising from the audit.

The services provided by the external auditors included statutory audit and non-audit services. The terms of engagement for the services rendered by the external auditors were reviewed by the BARC and approved by the Board.

INTERNAL AUDIT FUNCTION

The internal audit function is carried independently by Internal Audit Department. They review, assess and highlight significant risks that may have impact on the Group's operations. The Internal auditors adhere to the International Standard for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. All audit reports detailing the audit findings and recommendations are provided to Management with their response on the actions to be taken.

The summary of activities of the Internal Audit function during the year are set out in the BARC Report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibilities in an effective internal control system for the Group, covering not only financial controls but also controls relating to operational, compliance and risk management.

The Governance Management Committee ("GMC") assists the Board to oversee the risk management matters relating to the activities of the Group. The GMC reviews the risk management framework and processes to ensure that they remain relevant for use, and monitors the effectiveness of risk treatment/mitigation plans for the management and control of the key risks.

The overview of the state of internal control and risk management within the Group is set out in the Statement on Risk Management and Internal Control in this Integrated Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Our Board is committed to disclose information in an adequate and timely manner, whether financial, organisational, governance or transactions related, to enable our stakeholders to assess our Group's performance.

COMMUNICATION WITH STAKEHOLDERS

The Group has been using the following formal channels to communicate with shareholders and stakeholders:

a) Integrated Report

The Integrated Report remains a major channel of communication disclosing information not only on the Group's business, financials, and additional information such as the Group's mission and vision, operation performance, outlooks and Senior Management team. The Board also places great importance on the contents of the Integrated Report to ensure the accuracy of the information as the Integrated Report is a vital source of information.

Integrated Reports of the Company are available to be viewed online on the Company's website.

b) Audited Financial Statements

The Board is fully accountable in ensuring the Audited Financial Statements are prepared in accordance with the Companies Act 2016 and the Malaysian Financial Reporting Standards ("MFRS") so as to present a true and fair view of the Group and Company's state of affairs, results and cash flows as at the end of the accounting period.

In preparing the Audited Financial Statements, the Directors are satisfied that the applicable MFRS and provisions of the Companies Act 2016 have been complied with, and reasonable and prudent judgements and estimates have been made.

c) Sustainability

The Board recognises that the Company's stakeholders are increasingly interested in understanding its approach and performance in embedding sustainability in the organisation.

The Group has published a Sustainability Report which disclose the Group's efforts and initiatives in managing its material economic, environmental, and social risks and opportunities. The reporting is guided by the Global Reporting Initiative ("GRI") standard. The Sustainability Statement is on pages 133 to 153 of the Integrated Report.

RELATED PARTY TRANSACTIONS

All related party transactions entered by the Group were made in the ordinary course of business and on the same terms as those prevailing at the time for comparable transactions with other persons or charged based on equitable rates agreed between the parties.

Details of the transactions entered by the Group during the FY2020 are set out on pages 143 to 147 of this report.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

SCAN ME

INTRODUCTION

Our Board recognises the importance of sound risk management and internal control system practices to good corporate governance with the objective of safeguarding the shareholder's investment and the Group's assets.

Our Board also acknowledges overall responsibility for the Group's risk management and internal controls. This includes the establishment of an appropriate control environment and framework, as well as the need to review the effectiveness, adequacy and integrity of this system.

Our Group conducts periodic testing on the adequacy, effectiveness and integrity of the internal controls to ensure the achievement of objectives on the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with applicable laws and regulations. Our Group has in place an on-going control structure and process for identifying, evaluating and managing the significant risks faced by the Group to the achievement of business objectives and strategies throughout the financial year under review. This process is regularly reviewed by our Board with the assistance from Board Audit and Risk Committee ("BARC") and the Management. The Board retains overall responsibility for implementing and monitoring the internal control and risk management process within the Group.

Our Group's system of internal control is designed to manage, rather than eliminate the risk which could arise from human error, the possibility of poor judgment in decision making, control process being deliberately circumvented by employees and others, Management overriding controls and the incidence of unforeseeable circumstances. Accordingly, it must be recognised that the system can only provide reasonable and not absolute assurance against misstatement, breaches of laws or regulations, fraud or losses. In addition, our Management also takes into consideration the expected cost and benefits to be derived from the implementation of the internal control system.

Our statement is prepared in accordance with Practice 9.0 of the MCCG 2017 and guided by the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers". This guideline sets out the obligations of Management and the Board with respect to risk management and internal control. It also provides guidance on the key elements needed in maintaining a sound system of risk management and internal control and describes the process that should be considered in reviewing its effectiveness. The scope of the disclosure excludes associate company which is not under the control of the Group.

RISK MANAGEMENT FRAMEWORK

The Group recognises that it is obliged to systematically manage and regularly review its risk profile at a strategic, financial, compliance and operational level. Our Group's ERM framework incorporates the principles and guidelines of the ISO 31000:2018 Risk Management. The framework defines our Group's intention and commitment towards effective risk management and internal control practices. It also determines the responsibilities of the Group involves in ERM, outlines the risk management process and identifies tools for realising the Group's objectives aside from supporting and sustaining risk management throughout the organisation. It supports our Group's efforts to achieve the highest levels of corporate governance, including the creation of value in the short and long-term.

The ERM framework was reviewed according to the ISO 3100:2018 Risk Management and approved by the BARC members on 5 May 2021.

The key success factors of our Group's risk management process are active contribution and communication at operational and strategic level. Our Group's risks are managed on an integrated basis and their evaluation is incorporated into the Group's decision-making process such as strategic planning and project feasibility studies. The continuous practices and application at Group-wide will ensure our Board has sufficient and accurate information about the level of risk the Group wants to take and with that information, appropriate controls will be implemented to ensure the achievement of the established business objectives.

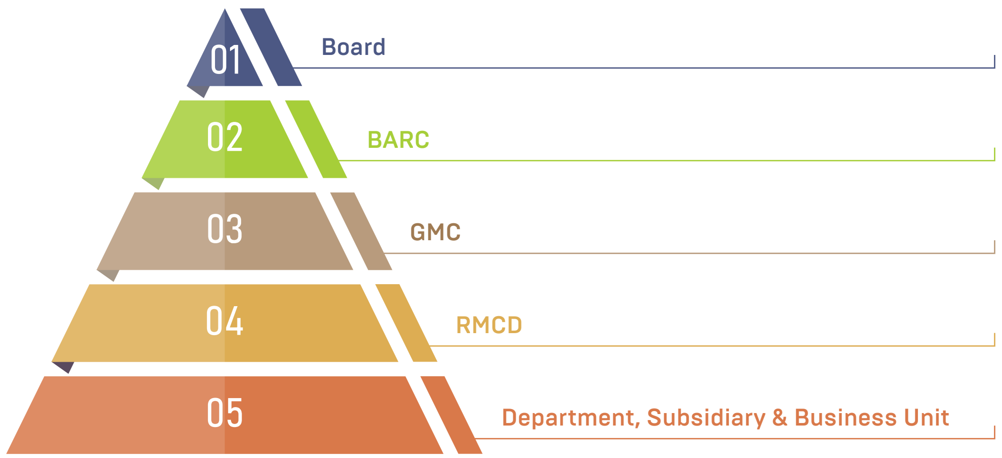
Our Board believes that the risk management framework is adequately overseen through the BARC and assisted by the Management via formation of the Governance Management Committee ("GMC"). The GMC is represented by Senior Management from all business functions of the Group. The Committee met four times in 2020. This Committee which is cross-functional in nature, was formed to assist the Board in implementing the processes for identifying, analysing, evaluating, monitoring and reporting of risks and internal controls and to ensure proper management of risks to which our Group is exposed and to take appropriate and timely actions to manage such risks. The BARC which consists of members with diversity in the industry and business knowledge will periodically review the risk management report and provide an objective view on the risk identification, assessment and challenge the management on the adequacy of mitigating strategies.

A strong culture of ownership and accountability is further built through a clear identification of specific roles and responsibilities in our framework that is Board, Management Committee, GMC, the Risk Management and Compliance Department ("RMCD"), Risk Owner, Risk Co-Owner, the Internal Audit Department and all staff. This has improved their understanding of the boundaries of their responsibilities and how their positions fit into the organisation's overall risk and control structure as well as minimising the potential gaps in controls and unnecessary duplications of coverage.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

RISK MANAGEMENT PROCESS

During the year under review, our Group's ERM approach which prioritise risk according to their likelihood and impact goes through the following steps:



Board of Directors Review:

The Chairman of BARC will bring to the Board's attention, the significant risks as tabled and discussed in the BARC meeting. The Board will then determines the final decision on the risk treatment options and risk action plans proposed by the Management.

Board Audit and Risk Committee Review:

The BARC provides an objective view on the significant risks presented by the Group Chief Risk Officer. The BARC will request and challenge risk information and its risk mitigation strategies implemented by the Group. The BARC also acts as change catalyst in risk and control areas in the Group.

Compilation of Group Risk Profile:

All the endorsed top risks as tabled in GMC will be extracted as the Group Risk Profile in accordance with the Group's financial or non-financial risk parameter.

Presentation to the GMC:

RMCD will facilitate the Risk Owner during the risk assessment and risk action planning. Each risk will be evaluated in terms of the adequacy and effectiveness of the existing internal checks and balances controls, so as to provide a reasonable assurance that the likelihood and impact of the adverse event are within manageable and acceptable level. The level of likelihood of a particular outcome actually occurring, including a consideration of the frequency of the event are determined using an approved likelihood parameter. The impact of an event is similarly evaluated using an approved financial or non-financial impact parameter. The GMC will review, rank and debate the risk profile, its ratings, control effectiveness and risk treatment options plan identified by the Risk Owners.

Department, Subsidiary or Business Unit Risk Assessment:

The risk owner performs an exercise to identify and assess risk. The main sources of reference used at the identification phase are the business plans and budgets, financial and production performances, Board and integrated reports, audit findings, market and sector research, compliance report and historical data. The exercise also covers a comprehensive occupational, safety and health risk assessment process through the Hazard Identification, Risk Assessment and Risk Control ("HIRAC"). The risk owner provides RMCD with risk register updates on a quarterly basis. The risk level is determined according to their respective financial or non-financial risk parameter.

In ensuring our Group achieves its objectives, sustains the businesses and continues to add value to the stakeholders in the short, medium and long-term run, our risk management process and approach is tailored to Group's structure and its constantly changing environment, to ensure that our Group can continuously monitor and review its risks and the effectiveness of its risk management over time. Based on the results of monitoring and reviews, decisions are made on how the risk management programme can be improved. These decisions should lead to improvements in our Group's management of risks and its risk management culture.

A separate risk management function also exists within our Group's listed subsidiary with the establishment of its own GMC to assess and evaluate the risk management process of the company on a periodic basis.

In essence, the management of risks is treated as an interactive process. The benefits arising from effective risk management processes is the creation of awareness of risks among employees of different departments, subsidiaries and business units.

UNDERSTANDING OUR SIGNIFICANT RISKS – TOP FOUR GROUP RISKS

The identification of our significant risks during the year was taking into consideration the internally and externally driven factors. The following represents our Group's top strategic and operational risks that if we do not effectively manage may create a significant or material adverse impact to the Group as well as impede the achievement of the established objectives and affect the Group's ability to create value.

Risk Factors	Mitigating Strategies
Adverse impact of Economy-wide phenomena towards business performance	• Market intelligence and being up-to-date on market conditions; • Hedging through a mix of spot and forward contract sales; • Creation of new revenue stream; • Enhance the productivity and efficiency through an innovative solution; • Cost optimisation initiatives and prudent CAPEX and OPEX management; • Improve market opportunities through maintaining RSPO, MSPO, ISCC certifications; and • Constant monitoring of CPO and PK price.
New Investment's Risks in respect of the industry, laws and regulations, politics, country and local risks	• Continuously explore and secure new opportunities with innovative solutions; • Comprehensive due-diligence exercise and feasibility study for each new investment; • Putting in place workable internal control and monitoring framework including corporate and systems infrastructure; • Revisit and strengthen the strategy to ensure the success of the investment; • Proactive engagement with business partners and local stakeholders; and • Established the Board Investment Committee to review the significant matters relating to existing and potential investments.
Liquidity Risk on existing and future funding requirements in meeting its financial obligations	• Matching of inflows and outflows of cash and maintaining sufficient credit facilities; • Borrowings are created in a particular currency to match payments and receipts or liabilities and assets; • Capital restructuring; and • Monitor the agreed covenants with the lenders.
High dependency on foreign workers in plantation operation	• Reviewing the remuneration package for workers from time to time; • Enhancement of mechanisation, automation and technology to reduce labour usage; • Joint collaboration with agricultural/labour authorities to increase the participation of local labours in the plantation sector; and • Uplifting living conditions and amenities of workers through upgrading the quarters as well as providing crèche, mosque and medical facilities.

CONTROL ENVIRONMENT AND CONTROL ACTIVITIES

The Board and the Management are committed to establish a strong control environment through a robust and effective check and balance. The control environment comprises the integrity and ethical values, the parameters enabling the Board to carry out its governance oversight responsibilities, organisational structure and assignment of authority and responsibility, and effective human capital management. The Group's established objectives will be achieved through its commitment to continuously enhance the design of the internal control environment through the adoption of various policies and procedures.

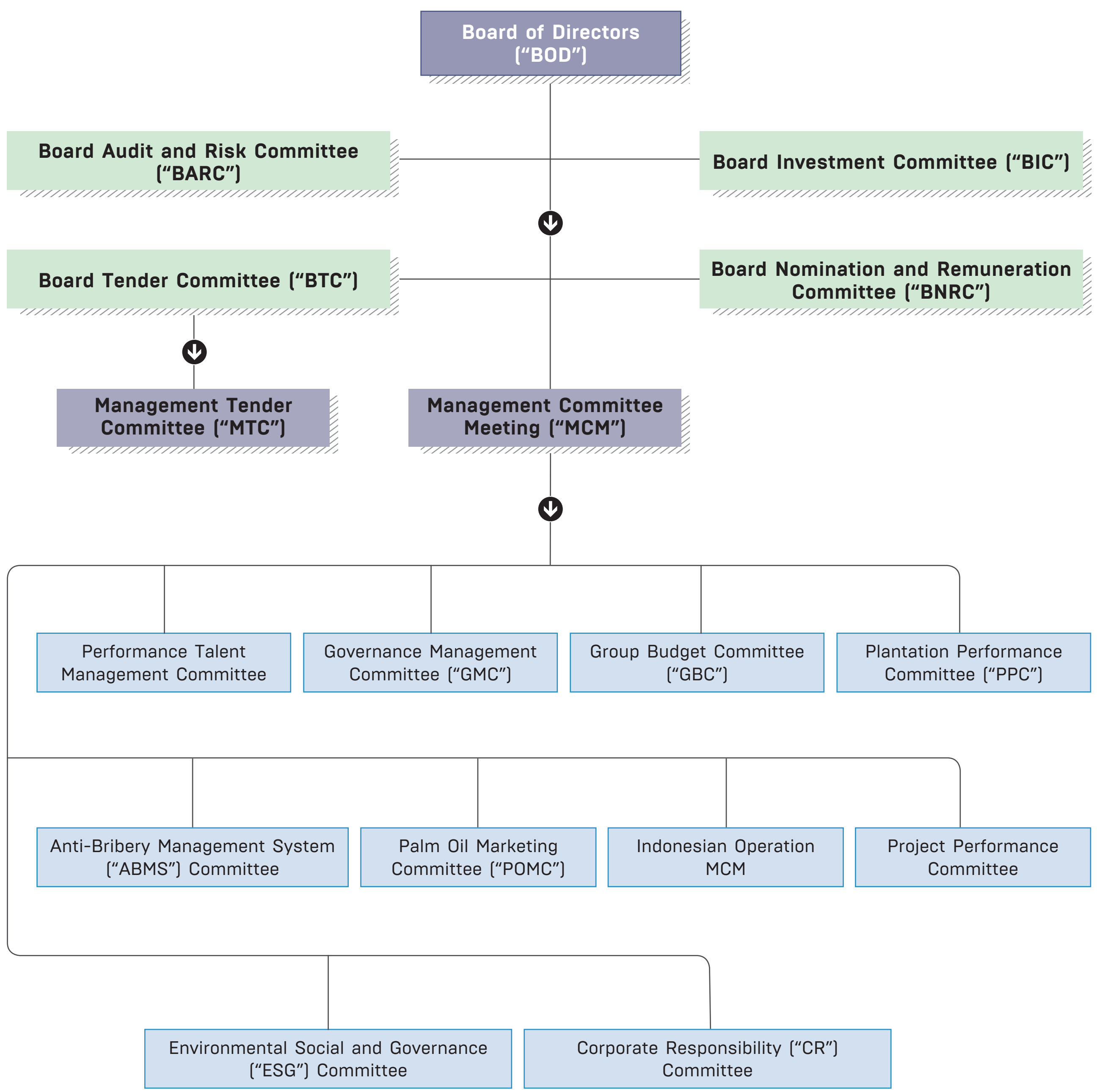
BOARD AND MANAGEMENT

The Board and Management Committees are set up to promote a high level of corporate governance, transparency and accountability and to assist the Board in implementing and monitoring the system of internal controls within the Group with the aim of realising the vision, mission, strategies and objectives established for the Group. The Committees oversee the areas assigned according to their Terms of Reference ("TOR") which are carefully developed to ensure that it is aligned with the Group's objectives, short-term and long-term strategic plans and to avoid overlapping activities and gaps in governance coverage.

On 25 March 2021, the Management Committee of Kulim had revised its internal committee in order to streamline and strengthen the existing committee portfolio with an explicit goal of improving efficiency, reducing complexity and providing the management with better information for decision-making process.

The composition of members of the committee is continuously tailored to collectively have good knowledge of the industries, ability to understand fundamental financial indicators, including the knowledge of key business and financial risk, and internal control fundamentals. This arrangement shall improve the evaluation process, the least element of surprises and ultimately provides a greater chance of success to the proposed investment.

NEW COMMITTEE STRUCTURE



Function of the New Committee

Committee	Function
1. Management Committee ("MCM")	• To review and evaluate the performance progress including the key policy and strategy implementations of various divisions, subsidiaries and operating units of the Group. • Where authorised to, formulate and approve matters relating to Group policy, objectives and business strategy and projects, and where necessary to evaluate and recommend for Board's approval.
2. Management Tender Committee ("MTC")	• To recommend to the BTC the award of contracts for purchases and projects to suppliers/contractors in accordance with the Contract Administration Guideline and Procedures of the Company. • To discuss and deliberate on the tender to be awarded (budgeted).
3. Performance Talent Management Committee	• To discuss and deliberate performance, achievement, behavioural competencies, and manpower planning, among the Heads of Division and the Human Resource Department.
4. Plantation Performance Committee ("PPC")	• A platform for plantation division to discuss and ensure that estates are being run, coordinated and managed at the best possible standards to meet the Company's requirements and target.
5. Group Budget Committee ("GBC")	• To deliberate, challenge and approve the Group's budget for the forthcoming year. The approved budget will be consolidated in Kulim Group's 5-year strategic plan. • To review all requests pertaining to unbudgeted capital and revenue spending (AF) and to recommend them for the satisfaction of MCM.
6. Anti-Bribery Management System ("ABMS") Committee	• To ensure appropriate and smooth process towards Kulim's achievement of ISO 37001:2016 ABMS and that ABMS remains suitable, adequate and effective.
7. Governance Management Committee ("GMC")	• A platform to discuss audit issues related to IV Companies, subsidiary companies, business units and support services within Kulim Group, and advising the management in fulfilling its corporate governance and responsibilities in relation to the Group's management of risk, compliance and governance structure, prior to being tabled to BARC. • Also acts as a forum for coordinating internal audit activities with that of other insurance provider i.e: Plantation Inspectorate; and a forum to discuss and coordinate matters relating to policies and procedures within Kulim.
8. Palm Oil Marketing Committee ("POMC")	• To supervise and monitor the sales of the Palm Products (CPO and PK), strategies and sales planning as the main income contributor to the Group. • To discuss matters relevant to quality and operations related to the Palm Products, i.e.: outside crop purchase ("OCP").
9. Environmental Social and Governance ("ESG") Committee	• A platform to discuss environmental issues relating to mills and plantation. • To ensure occupational safety and health issues, implementation programs, and dissemination of decisions at Kulim Group are adequately dealt with and executed. • To be responsible in obtaining/maintaining certification of sustainability and quality initiative, 5Ps sustainability development goals (People, Planet, Prosperity, Peace and Partnership), HALAL certification for mills and MPC Quality Enviroment Management System (5S). • To be responsible in the internal and external audit process for HALAL certification and conducting HALAL awareness. • To ensure 5S system is implemented to achieve the required standards by MPC.
10. Indonesian Operation MCM	• Acts as a bridge to monitor Indonesian plantation operations due to accessibility issue and geographical distance.
11. Corporate Responsibility ("CR") Committee	• To supervise and plan Group's CR initiatives.
12. Project Performance Committee	• A platform for Engineering Division to discuss and ensure that mills, new business, and renewable energy activities are being run, coordinated and managed at the best possible standards to meet the Company's requirements and target.

GROUP POLICIES AND PROCEDURES

Our Group policies and procedures are developed to ensure the effectiveness and efficiency of our operations, financial and non-financial reporting's reliability, timeliness, accountability, transparency and adherence to the laws and regulations that our business is subjected to.

These policies and procedures were approved by the Management and the Board. Periodically, we will review them to ensure they remain relevant and effective. The Group policies and procedures in place are, among others:

- Accounting Policy and Procedures
- Agriculture Manual
- Contract Administration Guideline and Procedures
- Purchasing Guidelines and Procedures
- Environmental Policy
- Forward Selling Policy
- HALAL Policy
- Policies and Procedures Manual – Information Communication Technology
- Occupational, Safety and Health Policy
- People Policy
- Quality Policy
- Sustainability Policy
- Corporate Responsibility Policy

FINANCIAL AND OPERATION CONTROL FRAMEWORK

Our Group acts in accordance with MFRS and the requirements of the Companies Act 2016. Review of our actual performance against budget and performance in prior periods are also being carried out, and appropriate mitigating and monitoring are continuously carried out.

BARC, together with the Management, reviews the Group's quarterly financial performance and subsequently reports to the Board. The Group's financial results and operational performance will be assessed by the BARC which particularly focused on changes in major accounting policy, any significant matters or unusual events or transaction, related party transactions and integrity of the Group financial information.

We have Financial Authority Limit which defines revenue and capital expenditure spending limits for each level of Management within the Group. These limits cover authority for cheques signatories, major capital and revenue expenditure spending limits, purchasing and contract procedures, and approval mechanism for budgets.

Our 5-year strategic planning exercise is conducted annually and approved by the Board. Our Group is guided by this 5-year strategic planning which specifically outlines the business objectives and strategies. In this challenging economic and business landscape, new opportunities and innovative strategies are continuously explored to create competitive advantage which ultimately will expand our business and investment portfolio. In this respect, we are always improving and strengthening our core competencies strategies in our strategic planning exercise.

HUMAN CAPITAL MANAGEMENT

Our Group's organisation structure delineates the line of authority, responsibility and accountability. Its formation is focusing on both performance delivery and business continuity through succession planning. It fosters and promotes the continual development of employees, and ensures that key positions maintain some measure of stability, thus enabling our Group to achieve business objectives.

The structure supports our Group's ability to ensure that qualified and experienced management personnel which head the Group's diverse operating units are always available and in place to carry out their job functions. Training analysis is conducted annually, and various internal and external training programmes are in place to fulfil the actual skills and knowledge required. Their performance is measured against the established Balanced Scorecard which has been approved by the Board.

STATUTORY AND REGULATORY COMPLIANCE

Our Group is committed to comply with applicable statutory and regulatory requirements and we are subjected to regular inspections by relevant authorities. Several initiatives are underway to monitor our level of compliance with applicable laws and requirements, which include:

- Bi-monthly compliance report from each department, subsidiary and business unit to identify any non-compliance matter that needs to be addressed together with the corrective action plan.
- Monitor the implementation and evaluate the effectiveness of the corrective action plan.
- Conduct compliance identification and assessment on every new business, projects and investment proposals.
- Periodical compliance assessment visit on selected departments, subsidiaries and business units.

Our Group is aware of and continuously considers any appropriate commitment towards the statutory and regulatory compliance. Significant efforts and changes during and subsequent to the reporting period with respect to the statutory and regulatory compliance, among others:

- Minimum Wages Order 2020 – The rate of monthly wages payable to the employee who works in a place of employment in any City Council or Municipal Council areas had increased from RM1,100 to RM1,200 and had come into force on 1 February 2020.
- Corporate Liability provision and requirement of "adequate procedures" under the Section 17A of the Malaysia Anti-Corruption Commission (Amendment) Act 2018 that had already been enforced since June 2020. In response to this new provision, Kulim had voluntarily initiated the ISO 37001:2016 Anti Bribery Management System ("ABMS"). The ABMS was designed to establish, implement, maintain and improve the anti-bribery compliance programme which also includes a series of measures and controls that represent global anti-bribery good practices.

CORPORATE INTEGRITY

Our Group's corporate integrity initiatives are crafted to aspires the conduct of our affairs is in an ethical, responsible and transparent manner.

We are committed to the highest standard of integrity, openness and accountability in the conduct of our businesses and operations.

- A number of channels are available for our employees to report any non-compliance with the **Code of Ethics** or any unlawful activity. On annual basis, all employees are required to submit the Ethics Declaration Form which has been long established as a formal avenue for all employees to report directly to the Managing Director of any misconduct or unethical behaviour conducted by any employees within our Group.
- Declaration of all assets within Malaysia and abroad by all employees is a part of the **Code of Ethics** as specified in the Scheme of Services. This is to ensure the highest level of ethics, integrity and governance to prevent any corruption and illicit enrichment.
- Our **Business Policy** and **Code of Ethics** are the key policies that govern and act as a guidance on the standards of conduct that are expected from the Board, Management and employees, and help them make the right decision in the course of performing their jobs to the highest standards of ethics, integrity and governance.
- Our **Whistle-blowing Policy** was introduced to ensure that a process is in place to allow stakeholders to report alleged improper or unlawful conduct without fear of retribution. It is an integral component of the Group's zero tolerance policy on fraud and corruption.
- Apart from the **Corporate Integrity Pledge**, we have in place the **Gift and Entertainment Policy** and the **Conflict of Interest Policy** which the primary objective is to avoid conflict of interest and to indicate our Group's commitment to accord equal treatment to all individuals and organisations in their dealings with our Group.
- Our **Grievance Policy and Procedure** as well as **Women OnWards ("WOW")** were introduced to allow employees to bring to the attention of the Management any dissatisfaction or feeling of injustice which may exist in respect of the workplace. The Management will attempt to resolve the grievance in a manner, which is acceptable to the employee concerned and the Group.

All the corporate integrity initiatives were designed with the aims of strengthening our Group's integrity culture, infrastructure and to further strengthen our stakeholders' confidence.

BUSINESS CONTINUITY MANAGEMENT

Our business continuity objectives are to identify any potential threats and disruptions to our Group-wide business and then build the capacity to deal with them to ensure we can continue to function with as little disruption as possible. Our approach covers both, the availability of an effective infrastructure and hedge against the potential risk of financial losses, through insurance coverage.

The activities of reviewing and improving our business continuity plans have been conducted periodically to ensure the availability and its effectiveness. These activities cover the potential disruptions from flood, fire, Information Technology ("IT") security and attack, supply chain failure and losing a key employee.

BOARD AUDIT AND RISK COMMITTEE REPORT

The Board of Kulim is pleased to present the Board Audit and Risk Committee ("BARC") report for financial year 2020.

As part of Kulim's initiatives to strengthen corporate governance and promote effective decision making, the Board had approved on 22 December 2020 that the oversight role of risk management of Kulim is under the purview of the BARC (previously known as the Audit Committee).

Abdullah Abu Samah
Chairman/
Independent Non-Executive Director

Dato' Sr. Hisham Jafrey
Member

Fawzi Ahmad
Member

MEMBERS OF THE BOARD AUDIT AND RISK COMMITTEE

The members of the BARC during the financial year and up to the date of this BARC report are as follows:

Member	Appointment Date	Resignation Date	Designation/Directorship
Abdullah Abu Samah	1 February 2021	–	Chairman/Independent Non-Executive Director
Dr. Radzuan A. Rahman	4 August 2016	31 December 2020	Chairman/Independent Non-Executive Director
Dato' Sr. Hisham Jafrey	1 February 2021	–	Member
Fawzi Ahmad	1 February 2021	–	Member
Khairul Badariah Basiron	21 February 2019	22 December 2020	Member
Siti Hajar Marhani	1 August 2020	22 December 2020	Member
Aziah Ahmad	4 August 2016	1 April 2020	Member

MEETING ATTENDANCE

During the year 2020, two BARC meetings were held and details of attendance as follows:

Member	10/03/2020	11/08/2020	Total
Dr. Radzuan A. Rahman	/	/	2/2
Khairul Badariah Basiron	/	/	2/2
Siti Hajar Marhani	–	/	1/2
Aziah Ahmad	/	–	1/2

During the FY2020, the Chairman of the BARC had engaged on a continuous basis with Senior Management, Internal Auditors and the External Auditors, in order to keep abreast of matters and issues affecting the Group.

The Company Secretary acted as the secretary to the BARC. Notes of each meeting were distributed to each Board member and the Chairman of the BARC reported on key issues discussed at each meeting to the Board.

ROLES AND RESPONSIBILITIES

During the year 2020, BARC continued to play a key role in assisting the Board to fulfil its oversight responsibilities. BARC's activities were focused on ensuring the Group's financial reporting process, and monitoring the management of risk and system of internal control, external and internal process, and compliance with legal and regulatory with the support of Internal Audit Department.

The BARC's responsibilities for the year 2020 were summarised as below:-

Scope of Responsibilities	Activities
Financial Reporting	• Reviewed and recommended to the Board, the quarterly unaudited financial report for the quarter ended December 2019 and June 2020. • Assisted the Board in reviewing the audited financial statements of the Group and Company for year 2020 and ensuring that the financial statements have been prepared in accordance with MFRS, International Financial Reporting Standards ("IFRS") and the requirement of the Companies Act 2016 in Malaysia.
Risk Management & Internal Control	• Assisted the Board in ensuring that a robust process for identifying, evaluating and managing the significant risks faced by the Group is in place and operating effectively. • Reviewed the Group's risk profile with a focus on the key risks identified. • Reviewed the adequacy and effectiveness of the internal control system, taking into account of the findings from internal and external audit reports. Further details on the Group's risk management process are included in the Statement on Risk Management and Internal Control on page 029 of this Integrated Report.
Compliance	• Reviewed arrangements established by the Company for compliance with any regulatory requirements, by-laws and regulations related to the Group's operations.
Internal Audit	• Reviewed and approved the annual audit plan and budget for activities to be undertaken during the year 2020. • Reviewed the adequacy of the scope, functions, competency and resources of the internal audit function. • Reviewed the effectiveness and adequacy of governance, risk management, operational and compliance processes. • Reviewed the adequacy and effectiveness of corrective actions taken by Management on all significant matters raised.

BOARD AUDIT AND RISK COMMITTEE REPORT

Scope of Responsibilities	Activities
External Audit	• Assessed the effectiveness of the external audit process and appropriateness of the audit scope, including review the audit plans and findings of external audit.
Integrity	• Approved the organisation's Anti-Bribery and Corruption Policy. • Ensured that the organisation's strategy and Anti-Bribery and Corruption Policy are aligned. • Received and reviewed information about the content and operation of the organisation's anti-bribery management system. • Assured that adequate and appropriate resources needed for effective operation of anti-bribery management system are allocated and assigned. • Exercised reasonable oversight over the implementation of the organisation's anti-bribery management system by top management and its effectiveness. • Ensured the mechanism of the Whistle-Blowing is effective and efficient which aim to provide protection and confidentiality.

Abdul Rashid Ahmad @ Mohd Jaini
Senior Manager

INTERNAL AUDIT FUNCTION

A Senior Manager of the Internal Audit Department ("IAD") who is a Certified Internal Auditor ("CIA") leads the internal audit function. He reports functionally to the BARC. The BARC approves the Internal Audit charter, which sets out the role, accountability and authority of the Internal Audit function.

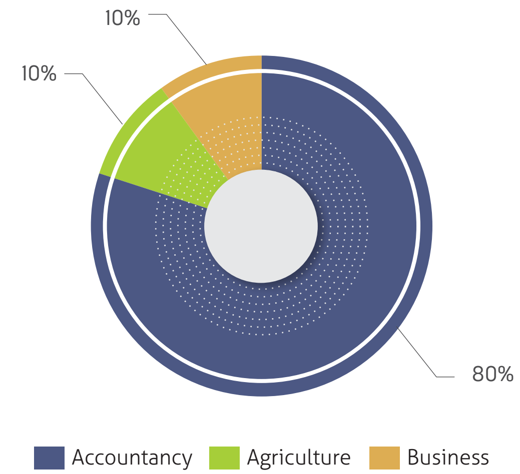
The Internal Audit function provides the BARC with independent and objective reports on the state of internal controls of the operating units within the Group and the extent of compliance by such units with the Group's established policies and procedures and the regulatory requirements of the relevant authorities. The Internal Audit function is carried out by IAD in accordance with the International Professional Practices Framework ("IPPF") set by the Institute of Internal Auditors ("IIA").

In the year 2020, IAD adopted a risk-based approach towards planning and conduct of audits which was partly guided by an Enterprise Risk Management ("ERM") framework. The BARC reviewed and approved the Internal Audit plan of the Group. Audit reports were issued during the year incorporating findings, recommendations to improve on the weaknesses noted in the course of the audits and management's comments on the findings. Management was responsible to ensure that corrective actions on reported weaknesses as recommended were taken within the required time frame to ensure that all potential weaknesses in system and risks under review are mitigated or remain within acceptable levels.

A reliable follow-up system has been put in place to ensure that all remedial actions are carried out based on the agreed action plans as highlighted in the audit report.

Resources

As at 31 December 2020, the total manpower was 11 person comprised of auditors of different background as follows:



Coverage

The IAD audit universe which consists of auditable areas or activities that are available to be audited, considers and reflects the overall Kulim's planned business activities and designs that may affect the organisation. In determining the audit universe, IAD has taken into consideration the current operational structure, functions, systems, processes and business activities of Kulim.

In 2020, the audit coverage was focused on high risk areas which were identified by leveraging the organisation's risk management framework as well as IAD's own risk assessment. It also covered management request as well as consulting activity which are in line with the Audit Charter. The assurance engagement covered plantation operations in Malaysia and Indonesia, IV companies, Subsidiaries, Business Units and Support Services. Whereas consulting activity consisted of control self-assessment programme.

The Internal Audit maintains a Quality Assurance and Improvement Programme and continuously monitors its overall effectiveness.

The total cost incurred for the Internal Audit function at the Group's Corporate Office level for the FY2020 was approximately RM1,555,000 (2019: RM1,920,000).

This statement is made in accordance with the approval by the Board Audit and Risk Committee made on 5 May 2021.

Financial Statements

DIRECTORS' REPORT

DIRECTORS' REPORT

The Directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Company is principally engaged in oil palm plantation, investment holding and property investment in Malaysia whilst the principal activities of the subsidiaries are as stated in Note 15 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Loss net of tax	461,313	297,310
Loss attributable to:		
Equity holders of the Company	376,752	297,310
Non-controlling interests	84,561	–
	461,313	297,310

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

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

DIVIDENDS

The amount of dividends paid by the Company since 31 December 2019 were as follows:

In respect of the financial year ended 31 December 2020:

Total dividend of RM13.01 per share amounting to RM52,040,000 was declared on 22 December 2020 and paid on 31 December 2020.

The Directors do not recommend the payment of any final dividends for the financial year ended 31 December 2020.

DIRECTORS' REPORT

DIRECTORS

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

Tan Sri Dr. Ali bin Hamsa	Appointed on 1 March 2021
Mohd Faris Adli bin Shukery	Appointed on 1 October 2020
Dato' Sr. Hisham bin Jafrey	Appointed on 1 March 2020
Kandasamy a/l Kanny	Appointed on 1 March 2020
Shamsul Anuar bin Abd Majid	Appointed on 10 July 2020
Mohd Nordin bin Jamaludin	Appointed on 10 July 2020
Abdullah bin Abu Samah	Appointed on 1 January 2021
Fawzi bin Ahmad	Appointed on 1 January 2021
Datuk Anuar bin Ahmad	Appointed on 1 March 2020, resigned on 1 March 2021
Idham Jihadi bin Abu Bakar	Appointed on 1 March 2020, resigned on 10 July 2020
Ahamad bin Mohamad	Resigned on 1 March 2020
Zulkifli bin Ibrahim	Resigned on 1 March 2020
Mohamad Salleh bin Mohamad Yusof	Resigned on 1 March 2020
Mohd Sahir bin Rahmat	Resigned on 1 March 2020
Wan Su binti Ali	Resigned on 10 July 2020
Zulkifly bin Zakariah	Resigned on 15 September 2020
Dr Radzuan bin A. Rahman	Resigned on 31 December 2020

The name of the Directors of subsidiaries are set out in the respective subsidiaries' financial statements and the said information is deemed incorporated herein by such reference and made a part hereof.

DIRECTORS' BENEFITS

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

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

DIRECTORS' INTERESTS

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

	Number of ordinary shares			
	1 January 2020	**Acquired**	**Disposed**	**31 December 2020**
In related companies				
E.A. Technique (M) Berhad				
Direct interest				
Datuk Anuar bin Ahmad	327,500	–	–	327,500

None of the other Directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

OTHER STATUTORY INFORMATION

(a) Before the statements of financial position and statements of comprehensive income of the Group and of the Company were made out, the Directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

(i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

(ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

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

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

(ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the Directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

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

HOLDING CORPORATION

The Company's holding corporation is Johor Corporation, a body corporate established under the Johor Corporation Enactment No. 4, 1968 (As amended by the Enactment No. 5, 1995).

DIRECTORS' REMUNERATION

Details of Directors' remuneration as required by the Fifth schedule of the Companies Act 2016 are set out in Note 8 to the financial statements.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

No indemnities has been given or insurance premium paid, during or since the end of the financial year, for any person who is or has been Director or officer of the Company.

SIGNIFICANT EVENTS DURING AND SUBSEQUENT TO YEAR END

Significant events during and subsequent to financial year end are disclosed in Note 36 to the financial statements.

AUDITORS

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

Auditors' remuneration is as follows:

	Group RM'000	Company RM'000
Statutory audit		
– Ernst and Young PLT	1,090	237
– Other auditors	209	–
	1,299	237

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young PLT, as part of the terms of its audit engagement against claims by third parties arising from the audit. No payment has been made to indemnify Ernst & Young PLT for the financial year ended 31 December 2020.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 15 March 2021.

MOHD FARIS ADLI BIN SHUKERY
DIRECTOR

MOHD NORDIN BIN JAMALUDIN
DIRECTOR

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

We, Mohd Faris Adli bin Shukery and Mohd Nordin bin Jamaludin, being two of the Directors of Kulim (Malaysia) Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 049 to 167 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 at 31 December 2020 and of their financial performance and the cash flows of the Group and of the Company for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 15 March 2021.

MOHD FARIS ADLI BIN SHUKERY
DIRECTOR

MOHD NORDIN BIN JAMALUDIN
DIRECTOR

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

I, Aziah binti Ahmad, MIA membership No.: 9915, being the officer primarily responsible for the financial management of Kulim (Malaysia) Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 049 to 167 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed, Aziah binti Ahmad
at Johor Bahru, Johor Darul Takzim
in Malaysia on 15 March 2021

AZIAH BINTI AHMAD

Before me,

PESURUHJAYA SUMPAH
No. J276
NUR AMREETA KAUR
GUBACHEN SINGH
01-01-2021-31-12-2023
MALAYSIA

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KULIM (MALAYSIA) BERHAD (INCORPORATED IN MALAYSIA)
COMPANY NO. 197501001832 (23370-V)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Kulim (Malaysia) Berhad, which comprise the statements of financial position as at 31 December 2020 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 049 to 167.

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 2020, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

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

Information other than the financial statements and auditors' report thereon

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

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with 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.

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

Responsibilities of the directors for the financial statements (cont'd.)

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

– Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities and 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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF KULIM (MALAYSIA) BERHAD (INCORPORATED IN MALAYSIA)
COMPANY NO. 197501001832 (23370-V)

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 15 to the financial statements.

Other matters

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

The financial statements of the Group and of the Company for the financial year ended 31 December 2019 were audited by another firm of auditors who expressed an unmodified opinion on those statements on 12 March 2020.

ERNST & YOUNG PLT
202006000003 (LLP0022760-LCA) & AF 0039
CHARTERED ACCOUNTANTS

TAN JIN XIANG
03348/01/2022 J
CHARTERED ACCOUNTANT

Johor Bahru, Malaysia
15 March 2021

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Group 2020 RM'000	Group 2019 Restated RM'000	Company 2020 RM'000	Company 2019 Restated RM'000
Revenue	4	**1,412,132**	1,208,836	**599,888**	153,961
Cost of sales		**(1,055,851)**	(976,850)	**(108,401)**	(95,496)
Gross profit		**356,281**	231,986	**491,487**	58,465
Other income		**45,113**	61,890	**21,879**	7,981
Administrative expenses		**(167,468)**	(187,596)	**(70,743)**	(61,397)
Other expenses		**(326,284)**	(106,013)	**(692,856)**	(199,564)
(Loss)/Profit from operating activities		**(92,358)**	267	**(250,233)**	(194,515)
Interest income	5	**25,098**	20,157	**26,125**	19,941
Finance costs	6	**(106,690)**	(100,511)	**(69,919)**	(63,037)
Share of results of associate and joint venture, net of impairments		**(224,995)**	(47,760)	**–**	–
Loss before tax	7	**(398,945)**	(127,847)	**(294,027)**	(237,611)
Tax	9	**(62,368)**	5,788	**(3,283)**	13,633
Loss net of tax		**(461,313)**	(122,059)	**(297,310)**	(223,978)
Other comprehensive (loss)/income					
Item which may be reclassified to profit or loss in subsequent periods					
Foreign currency translation of foreign operations		**(5,241)**	10,947	**–**	–
Items that will not be reclassified to profit or loss					
Net gain on financial assets at fair value through other comprehensive income		**7,939**	12,776	**3,190**	1,046
Fair value (deficit)/surplus on transfer of property, plant and equipment to investment properties, net of tax		**(2,668)**	5,465	**–**	5,465
Other comprehensive income for the financial year, net of tax		**30**	29,188	**3,190**	6,511
Total comprehensive loss for the financial year		**(461,283)**	(92,871)	**(294,120)**	(217,467)
Loss attributable to:					
Equity holders of the Company		**(376,752)**	(110,286)	**(297,310)**	(223,978)
Non-controlling interests		**(84,561)**	(11,773)	**–**	–
Loss for the financial year		**(461,313)**	(122,059)	**(297,310)**	(223,978)
Total comprehensive loss attributable to:					
Equity holders of the Company		**(377,419)**	(80,814)	**(294,120)**	(217,467)
Non-controlling interests		**(83,864)**	(12,057)	**-**	–
Total comprehensive loss for the financial year		**(461,283)**	(92,871)	**(294,120)**	(217,467)

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

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

		Group		
	Note	31.12.2020 RM'000	31.12.2019 Restated RM'000	01.01.2019 Restated RM'000
Assets				
Non-current assets				
Property, plant and equipment	10	**3,289,720**	3,599,042	3,579,077
Right-of-use assets	11	**1,734,061**	1,783,671	1,778,961
Investment properties	12	**64,280**	69,307	45,996
Inventories	13	**14,510**	–	–
Intangible assets	14	**1,764**	7,498	27,415
Investments accounted for using the equity method	16	**4,465**	226,164	224,168
Financial assets at fair value through other comprehensive income	17	**41,245**	49,133	44,316
Financial assets at fair value through profit or loss	18	**15,046**	23,368	20,300
Deferred tax assets	30	**–**	2,013	1,900
Trade and other receivables	19	**60,531**	231,345	20,453
		5,225,622	5,991,541	5,742,586
Current assets				
Financial assets at fair value through other comprehensive income	17	**15,827**	–	–
Trade and other receivables	19	**494,262**	381,959	281,891
Inventories	20	**95,167**	111,126	138,170
Biological assets	21	**44,537**	26,441	23,270
Tax recoverable		**2,431**	15,559	29,019
Cash and bank balances	22	**170,230**	169,932	252,454
		822,454	705,017	724,804
Assets classified as held for sale	23	**90,404**	–	–
		912,858	705,017	724,804
Total assets		**6,138,480**	6,696,558	6,467,390
Equity and liabilities				
Current liabilities				
Contract liabilities	24	**–**	15,610	–
Trade and other payables	25	**568,188**	415,854	389,995
Tax payable		**17,852**	4,040	2,595
Lease liabilities	26	**8,224**	35,084	8,759
Borrowings	27	**321,330**	331,547	800,022
Derivatives	28	**3,790**	3,470	1,696
		919,384	805,605	1,203,067
Net current liabilities		**(6,526)**	(100,588)	(478,263

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

		Group		
	Note	31.12.2020 RM'000	31.12.2019 Restated RM'000	01.01.2019 Restated RM'000
Non-current liabilities				
Lease liabilities	26	**3,516**	24,834	13,636
Borrowings	27	**1,906,197**	2,050,339	1,081,371
Retirement benefit obligations	29	**8,517**	4,478	–
Deferred tax liabilities	30	**575,672**	578,371	640,598
		2,493,902	2,658,022	1,735,605
Total liabilities		**3,413,286**	3,463,627	2,938,672
Net assets		**2,725,194**	3,232,931	3,528,718
Equity attributable to holders of the Company				
Share capital	31	**1,000**	1,000	1,000
Reserves	32	**(28,675)**	(26,395)	(49,662)
Retained earnings	33	**2,729,958**	3,158,750	3,469,036
		2,702,283	3,133,355	3,420,374
Non-controlling interests		**22,911**	99,576	108,344
Total equity		**2,725,194**	3,232,931	3,528,718
Total equity and liabilities		**6,138,480**	6,696,558	6,467,390

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

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

		Company		
	Note	31.12.2020 RM'000	31.12.2019 Restated RM'000	01.01.2019 Restated RM'000
Assets				
Non-current assets				
Property, plant and equipment	10	**970,868**	975,002	973,274
Right-of-use assets	11	**385,216**	389,963	410,090
Investment properties	12	**49,480**	52,380	28,880
Inventories	13	**14,510**	–	–
Investments in subsidiaries	15	**497,951**	1,117,642	902,828
Investments accounted for using the equity method	16	**–**	–	3,939
Financial assets at fair value through other comprehensive income	17	**31,299**	33,107	34,561
Financial assets at fair value through profit or loss	18	**14,883**	22,301	19,461
Trade and other receivables	19	**–**	230,939	19,140
		1,964,207	2,821,334	2,392,173
Current assets				
Financial assets at fair value through other comprehensive income	17	**4,998**	–	–
Trade and other receivables	19	**392,851**	271,358	383,168
Inventories	20	**76,315**	93,397	83,647
Biological assets	21	**13,077**	5,548	5,838
Tax recoverable		**826**	4,908	11,395
Cash and bank balances	22	**107,698**	104,182	103,820
		595,765	479,393	587,868
Total assets		**2,559,972**	3,300,727	2,980,041
Equity and liabilities				
Current liabilities				
Trade and other payables	25	**191,169**	254,041	131,423
Lease liabilities	26	**699**	713	603
Borrowings	27	**99,955**	157,555	339,000
Derivatives	28	**2,884**	2,644	1,272
		294,707	414,953	472,298
Net current assets		**301,058**	64,440	115,570

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

		Company		
	Note	31.12.2020 RM'000	31.12.2019 Restated RM'000	01.01.2019 Restated RM'000
Non-current liabilities				
Trade and other payables	25	**–**	288,576	504,319
Lease liabilities	26	**677**	2,525	2,856
Borrowings	27	**1,049,519**	1,036,213	–
Retirement benefit obligations	29	**2,322**	2,174	–
Deferred tax liabilities	30	**188,031**	185,410	212,225
		1,240,549	1,514,898	719,400
Total liabilities		**1,535,256**	1,929,851	1,191,698
Net assets		**1,024,716**	1,370,876	1,788,343
Equity attributable to holders of the Company				
Share capital	31	**1,000**	1,000	1,000
Reserves	32	**7,042**	3,852	(2,659)
Retained earnings	33	**1,016,674**	1,366,024	1,790,002
Total equity		**1,024,716**	1,370,876	1,788,343
Total equity and liabilities		**2,559,972**	3,300,727	2,980,041

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Group 2020	Note	Share capital RM'000	Translation reserve RM'000	Fair value reserve RM'000	Other reserve RM'000	Equity transaction reserves RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		<---- Attributable to the equity holders of the Company ---->								
At 1 January 2020, as previously stated		1,000	(3,539)	(14,693)	(2,140)	(6,023)	3,384,699	3,359,304	99,826	3,459,130
Prior year adjustment	42	–	–	–	–	–	(225,949)	(225,949)	(250)	(226,199)
At 1 January 2020, as restated		1,000	(3,539)	(14,693)	(2,140)	(6,023)	3,158,750	3,133,355	99,576	3,232,931
Foreign exchange translation differences		–	(5,938)	–	–	–	–	(5,938)	697	(5,241)
Surplus on transfer of property, plant and equipment to investment properties, net of tax		–	–	–	(2,668)	–	–	(2,668)	–	(2,668)
Fair value adjustment for financial assets through other comprehensive income		–	–	7,939	–	–	–	7,939	–	7,939
Other comprehensive (loss)/income for the financial year		–	(5,938)	7,939	(2,668)	–	–	(667)	697	30
Loss net of tax		–	–	–	–	–	(376,752)	(376,752)	(84,561)	(461,313)
Total comprehensive (loss)/income for the financial year		–	(5,938)	7,939	(2,668)	–	(376,752)	(377,419)	(83,864)	(461,283)
Transactions with owners:										
Issuance of shares to non-controlling interests	15	–	–	–	–	(1,613)	–	(1,613)	7,783	6,170
Dividends paid to shareholders	43	–	–	–	–	–	(52,040)	(52,040)	–	(52,040)
Dividends paid to non-controlling interests of subsidiaries		–	–	–	–	–	–	–	(584)	(584)
As at 31 December 2020		1,000	(9,477)	(6,754)	(4,808)	(7,636)	2,729,958	2,702,283	22,911	2,725,194

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

Group 2019	Note	Share capital RM'000	Translation reserve RM'000	Fair value reserve RM'000	Other reserve RM'000	Equity transaction reserves RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		<---- Attributable to the equity holders of the Company ---->								
At 1 January 2019, as previously stated		1,000	(14,770)	(27,469)	(7,605)	182	3,682,900	3,634,238	108,594	3,742,832
Prior year adjustment	42	–	–	–	–	–	(213,864)	(213,864)	(250)	(214,114)
At 1 January 2019, as restated		1,000	(14,770)	(27,469)	(7,605)	182	3,469,036	3,420,374	108,344	3,528,718
Foreign exchange translation differences		–	11,231	–	–	–	–	11,231	(284)	(10,947)
Surplus on transfer of property, plant and equipment to investment properties, net of tax		–	–	–	5,465	–	–	5,465	–	5,465
Fair value adjustment for financial assets through other comprehensive income		–	–	12,776	–	–	–	12,776	–	12,776
Other comprehensive income/(loss) for the financial year		–	11,231	12,776	5,465	–	–	29,472	(284)	29,188
Loss net of tax		–	–	–	–	–	(110,286)	(110,286)	(11,773)	(122,059)
Total comprehensive income/(loss) for the financial year		–	11,231	12,776	5,465	–	(110,286)	(80,814)	(12,057)	(92,871)
Transactions with shareholders:										
Acquisition of additional interest in subsidiaries from non-controlling interests	15	–	–	–	–	(6,205)	–	(6,205)	3,831	(2,374)
Dividends paid to shareholders	43	–	–	–	–	–	(200,000)	(200,000)	–	(200,000)
Dividends paid to non-controlling interests of subsidiaries		–	–	–	–	–	–	–	(542)	(542)
As at 31 December 2019		1,000	(3,539)	(14,693)	(2,140)	(6,023)	3,158,750	3,133,355	99,576	3,232,931

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

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

		<--------------	Attributable to the equity holders of the Company		------------------>
Company 2020	**Note**	**Share capital RM'000**	**Fair value reserves RM'000**	**Other reserves RM'000**	**Retained earnings RM'000**	**Total RM'000**
At 1 January 2020, as previously stated		**1,000**	**(5,778)**	**9,630**	**1,509,128**	**1,513,980**
Prior year adjustment	42	**–**	**–**	**–**	**(143,104)**	**(143,104)**
At 1 January 2020, as restated		**1,000**	**(5,778)**	**9,630**	**1,366,024**	**1,370,876**
Fair value adjustment for financial assets through other comprehensive income		**–**	**3,190**	**–**	**–**	**3,190**
Loss net of tax		**–**	**–**	**–**	**(297,310)**	**(297,310)**
Total comprehensive income/(loss) for the financial year		**–**	**3,190**	**–**	**(297,310)**	**(294,120)**
Transactions with shareholders:						
Dividends paid	43	**–**	**–**	**–**	**(52,040)**	**(52,040)**
At 31 December 2020		**1,000**	**(2,588)**	**9,630**	**1,016,674**	**1,024,716**

		<--------------	Attributable to the equity holders of the Company		------------------>
Company 2019	**Note**	**Share capital RM'000**	**Fair value reserves RM'000**	**Other reserves RM'000**	**Retained earnings RM'000**	**Total RM'000**
At 1 January 2019, as previously stated		1,000	(6,824)	4,165	1,916,879	1,915,220
Prior year adjustment	42	–	–	–	(126,877)	(126,877)
At 1 January 2019, as restated		1,000	(6,824)	4,165	1,790,002	1,788,343
Fair value adjustment for financial assets through other comprehensive income		–	1,046	–	–	1,046
Surplus on transfer of property, plant and equipment to investment properties, net of tax		–	–	5,465	–	5,465
Loss net of tax		–	–	–	(223,978)	(223,978)
Total comprehensive income/(loss) for the financial year		–	1,046	5,465	(223,978)	(217,467)
Transactions with shareholders:						
Dividends paid	43	–	–	–	(200,000)	(200,000)
At 31 December 2019		1,000	(5,778)	9,630	1,366,024	1,370,876

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Cash flows from operating activities				
Loss before tax	**(398,945)**	(127,847)	**(294,027)**	(237,611)
Adjustments for:				
Fair value changes on:				
– financial assets at fair value through profit or loss	**8,237**	139	**7,333**	89
– derivatives	**320**	1,774	**240**	1,372
– biological assets	**(10,434)**	(1,339)	**332**	3,534
– investment properties	**2,610**	(1,311)	**2,900**	(1,500)
Provision for impairment losses on:				
– receivables	**46,271**	23,774	**47,361**	23,237
– investments in subsidiaries	**–**	–	**651,452**	151,446
– investment in associate	**–**	–	**–**	6,439
– property, plant and equipment	**202,056**	7,138	**–**	–
– goodwill	**2,694**	18,791	**–**	–
– intangible assets	**3,023**	1,285	**–**	–
– right-of-use assets	**3,279**	–	**–**	–
Reversal of impairment losses on receivables	**(2,832)**	(7,024)	**(30,134)**	–
Amortisation and depreciation of:				
– intangible assets	**24**	25	**–**	–
– property, plant and equipment	**196,391**	177,179	**19,791**	16,079
– right-of-use assets	**47,915**	33,267	**3,765**	4,052
Dividend income	**(4,229)**	(3,520)	**(439,698)**	(37,500)
Loss/(gain) on disposal of:				
– property, plant and equipment	**6,946**	(3,028)	**(26)**	37
– financial assets at fair value through profit or loss	**13**	–	**13**	–
Share of results of associate and joint venture, net of impairments	**224,995**	47,760	**–**	–
Gain on redemption of redeemable convertible preference shares issued by a subsidiary	**–**	–	**(12,740)**	–
Interest expense on:				
– borrowings	**101,583**	97,500	**51,911**	51,771
– lease liabilities	**3,428**	1,981	**83**	175
– amounts due to subsidiaries	**–**	–	**17,843**	11,006
– amounts due to other shareholders	**1,381**	624	**–**	–
– retirement benefits obligations	**298**	406	**82**	85
Interest income	**(25,098)**	(20,157)	**(26,125)**	(19,941)
Unrealised foreign exchange (loss)/gain, net	**(1,874)**	(2,732)	**7,913**	(9,968)
Write off of:				
– property, plant and equipment	**1,403**	465	**6**	248
– right-of-use assets	**–**	7	**1,027**	–
Retirement benefit obligations	**4,191**	5,703	**208**	2,282
Operating profit/(loss) before changes in working capital	**413,646**	250,860	**9,510**	(34,668)

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash flows from operating activities (cont'd.)				
Changes in working capital:				
– biological assets	**(3,198)**	(1,832)	**(3,390)**	(3,244)
– inventories	**1,449**	27,044	**2,572**	(9,750)
– payables – third parties	**138,553**	17,630	**34,741**	3,300
– contract liabilities	**(15,610)**	15,610	**–**	–
– payables – holding corporation	**3,808**	1,245	**2,899**	–
– payables – related companies	**4,124**	1,838	**4,354**	–
– receivables – third parties	**46,718**	33,565	**39,641**	(22,434)
– receivables – holding corporation	**31,786**	(2,107)	**27,963**	–
– receivables – related companies	**1,999**	(3,656)	**(2,247)**	(2,101)
– receivables – subsidiaries	**–**	–	**25,305**	56,645
Cash generated from/(used in) operations	**623,275**	340,197	**141,348**	(12,252)
Tax paid	**(46,066)**	(57,512)	**(380)**	(15,437)
Tax refunded	**9,952**	18,968	**3,800**	7,874
Retirement benefits obligations	**(450)**	(1,631)	**(142)**	(193)
Net cash flows generated from/(used in) operating activities	**586,711**	300,022	**144,626**	(20,008)
Cash flows from investing activities				
Dividends received	**4,229**	3,520	**439,698**	37,500
Interest received	**25,098**	20,157	**26,125**	19,941
Additions:				
– financial assets at fair value through profit or loss	**–**	(2,929)	**–**	(2,929)
– property, plant and equipment	**(212,403)**	(201,446)	**(20,143)**	(21,188)
– investments accounted for using the equity method	**(3,296)**	(47,256)	**–**	–
– intangible assets	**(7)**	(184)	**–**	–
– right-of-use assets	**(19,220)**	–	**–**	–
– equity interest in subsidiaries	**–**	–	**(550)**	(79)
(Additions to)/withdrawal of deposits placed with licensed banks exceeding 90 days	**(870)**	14,427	**–**	–
Proceeds from:				
– disposal of property, plant and equipment	**14,408**	6,068	**35**	3,096
– disposal of financial assets at fair value through profit or loss	**72**	–	**72**	–
Advances to holding corporation	**–**	(346,372)	**–**	(346,372)
Prepayment for lease arrangement to holding corporation	**(60,531)**	–	**–**	–
Advances to subsidiaries	**–**	–	**(51,968)**	(164,154)
Net cash flows (used in)/generated from investing activities	**(252,520)**	(554,015)	**393,269**	(474,185)

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash flows from financing activities				
Dividends paid to:				
– owners of the Company	**(52,040)**	(200,000)	**(52,040)**	(200,000)
– non-controlling interests of subsidiaries	**(584)**	(542)	**–**	–
Issuance of shares to non-controlling interests	**6,170**	–	**–**	–
Acquisition of additional interest in subsidiaries from non-controlling interests	**–**	(2,374)	**–**	–
Proceeds from borrowings, net of transaction fees	**329,560**	2,149,896	**281,641**	1,244,450
Withdrawal of/(additions to) pledged fixed deposits	**479**	(26,763)	**(1,126)**	(13,724)
Repayment of borrowings	**(483,813)**	(1,645,619)	**(325,935)**	(894,000)
Repayment of lease liabilities	**(32,406)**	(16,629)	**(849)**	(856)
Repayment of advances from subsidiaries	**–**	–	**(446,485)**	–
Interest paid	**(101,583)**	(97,500)	**(51,911)**	(51,771)
Advances from subsidiaries	**–**	–	**61,200**	396,733
Net cash flows (used in)/generated from financing activities	**(334,217)**	160,469	**(535,505)**	480,832
Net change in cash and cash equivalents	**(26)**	(93,524)	**2,390**	(13,361)
Effect of foreign exchange rate changes	**–**	13	**–**	(1)
Cash and cash equivalents at 1 January	**125,596**	219,107	**90,108**	103,470
Cash and cash equivalents at 31 December (Note 22)	**125,570**	125,596	**92,498**	90,108

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

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2020

1. CORPORATE INFORMATION

The Company is a public limited liability company incorporated and domiciled in Malaysia. The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business	**Registered office**
Ulu Tiram Estate	Level 16, Menara KOMTAR
81800 Ulu Tiram, Johor	Johor Bahru City Centre
	80000 Johor Bahru, Johor

The Company's holding corporation is Johor Corporation, a body corporate established under the Johor Corporation Enactment No. 4 of 1968 (As amended by the Enactment No. 5 of 1995).

The principal activities of the Company consist of oil palm plantation, investment holding and property investment in Malaysia. The principal activities of the subsidiaries are described in Note 15. There have been no significant changes in the nature of the principal activities during the financial year, other than as disclosed in Note 15.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

The preparation of financial statements in conformity with the MFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates. It also requires management to exercise judgement in the process of applying the Group's and the Company's accounting policies, the areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the financial statements as disclosed in Note 3.

As at 31 December 2020, the Group recorded net current liabilities of RM6.53 million. However, the Group has profitable plantation operations as disclosed in Note 41 that are generating positive operating cash flows and the Group has sufficient undrawn financing facilities from external financial institutions as disclosed in Note 38 (b). Therefore, the Directors are of the view that the going concern assumption used in the preparation of the financial statements of the Group is appropriate and there is no material uncertainty about the Group's ability to continue as a going concern.

2.2 Amendments issued that are effective

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2020, the Group and the Company adopted the following Amendments mandatory for annual financial periods beginning on or after 1 January 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Amendments issued that are effective (cont'd.)

Description	**Effective for annual periods beginning on or after**
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 101 and 108: Definition of Material	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 16: Covid-19-Related Rent Concessions	1 June 2020

The adoption of the above Amendments did not have any significant impact on the financial statements.

2.3 Standards and Amendments issued but not yet effective

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

Description	**Effective for annual periods beginning on or after**
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRS Standards 2018–2020"	1 January 2022
Amendments to MFRS 3: Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116: Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 17: Insurance Contracts	1 January 2023
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The Directors are of opinion that the Standards and Amendments above would not have any material impact on the financial statements in the year of initial adoption.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The Group controls an investee if and only if the Group has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting rights of an investee, the Group considers the following in assessing whether or not the Group voting rights in an investee are sufficient to give it power over the investee:

(i) The size of the Group holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

(ii) Potential voting rights held by the Group, other vote holders or other parties;

(iii) Rights arising from other contractual arrangements; and

(iv) Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Basis of consolidation (cont'd.)

Subsidiaries are consolidated when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses and each component of other comprehensive loss within a subsidiary are attributed to owners of the Company and non-controlling interests, even if that results in the non-controlling interest having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owner of the Group.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interests, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

<u>Business combinations</u>

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 9, it is measured in accordance with the appropriate MFRS.

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. The accounting policy for goodwill is set out in Note 2.10(a).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Transactions with non-controlling interests

Non-controlling interests represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company. Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.6 Foreign currency

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

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

(b) Foreign currency transactions

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

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

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

(c) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income.

On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.7 Property, plant and equipment

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

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

Freehold land is not depreciated as it has an infinite life and other property, plant and equipment are depreciated on the straight line method to allocate the cost or the revalued amounts, to their residual values over their estimated useful lives, summarised as follows:

Bearer assets (oil palm)	20 years from year of maturity
Buildings	5 – 50 years
Vessels, plant and machinery	3 – 25 years
Furniture and equipment	2 – 15 years
Motor vehicles	3 – 5 years

Capital work in progress included in property, plant and equipment are not depreciated as these assets are not yet available for use. All expenditure relating to the development of oil palm fields (immature field) is classified under immature fields. This cost will be amortised over its useful life when the field reaches maturity. The maturity date for bearer plants is the point in time such new planting areas reach 48 months from the date of initial planting.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. See accounting policy on impairment of non-financial assets as set out in Note 2.11.

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

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

2.8 Investment properties

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the reporting date. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the financial year in which they arise.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.8 Investment properties (cont'd.)

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for at fair value at the date of change in use, and the difference is recorded in other comprehensive income.

2.9 Biological assets

Biological assets comprises fresh fruit bunches growing on bearer plants, pineapples and cattle livestock. Biological assets are measured at fair value less costs to sell. Any gains or losses arising from changes in the fair value less costs to sell are recognised in profit or loss. Fair value is determined based on the present value of expected output method and the estimated market price of the biological assets.

Biological assets are classified as current assets as the fresh fruit bunches and pineapples are expected to be harvested and livestock are expected to be sold or used for production on a date not more than 12 months after the reporting date.

2.10 Intangible assets

(a) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods. See accounting policy on impairment of non-financial assets as set out in Note 2.11.

(b) Other intangible assets

(i) Research and development

Research expenditure is recognised as an expense when incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

(i) it is technically feasible to complete the intangible asset so that it will be available for use or sale;

(ii) management intends to complete the intangible asset and use or sell it;

(iii) there is an ability to use or sell the intangible asset;

(iv) it can be demonstrated how the intangible asset will generate probable future economic benefits;

(v) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and

(vi) the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in subsequent period.

Capitalised development costs recognised as intangible assets are amortised from the point at which the asset is ready for use on a straight-line basis over its useful life.

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.10 Intangible assets (cont'd.)

(b) Other intangible assets (cont'd.)

(ii) Licences, patents and trademarks

Separately acquired licences, patents and trademarks are shown at historical cost. Licences, patents and trademarks acquired in a business combination are recognised at fair value at the acquisition date. Licences, patents and trademarks have a finite useful life and are carried at cost less accumulated amortisation and accumulated losses. Amortisation is calculated using the straight-line method to allocate the cost of licences, patents and trademarks over their estimated useful lives of 10 years.

At each reporting date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2.11 on impairment of non-financial assets.

2.11 Impairment of non-financial assets

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group and the Company make an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows Cash-Generating Units ("CGU").

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount not exceeding the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss. Impairment loss on goodwill is not reversed in a subsequent period.

2.12 Investments in subsidiaries

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

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.12 Investments in subsidiaries (cont'd.)

See accounting policy on impairment of non-financial assets as set out in Note 2.11.

The amounts due from subsidiaries of which the Company does not expect repayment in the foreseeable future are considered as part of the Company's investments in subsidiaries.

2.13 Investments in associates and joint venture

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

On acquisition of an investment in associate or joint venture, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's or joint venture's profit or loss for the period in which the investment is acquired.

An associate or a joint venture is equity accounted for from the date on which the investee becomes an associate or a joint venture.

Under the equity method, on initial recognition the investment in an associate or a joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture after the date of acquisition. When the Group's share of losses in an associate or a joint venture equal or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate or joint venture are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the associate or joint venture. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The financial statements of the associates and a joint venture are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group applies MFRS 9 Financial Instruments: Recognition and Measurement to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate or joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136 Impairment of Assets as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

In the Company's separate financial statements, investments in associates and a joint venture are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy on impairment of non-financial assets as set out in Note 2.11.

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.14 Financial instruments

Financial assets – classification and measurement

(i) Classification

The Group and the Company classifies its financial assets in the following measurement categories:

– those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
– those to be measured at amortised cost

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, the Group and the Company have made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group and the Company reclassify debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group and the Company commit to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group and the Company measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest ("SPPI").

Debt instruments

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group and the Company classify its debt instruments:

(a) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss and impairment losses arising on derecognition is recognised directly in profit or loss and presented in other income/(expenses) together with foreign exchange gains and losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.14 Financial instruments (cont'd.)

Financial assets – classification and measurement (cont'd.)

(iii) Measurement (cont'd.)

(b) Fair value through Other Comprehensive Income ("FVOCI")

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss.

When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses and changes in the fair value of financial assets at FVOCI are recognised in other gains/(losses) in the statements of comprehensive income as applicable.

(c) Fair Value through Profit or Loss ("FVOCI")

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. The Group and the Company may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes is recognised in profit or loss and presented net within other income/(expenses) in the period which it arises.

Equity instruments

The Group and the Company subsequently measure all equity investments at fair value. Where the Group's and the Company's management have elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's and the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other income/(expenses) in the statements of comprehensive income.

Impairment of financial assets and financial guarantee contracts

(i) Impairment for debt instruments and financial guarantee contracts

The Group and the Company assess on a forward looking basis the expected credit loss ("ECL") associated with its debt instruments carried at amortised cost and at FVOCI and financial guarantee contracts issued. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group and the Company have various types of financial instruments that are subject to the ECL model:

– Trade and other receivables
– Loans to subsidiaries
– Contract assets
– Financial guarantee contracts

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.14 Financial instruments (cont'd.)

Financial assets – classification and measurement (cont'd.)

Impairment of financial assets and financial guarantee contracts (cont'd.)

(i) Impairment for debt instruments and financial guarantee contracts (cont'd.)

ECL represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group and the Company expect to receive, over the remaining life of the financial instrument. For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group and the Company expect to receive from the holder, the debtor or any other party.

The measurement of ECL reflects:

– an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
– the time value of money; and
– reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(a) General 3-stage approach for other receivables, loans to subsidiaries and financial guarantee contracts issued

At each reporting date, the Group and the Company measure ECL through a loss allowance at an amount equal to 12 month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required.

Note 19 sets out the measurement details of ECL.

(b) Simplified approach for trade receivables and contract assets

The Group and the Company apply the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets.

Note 19 sets out the measurement details of ECL.

(ii) Significant increase in credit risk

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are incorporated:

– internal credit rating
– external credit rating (as far as available)
– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
– actual or expected significant changes in the operating results of the debtor
– significant increases in credit risk on other financial instruments of the same debtor

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.14 Financial instruments (cont'd.)

Financial assets – classification and measurement (cont'd.)

Impairment of financial assets and financial guarantee contracts (cont'd.)

(ii) Significant increase in credit risk (cont'd.)

The following indicators are incorporated: (cont'd.)

– significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
– significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the group and changes in the operating results of the debtor.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

(iii) Definition of default and credit-impaired financial assets

The Group and the Company define a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria:

The Group and the Company define a financial instrument as default, when the counterparty fails to make contractual payment within 90 days of when they fall due.

The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Group and the Company consider the following instances:

– the debtor is in breach of financial covenants
– concessions have been made by the lender relating to the debtor's financial difficulty
– it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
– the debtor is insolvent

Financial instruments that are credit-impaired are assessed on individual basis.

(iv) Groupings of instruments for ECL measured on collective basis

(a) Collective assessment

To measure ECL, trade receivables and contract assets arising from palm oil, intrapreneur venture, oil and gas support services and others have been grouped based on shared credit risk characteristics. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group and the Company have therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

(b) Individual assessment

Trade receivables and contract assets which are in default or credit-impaired are assessed individually.

Loans to holding corporation and subsidiaries in the Company's separate financial statements are assessed on individual basis for ECL measurement, as credit risk information is obtained and monitored based on each loan to holding corporation and subsidiaries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.14 Financial instruments (cont'd.)

Financial assets – classification and measurement (cont'd.)

Impairment of financial assets and financial guarantee contracts (cont'd.)

(v) Write off

(a) Trade receivables and contract assets.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group and the Company, and a failure to make contractual payments for a period of greater than 365 days past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(b) Other receivables and financial guarantee contracts

The Group and the Company write off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group and the Company may write-off financial assets that are still subject to enforcement activity.

(c) Loans to holding corporation and subsidiaries

The Group and the Company will write off loans to holding corporation and subsidiaries, in whole or in part, when they have exhausted all practical recovery efforts and have concluded there is no reasonable expectation of recovery based an unavailability of holding's and subsidiaries' source of income or assets to generate sufficient future cash flows to repair the amount. The Group and the Company may write off financial assets that are still subject to enforcement activity.

Financial liabilities

Financial liabilities are recognised on the statements of financial position when, and only when, the Group and the Company becomes a party to the contractual provisions of the financial instrument. Financial liabilities comprise trade and other payables, borrowings, amounts due to subsidiaries, holding corporation and related companies, and derivatives.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transactions costs. As for loans to subsidiaries of the Company, they are recognised initially at fair value. If there are any difference between cash disbursed and fair value on initial recognition, the difference would be accounted as additional investment in the subsidiary as it reflects the substance of the transaction.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest rate method except for the derivatives in a loss position which are measured at fair value through profit or loss at the end of each reporting period.

For financial liabilities other than the derivatives, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Gains or losses arising from changes in fair value of the derivatives that does not qualify for hedge accounting are recognised in profit or loss within other gains/losses, net. Net gains or losses on derivatives include exchange differences.

Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months after the statements of financial position date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.14 Financial instruments (cont'd.)

Financial liabilities (cont'd.)

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 added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Foreign exchange differences are capitalised to the extent of the capitalisation of the related borrowing costs.

All other borrowing costs are recognised in profit or loss in the financial period in which they are incurred.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the financial period of the facility to which it relates.

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

When borrowings measured at amortised cost is modified without this resulting in derecognition, any gain or loss, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, shall be recognised immediately in profit or loss in finance cost.

Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group or the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued and the liability is initially measured at fair value.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the expected credit loss model under MFRS 9 and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of MFRS 15, where appropriate.

Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Other receivables generally arise from transactions outside the ordinary course of business of the Group and of the Company. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, where they are recognised at fair value. Other receivables are recognised initially at fair value.

Trade and other receivables are subsequently measured at amortised cost using the effective interest rate method, less loss allowance.

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash which are subject to an insignificant risk of changes in value with original maturities of three months or less. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

2.16 Inventories

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

(a) Land held for development (non-current)

Land held for development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle.

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies.

Land held for property development are classified as current assets when the construction of the relevant properties commences unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

(b) Other inventories (current)

Cost of raw materials, agricultural produce and consumables is determined using the first-in, first-out method or weighted average method. The cost of raw materials comprises cost of purchase and other direct costs. The costs of finished goods and work-in-progress comprise costs of raw materials, direct labour, other direct costs and appropriate proportions of manufacturing overheads based on normal operating capacity. It excludes borrowing costs.

2.17 Provisions

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

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

2.18 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all conditions attached will be met. Where the grant relates to an asset, the fair value is recognised as deferred capital grant in the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Government grants that compensate the Group for expenses incurred are recognised in profit and loss as other income on a systematic basis in the same periods in which the expenses are recognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.19 Receivables, contract assets and contract liabilities

A receivable is recognised when the goods are delivered or services are rendered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Contract asset is the right to consideration for goods or services transferred to the customers.

When there is objective evidence of impairment, the amount of impairment losses is determined by comparing the contract asset's carrying amount and the present value of estimated future cash flows to be generated by the contract asset.

Contract liability is the obligation to transfer goods or services to customers for which the Group and the Company has received the consideration or has billed the customer. Contract liability includes downpayments received from customers and other deferred income where the Group has billed or has collected the payment before the goods are delivered or services are provided to the customers.

2.20 Borrowings and borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

2.21 Employee benefits

(a) Short term benefits

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

(b) Defined contribution plans

The Group and the Company participate in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the financial period in which the related service is performed.

(c) Defined benefit plans

The Group and the Company defined benefit Retirement Benefit Scheme ("the Scheme") for its eligible employees in accordance with agreement between the Malayan Agricultural Producers Association ("MAPA") and the National Union of Plantation Workers as well as between MAPA and All Malayan Estates Staff Union.

The Group's and the Company's obligations under the Scheme are determined based on triennial actuarial valuation where the amount of benefit that employees have earned in return for their service in the current and prior years is estimated. That benefit is discounted using the Projected Unit Credit Method in order to determine its present value taking into account various factors including mortality and disability rates, turnover rates, future salary increases and estimated future cash outflows. These gratuity benefits are calculated based on the specified rates for each completed year of service.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.21 Employee benefits (cont'd.)

(c) Defined benefit plans (cont'd.)

The defined benefit liability is the aggregate of the present value of the defined benefit obligations (derived using a discount rate based on market yield at the valuation date of high quality corporate bonds for a duration of 3 to 15 years) adjusted for actuarial gains or losses and past service costs. There are no assets which qualify as plan assets as these are unfunded arrangements.

Defined benefit costs comprise service costs, net interest on the net defined benefit liability and remeasurements of net defined benefit liability.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognised as expense in profit or loss. Past service costs are recognised in profit or loss on the earlier of the date of the plan amendment or curtailment, and the date that the Group and the Company recognise related restructuring costs.

Net interest on the net defined benefit liability is the change during the period in the net defined benefit liability that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability. Net interest on the net defined benefit liability is recognised as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses are recognised immediately in OCI in the period in which they arise. Remeasurements are recognised in retained earnings within equity and are not reclassified to profit or loss in subsequent periods.

2.22 Leases

The Group and the Company assess at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As lessee

The Group and the Company apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group and the Company recognise lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Group and the Company recognise right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Leasehold land	33 – 904 years
Building	2 – 7 years
Plant and machinery	9 – 24 years
Office equipment	2 – 6 years

If ownership of the leased asset transfers to the Group and the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. See accounting policy on impairment of non-financial assets as set out in Note 2.11.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.22 Leases (cont'd.)

As lessee (cont'd.)

(ii) Lease liabilities

At the commencement date of the lease, the Group and the Company recognise lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and the Company and payments of penalties for terminating the lease, if the lease term reflects the Group and the Company exercising the option to terminate.

In calculating the present value of lease payments, the Group and the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Group's and the Company's lease liabilities are included in interest-bearing loans and borrowings.

(iii) Short-term leases and leases of low-value assets

The Group and the Company apply the short-term lease recognition exemption to its short-term leases of plant and machinery and office equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

As lessor

Leases in which the Group and the Company do not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statements of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.23 Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.23 Non-current assets held for sale and discontinued operations (cont'd.)

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statements of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

– Represents a separate major line of business or geographical area of operations;
– Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
– Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of comprehensive income.

2.24 Revenue recognition

The Group's and the Company's revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer.

A contract with customer exists when the contract has commercial substance, the Group, the Company and their customers have approved the contract and intend to perform their respective obligations, the Group's, the Company's and the customer's rights regarding the goods or services to be transferred and the payment terms can be identified, and it is probable that the Group and the Company will collect the consideration to which it will be entitled to in exchange of those goods or services.

Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group and the Company expect to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties such as sales and service taxes or goods and service tax. If the amount of consideration varies due to discounts, rebates, penalties or other similar items, the Group and the Company estimate the amount of consideration that it expects to be entitled based on the expected value method or the most likely outcome but the estimation is constrained up to the amount that is highly probable of no significant reversal in the future. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or service promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

The Group's revenue from contracts with customers is generated from the following business segments:

(a) Palm oil
(b) Integrated farming
(c) Oil and gas support services
(d) Intrapreneur ventures
(e) Completed properties

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.24 Revenue recognition (cont'd.)

Performance obligations from the business sectors above are as follows:

(a) Palm oil and integrated farming

In the plantation operations, the Group and the Company sell agricultural produce such as crude palm oil ("CPO"), fresh fruit bunches ("FFB"), and palm kernel ("PK").

In the integrated farming, the Group and the Company sell agricultural produce such as cattle and pineapple.

Revenue from sales of agriculture produce and goods from these operations is recognised net of discount and taxes at the point in time when control of the goods has transferred to the customer. Depending on the terms of the contract with the customer, control transfers either upon delivery or shipment of goods to the specific location agreed with the customers, the risks of obsolescence and loss have been transferred to the customers, and either the customers have accepted the goods in accordance with the sales contract, the acceptance provisions have lapsed, or the Group and the Company have objective evidence that all criteria for acceptance have been satisfied.

Some contracts include multiple or bundled deliverables, such as the delivery of the goods that are often bundled with freight services. In most cases, such delivery of goods is simple, does not include an integrated service, could be performed by another party and the customers can benefit from the sale of goods and freight services on its own or with the use of other resources It is therefore accounted for as a separate performance obligation. There is no element of financing present as the sales is made with credit terms of up to 90 days. The transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. If contracts include delivery of goods, revenue for the goods are recognised at a point in time when the goods are delivered, the legal title has passed and the customers have accepted the goods.

(b) Oil and gas support services

Income from service rendered is recognised net of service taxes and discounts as and when the services are performed.

(c) Intrapreneur ventures

In the intrapreneur ventures operations, revenue from retail selling of agriculture, fertilisers, mechanical buffalo, fertilisers and computer hardware are recognised at a point in time when control of the goods has transferred to the customer. Depending on the terms of the contract with the customer, control transfers either upon delivery or shipment of goods to the specific location agreed with the customers, the risks of obsolescence and loss have been transferred to the customers, and either the customers have accepted the goods in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Some contracts include multiple or bundled deliverables, such as the delivery of the goods that are often bundled with freight services. In most cases, such delivery of goods is simple, does not include an integrated service, could be performed by another party and the customers can benefit from the sale of goods and freight services on its own or with the use of other resources It is therefore accounted for as a separate performance obligation. There is no element of financing present as the sales is made with credit terms of up to 90 days. The transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. If contracts include delivery of goods, revenue for the goods are recognised at a point in time when the goods are delivered, the legal title has passed and the customers have accepted the goods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.24 Revenue recognition (cont'd.)

Performance obligations from the business sectors above are as follows (cont'd.):

(d) Completed properties

The Group and the Company recognise sales at a point in time for the sale of completed properties when the control of the properties have been transferred to the purchasers, being when the properties have been delivered to the customers and it is probable that the Group and the Company will collect the considerations to which it will be entitled to in exchange for the assets sold.

Revenue from other sources

Specific revenue recognition criteria for other revenue and income earned by the Group and Company are as follows:

(i) Vessel charter hire income

Most vessel charter hire income is recognised on straight-line basis over the lease term determined at the inception of the lease.

Certain charter hire income is recognised when services are rendered and are computed at the contracted daily rate.

Customers are invoiced on a monthly basis and consideration is payable when invoiced.

(ii) Dividend income

Dividends are received from financial assets measured at FVTPL and at FVOCI.

Dividend income from financial assets at FVTPL is recognised as part of net gains or net losses on these financial instruments. Dividend income from financial assets at FVOCI are recognised in profit or loss when the right to receive payment is established.

(iii) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(iv) Interest income

Interest income is recognised using the effective interest method.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.25 Contract cost

The Group and the Company have elected the practical expedient to recognise contract cost incurred related to contracts with period of less than one year as an expense when incurred.

Incremental cost to obtain contract

The Group or the Company recognise incremental costs of obtaining contracts when the Group or the Company expect to recover these costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.25 Contract cost (cont'd.)

Costs to fulfil a contract

The Group or the Company recognise a contract cost that relate directly to a contract or to an anticipated contract as an asset when the cost generates or enhances resources of the Group or the Company, will be used in satisfying performance obligations in the future and it is expected to be recovered.

These contract costs are initially measured at cost and amortised on a systematic basis that is consistent with the pattern of revenue recognition to which the asset relates. An impairment loss is recognised in the profit and loss when the carrying amount of the contract cost exceeds the expected revenue less expected cost that will be incurred. Where the impairment condition no longer exists or has improved, the impairment loss is reversed to the extent that the carrying amount of the contract cost does not exceed the amount that would have been recognised had there been no impairment loss recognised previously.

2.26 Income taxes

(a) Current tax

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

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

(b) Deferred tax

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.26 Income taxes (cont'd.)

(b) Deferred tax (cont'd.)

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

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

The Group and the Company offset deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.27 Share capital and share issuance expenses

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

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

2.28 Current and non-current classification

The Group and the Company present assets and liabilities in the statements of financial position based on current and non-current classification.

An asset is classified as current when it is:

– expected to be realised or intended to be sold or consumed in normal operating cycle;
– held primarily for the purpose of trading;
– expected to be realised within 12 months after the reporting period; or
– cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

– it is expected to be settled in normal operating cycle;
– held primarily for the purpose of trading;
– expected to be realised within 12 months after the reporting period; or
– cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other liabilities are classified as non-current.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.29 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective chief operating decision maker responsible for the performance of the respective segments under their charge. The chief operating decision maker of the Group is the Group Management Committee who regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 41, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.30 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group. Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

2.31 Derivative and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at the end of each reporting period.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so the nature of the item being hedged. Derivatives that do not qualify for hedge accounting are classified as held for trading and accounted for in accordance with the accounting policy set out in Note 2.14. Derivatives that qualify for hedge accounting is designated as hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge).

The Group's and the Company's derivatives comprise interest rate swap that does not qualify for hedge accounting.

2.32 Fair value measurement

The Group and the Company measure certain of their financial instruments and non-financial assets at fair value at each reporting date.

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

(a) In the principal market for the asset or liability; or

(b) In the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

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

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

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2020

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

3.1 Key sources of estimation uncertainty

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

(a) Impairment of goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires an estimation of the recoverable amount of the Cash-Generating Units ("CGU") to which goodwill is allocated.

Estimating the recoverable amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The recoverable amounts of the CGUs were determined based on the higher of fair value less cost of disposal or value in use calculations. As a result of these impairment assessments, the Group has recognised an impairment of RM2.69 million during the financial year (2019: RM18.79 million).

Further details of the use of estimates and the key assumptions applied in the impairment assessment of goodwill are disclosed in Note 14.

(b) Impairment of cost of investment

An impairment loss is recognised for the amount by which the carrying amount of the subsidiary, joint venture or associate exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and present value of the estimated future cash flows expected to be derived from the investment including the proceeds from its disposal. Any subsequent increase in recoverable amount is recognised in profit or loss and any reversal of impairment loss is restricted by the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior year.

Further details of the use of estimates and the key assumptions applied in the impairment assessment of cost of investment in subsidiaries, joint venture or associates are disclosed in Notes 15 and 16.

(c) Impairment of property, plant and equipment and right-of-use assets

The Group and the Company has estimated the recoverable amount of certain property, plant and equipment and right-of-use assets. The recoverable amount is the higher of an asset's fair value less costs of disposal and present value of the estimated future cash flows expected to be derived from the property, plant and equipment and right-of-use assets including the proceeds from its disposal.

Further details of the use of estimates and the key assumptions applied in the impairment assessment of property, plant and equipment and right-of-use assets are disclosed in Notes 10 and 11.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D.)

3.1 Key sources of estimation uncertainty (cont'd.)

(d) Fair value of investment properties

The fair values of the investment properties of the Group and the Company were based on valuations carried out by independent professional valuers. The valuation applies estimates, judgements and assumptions in the determination of fair values. The valuation forms the basis for the carrying amount in the financial statements disclosed in Note 12.

(e) Taxes

Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences, tax credits or tax losses can be utilised. This involves judgement regarding the future financial performance of the particular entity in which the deferred tax asset has been recognised as disclosed in Note 30.

Income taxes and transfer pricing

Income taxes are estimated based on the provisions of the Income Tax Act, 1967 and Transfer Pricing Guidelines. Significant judgement is required in determining the provision for income taxes and tax penalty exposure as there are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognise liabilities for tax matters based on estimates of whether additional taxes will be due, or any tax penalty will crystallise. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

(f) Measurement of ECL allowance

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group and the Company use judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's and the Company's past history, existing market conditions as well as forward looking estimates at the end of reporting period. Details of the key assumptions and inputs used are disclosed in Note 19.

(g) Valuation of biological assets

Fair value is determined based on the present value of expected output method and the estimated market price of the biological assets, which requires judgement. Further details on the valuation basis are disclosed in Note 21.

NOTES TO THE FINANCIAL STATEMENTS
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4. REVENUE

Revenue comprises the following:

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Revenue from contracts with customers				
Plantation:				
– Fresh fruit bunches	**13,674**	8,255	**131,095**	100,588
– Crude palm oil	**872,193**	730,021	**–**	–
– Palm kernel	**129,552**	99,549	**–**	–
	1,015,419	837,825	**131,095**	100,588
Integrated farming	**12,215**	18,378	**9,799**	14,593
Oil and gas support services	**55,335**	40,126	**–**	–
Intrapreneur ventures	**26,464**	37,628	**–**	–
Completed properties	**17,925**	–	**17,925**	–
Others	**209**	2,565	**208**	381
	1,127,567	936,522	**159,027**	115,562
Revenue from other sources				
Vessel charter hire	**278,812**	267,390	**–**	–
Dividend income	**4,229**	3,520	**439,698**	37,500
Rental of investment properties	**1,524**	1,404	**1,163**	899
	1,412,132	1,208,836	**599,888**	153,961

4. REVENUE (CONT'D.)

Disaggregation of the Group's and the Company's revenue from contracts with customers:

Group 2020	Palm oil RM'000	Integrated farming RM'000	Oil and gas support services RM'000	Intrapreneur RM'000	Properties RM'000	Others RM'000	Total RM'000
Major goods and services:							
Goods sold	**1,015,419**	**12,215**	**–**	**26,464**	**17,925**	**–**	**1,072,023**
Oil and gas support services	**–**	**–**	**55,335**	**–**	**–**	**–**	**55,335**
Others	**–**	**–**	**–**	**–**	**–**	**209**	**209**
	1,015,419	**12,215**	**55,335**	**26,464**	**17,925**	**209**	**1,127,567**
Geographical market:							
Malaysia	**1,008,423**	**12,215**	**55,335**	**26,464**	**17,925**	**209**	**1,120,571**
Indonesia	**6,996**	**–**	**–**	**–**	**–**	**–**	**6,996**
	1,015,419	**12,215**	**55,335**	**26,464**	**17,925**	**209**	**1,127,567**
Timing of revenue recognition:							
At a point in time	**1,015,419**	**12,215**	**55,335**	**26,464**	**17,925**	**209**	**1,127,567**

Group 2019	Palm oil RM'000	Integrated farming RM'000	Oil and gas support services RM'000	Intrapreneur RM'000	Others RM'000	Total RM'000
Major goods and services:						
Goods sold	837,825	18,378	–	37,628	–	893,831
Oil and gas support services	–	–	40,126	–	–	40,126
Others	–	–	–	–	2,565	2,565
	837,825	18,378	40,126	37,628	2,565	936,522
Geographical market:						
Malaysia	834,611	18,378	40,126	37,628	2,565	933,308
Indonesia	3,214	–	–	–	–	3,214
	837,825	18,378	40,126	37,628	2,565	936,522
Timing of revenue recognition:						
At a point in time	837,825	18,378	40,126	37,628	2,565	936,522

NOTES TO THE FINANCIAL STATEMENTS
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4. REVENUE (CONT'D.)

Disaggregation of the Group's and the Company's revenue from contracts with customers (cont'd.):

Company	Palm oil RM'000	Others RM'000	Total RM'000
2020			
Major goods and services:			
Goods sold	**131,095**	**27,932**	**159,027**
Geographical market:			
Malaysia	**131,095**	**27,932**	**159,027**
Timing of revenue recognition:			
At a point in time	**131,095**	**27,932**	**159,027**
2019			
Major goods and services:			
Goods sold	100,588	14,974	115,562
Geographical market:			
Malaysia	100,588	14,974	115,562
Timing of revenue recognition:			
At a point in time	100,588	14,974	115,562

Revenue expected to be recognised in the future relating to performance obligations that are unsatisfied as at the reporting date, are as follows:

	Group 2020 RM'000	Group 2019 RM'000
Palm oil	**29,751**	45,449
Oil and gas support services	**7,134**	22,300
	36,885	67,749

Company

There are no unfulfilled performance obligations as at 31 December 2020 and 31 December 2019.

5. INTEREST INCOME

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Deposits with licensed banks	**4,832**	5,685	**2,119**	2,335
Amount due from holding corporation	**20,196**	14,401	**20,100**	14,337
Amounts due from related companies	**70**	71	**–**	–
Amounts due from subsidiaries	**–**	–	**3,906**	3,269
	25,098	20,157	**26,125**	19,941

6. FINANCE COSTS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Interest expense on:				
Term loans	**93,111**	55,119	**47,608**	31,499
Revolving credits	**6,984**	40,851	**4,303**	20,272
Bank overdraft	**414**	546	**–**	–
Hire purchase	**348**	541	**–**	–
Banker's acceptance	**726**	443	**–**	–
	101,583	97,500	**51,911**	51,771
Lease liabilities	**3,428**	1,981	**83**	175
Amounts due to other shareholders	**1,381**	624	**–**	–
Amounts due to subsidiaries	**–**	–	**17,843**	11,006
Retirement benefits obligations	**298**	406	**82**	85
	106,690	100,511	**69,919**	63,037

NOTES TO THE FINANCIAL STATEMENTS
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7. LOSS BEFORE TAX

The following items have been included in arriving at loss before tax:

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Cost of sales:				
– Plantation	**729,024**	708,074	**82,725**	88,148
– Integrated farming	**15,113**	16,579	**10,974**	5,928
– Oil and gas support services	**280,588**	226,450	**–**	–
– Intrapreneur ventures	**16,786**	23,484	**–**	–
– Properties	**13,490**	385	**13,940**	–
– Others	**850**	1,878	**762**	1,420
	1,055,851	976,850	**108,401**	95,496
Provision for impairment losses on:				
– Receivables	**46,271**	23,774	**47,361**	23,237
– Investments in subsidiaries	**–**	–	**651,452**	151,446
– Investments in associates	**–**	–	**–**	6,439
– Property, plant and equipment	**202,056**	7,138	**–**	–
– Right-of-use assets	**3,279**	–	**–**	–
– Goodwill	**2,694**	18,791	**–**	–
– Intangible assets	**3,023**	1,285	**–**	–
Reversal of impairment losses on receivables	**(2,832)**	(7,024)	**(30,134)**	–
Amortisation and depreciation of:				
– Property, plant and equipment	**196,391**	177,179	**19,791**	16,079
– Right-of-use assets	**47,915**	33,267	**3,765**	4,052
Auditors' remuneration				
– Ernst & Young PLT	**1,090**	308	**237**	–
– Other auditors	**209**	1,113	**–**	237
Loss/(gain) on disposal of:				
– Property, plant and equipment	**6,946**	(3,028)	**(26)**	37
– Financial assets at fair value through profit or loss	**13**	–	**13**	–
Share of results of associates and joint venture, net of impairments	**224,995**	47,760	**–**	–
Unrealised foreign exchange (gain)/loss	**(1,874)**	(2,732)	**7,913**	(9,968)
Write off:				
– Property, plant and equipment	**1,403**	465	**6**	248
– Right-of-use assets	**–**	7	**1,027**	–
Short term payments and payments for leases of low-value assets	**10,803**	919	**160**	144
Employee benefits (Including Executive Director remuneration):				
– Salaries, wages, allowances and bonuses	**248,006**	247,490	**57,935**	61,107
– Defined contribution plan	**19,324**	19,979	**5,264**	5,675
– Retirement benefit obligations	**4,191**	5,703	**208**	2,282
– Other employee benefits	**13,544**	12,101	**5,684**	3,734

7. LOSS BEFORE TAX (CONT'D.)

The following items have been included in arriving at loss before tax (cont'd.):

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Fair value changes on:				
– Financial assets at fair value through profit and loss	**8,237**	139	**7,333**	89
– Derivatives	**320**	1,774	**240**	1,372
– Biological assets	**(10,434)**	(1,339)	**332**	3,534
– Investment properties	**2,610**	(1,311)	**2,900**	(1,500)
Insurance recoveries	**(3,453)**	(5,268)	**–**	–
Rental yield guarantee	**890**	3,620	**890**	3,620
Reversal of contingent consideration	**–**	(30,011)	**–**	–
Compulsory land acquisition income	**–**	(5,922)	**–**	–
Reversal of provision for litigation	**(4,179)**	–	**–**	–
Provision for litigation	**38,843**	620	**–**	–

8. KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel comprise of Directors and top management of the Group, having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly.

The compensations of key management personnel are as follows:

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Managing Director:				
– Salaries, allowances and bonuses	**151**	–	**151**	–
– Estimated money value of benefits-in-kind	**5**	–	**5**	–
– Defined contribution plan	**20**	–	**20**	–
	176	–	**176**	–
Independent Executive Director:				
– Fees	**1**	–	**–**	–
– Salaries, allowances and bonuses	**363**	806	**363**	806
– Estimated money value of benefits-in-kind	**18**	79	**18**	79
– Defined contribution plan	**79**	96	**79**	96
– Other emoluments	**208**	–	**208**	–
	669	981	**668**	981
Non-Independent Executive Director:				
– Salaries, allowances and bonuses	**105**	–	**105**	–
– Defined contribution plan	**25**	–	**25**	–
	130	–	**130**	–

NOTES TO THE FINANCIAL STATEMENTS
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8. KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D.)

The compensations of key management personnel are as follows: (cont'd.):

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Non-Independent Non-executive Directors:				
– Fees	**10**	–	**9**	–
– Salaries, allowances and bonuses	**–**	836	**–**	836
– Estimated money value of benefits-in-kind	**–**	49	**–**	49
– Other emoluments	**–**	79	**–**	79
	10	964	**9**	964
Independent Non-executive Directors:				
– Fees	**57**	16	**57**	16
Other key management personnel:				
– Fees	**76**	263	**76**	263
– Salaries, allowances and bonuses	**3,656**	3,784	**3,656**	3,784
– Defined contribution plan	**518**	511	**518**	511
– Other emoluments	**1,200**	–	**1,200**	–
	5,450	4,558	**5,450**	4,558
	6,492	6,519	**6,490**	6,519

9. TAX

	Group		Company	
	2020 RM'000	2019 Restated RM'000	2020 RM'000	2019 Restated RM'000
Current income tax for the financial year:				
– Malaysia				
Current income tax	**67,618**	30,267	**900**	–
(Over)/under provision in prior financial years	**(4,564)**	26,285	**(238)**	13,182
	63,054	56,552	**662**	13,182
Deferred tax (Note 30):				
– Malaysia				
Relating to origination and reversal of temporary differences	**(1,921)**	(74,425)	**875**	(43,042)
Under provision in prior financial years	**37**	12,085	**1,746**	16,227
– Indonesia				
Relating to origination and reversal of temporary differences	**1,198**	–	**–**	–
	(686)	(62,340)	**2,621**	(26,815)
Total tax expense/(credit) for the year	**62,368**	(5,788)	**3,283**	(13,633)

9. TAX (CONT'D.)

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2019: 24%) of the estimated assessable loss for the year.

Reconciliation of income tax expense/(credit) applicable to loss before tax at the Malaysian statutory income tax rate to income tax expense/(credit) of the Group and the Company are as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Loss before tax	**(398,945)**	(127,847)	**(294,027)**	(237,611)
Taxation at Malaysian statutory tax rate of 24% (2019: 24%)	**(95,747)**	(30,683)	**(70,566)**	(57,027)
Tax recognised at different tax rate	**(4,072)**	145	**–**	–
Effect of non-deductible expenses	**128,999**	15,990	**183,497**	23,545
Effect of income exempt from tax	**(22,977)**	(31,353)	**(111,562)**	(9,560)
Deferred tax on fair value changes of investment properties	**213**	–	**406**	–
Share of results of associates and joint venture, net of impairments	**53,999**	11,462	**–**	–
Deferred tax assets not recognised on unutilised tax losses and unabsorbed capital allowances	**6,562**	–	**–**	–
Utilisation of previously unrecognised unutilised tax losses and unabsorbed capital allowances	**(82)**	(9,719)	–	–
(Over)/under provision of tax in prior financial years:				
Income tax	**(4,564)**	26,285	**(238)**	13,182
Deferred tax	**37**	12,085	**1,746**	16,227
Total tax expense/(credit) for the year	**62,368**	(5,788)	**3,283**	(13,633)

10. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Bearer assets RM'000	Immature fields RM'000	Buildings RM'000	Other assets RM'000	Capital work in progress RM'000	Total RM'000
Cost							
At 1 January 2020	1,739,014	1,096,187	139,033	263,610	1,602,330	116,286	4,956,460
Additions	–	2,849	47,117	5,448	40,021	117,068	212,503
Disposal	–	–	–	(725)	(52,688)	–	(53,413)
Write off	–	(15,383)	–	(3,145)	(24,948)	–	(43,476)
Reclassification	–	55,763	(59,572)	28,579	43,684	(68,454)	–
Transfer from right-of-use assets (Note 11)	571	–	–	–	–	–	571
Transfer to investment properties (Note 12)	–	–	–	(1,936)	–	–	(1,936)
Transfer to biological assets (Note 21)	–	(8,373)	–	–	–	–	(8,373)
Transfer to assets classified as held for sale (Note 23)	–	–	–	–	(209,766)	(13,328)	(223,094)
Exchange differences	–	(5,207)	–	(1,405)	(175)	(21)	(6,808)
At 31 December 2020	1,739,585	1,125,836	126,578	290,426	1,398,458	151,551	4,832,434
Accumulated depreciation							
At 1 January 2020	–	458,699	–	131,095	733,185	–	1,322,979
Charge for the financial year	–	49,479	–	17,115	129,797	–	196,391
Disposal	–	–	–	(725)	(31,334)	–	(32,059)
Write off	–	(13,152)	–	(6,016)	(22,713)	–	(41,881)
Transfer to investment properties (Note 12)	–	–	–	(1,685)	–	–	(1,685)
Transfer to biological assets (Note 21)	–	(3,902)	–	–	–	–	(3,902)
Transfer to assets classified as held for sale (Note 23)	–	–	–	–	(106,775)	–	(106,775)
Exchange differences	–	(521)	–	(116)	(105)	–	(742)
At 31 December 2020	–	490,603	–	139,668	702,055	–	1,332,326
Accumulated impairment losses							
At 1 January 2020	–	12,177	–	182	17,561	4,519	34,439
Charge for the financial year	–	20,640	66,669	22,962	86,086	5,699	202,056
Write off	–	–	–	(192)	–	–	(192)
Reclassification	–	–	–	42	(45)	3	–
Transfer to assets classified as held for sale (Note 23)	–	–	–	–	(21,637)	(4,278)	(25,915)
At 31 December 2020	–	32,817	66,669	22,994	81,965	5,943	210,388
Net book value as at 31 December 2020	1,739,585	602,416	59,909	127,764	614,438	145,608	3,289,720

10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group (cont'd.)	Freehold land RM'000	Bearer assets RM'000	Immature fields RM'000	Buildings RM'000	Other assets RM'000	Capital work in progress RM'000	Total RM'000
Cost							
At 1 January 2019	1,739,014	1,158,740	–	229,598	1,556,243	75,953	4,759,548
Additions	–	14,427	53,149	7,438	45,429	81,003	201,446
Disposal	–	–	–	(95)	(1,926)	(3,084)	(5,105)
Write off	–	(585)	–	(274)	(5,562)	–	(6,421)
Reclassification	–	(82,131)	85,884	26,025	7,989	(37,767)	–
Exchange differences	–	5,736	–	918	157	181	6,992
At 31 December 2019	1,739,014	1,096,187	139,033	263,610	1,602,330	116,286	4,956,460
Accumulated depreciation							
At 1 January 2019	–	406,044	–	122,005	624,781	340	1,153,170
Charge for the financial year	–	52,719	–	9,781	114,679	–	177,179
Disposal	–	–	–	(94)	(1,971)	–	(2,065)
Write off	–	(585)	–	(242)	(5,129)	–	(5,956)
Reclassification	–	–	–	(412)	752	(340)	–
Exchange differences	–	521	–	57	73	–	651
At 31 December 2019	–	458,699	–	131,095	733,185	–	1,322,979
Accumulated impairment losses							
At 1 January 2019	–	12,177	–	180	12,580	2,364	27,301
Charge for the financial year	–	–	–	2	4,981	2,155	7,138
At 31 December 2019	–	12,177	–	182	17,561	4,519	34,439
Net book value as at 31 December 2019	1,739,014	625,311	139,033	132,333	851,584	111,767	3,599,042

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10. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Other assets of the Group can be further analysed as follows:

Group (cont'd.)	Vessels, plant and machinery RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost				
At 1 January 2020	1,501,521	42,065	58,744	1,602,330
Additions	36,762	1,434	1,825	40,021
Disposal	(51,345)	(172)	(1,171)	(52,688)
Write off	(17,112)	(2,389)	(5,447)	(24,948)
Reclassification	24,339	19,170	175	43,684
Transfer to assets classified as held for sale (Note 23)	(209,766)	–	–	(209,766)
Exchange differences	(37)	(113)	(25)	(175)
At 31 December 2020	1,284,362	59,995	54,101	1,398,458
Accumulated depreciation				
At 1 January 2020	656,734	31,673	44,778	733,185
Charge for the financial year	102,007	22,908	4,882	129,797
Disposal	(30,233)	(180)	(921)	(31,334)
Write off	(18,024)	(1,010)	(3,679)	(22,713)
Reclassification	(497)	131	366	–
Transfer to assets classified as held for sale (Note 23)	(106,775)	–	–	(106,775)
Exchange differences	(12)	(70)	(23)	(105)
At 31 December 2020	603,200	53,452	45,403	702,055
Accumulated impairment losses				
At 1 January 2020	17,488	28	45	17,561
Charge for the financial year	85,824	252	10	86,086
Reclassification	(67)	37	(15)	(45)
Transfer to assets classified as held for sale (Note 23)	(21,637)	–	–	(21,637)
At 31 December 2020	81,608	317	40	81,965
Net book value as at				
31 December 2020	599,554	6,226	8,658	614,438

10. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Other assets of the Group can be further analysed as follows:

Group (cont'd.)	Vessels, plant and machinery RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost				
At 1 January 2019	1,462,974	38,299	54,970	1,556,243
Additions	36,868	2,328	6,233	45,429
Disposal	(778)	(226)	(922)	(1,926)
Write off	(3,015)	(1,037)	(1,510)	(5,562)
Reclassification	5,444	2,593	(48)	7,989
Exchange differences	28	108	21	157
At 31 December 2019	1,501,521	42,065	58,744	1,602,330
Accumulated depreciation				
At 1 January 2019	557,381	27,159	40,241	624,781
Charge for the financial year	102,715	4,669	7,295	114,679
Disposal	(752)	(233)	(986)	(1,971)
Write off	(2,836)	(1,010)	(1,283)	(5,129)
Reclassification	215	1,045	(508)	752
Exchange differences	11	43	19	73
At 31 December 2019	656,734	31,673	44,778	733,185
Accumulated impairment losses				
At 1 January 2019	12,542	28	10	12,580
Charge for the financial year	4,946	–	35	4,981
At 31 December 2019	17,488	28	45	17,561
Net book value as at				
31 December 2019	827,299	10,364	13,921	851,584

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10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Freehold land RM'000	Bearer assets RM'000	Immature fields RM'000	Buildings RM'000	Other assets RM'000	Capital work in progress RM'000	Total RM'000
Cost							
At 1 January 2020	**801,801**	**174,195**	**31,730**	**75,987**	**69,813**	**2,266**	**1,155,792**
Additions	**–**	**17,524**	**–**	**680**	**1,402**	**537**	**20,143**
Disposal	**–**	**–**	**–**	**–**	**(299)**	**–**	**(299)**
Write off	**–**	**(3,101)**	**–**	**(187)**	**(925)**	**–**	**(4,213)**
Transfer to biological assets (Note 21)	**–**	**(8,373)**	**–**	**–**	**–**	**–**	**(8,373)**
Reclassification	**–**	**–**	**–**	**73**	**326**	**(399)**	**–**
At 31 December 2020	**801,801**	**180,245**	**31,730**	**76,553**	**70,317**	**2,404**	**1,163,050**
Accumulated depreciation							
At 1 January 2020	**–**	**86,781**	**–**	**44,287**	**49,722**	**–**	**180,790**
Charge for the financial year	**–**	**10,567**	**–**	**2,304**	**6,920**	**–**	**19,791**
Disposal	**–**	**–**	**–**	**–**	**(290)**	**–**	**(290)**
Write off	**–**	**(3,101)**	**–**	**(185)**	**(921)**	**–**	**(4,207)**
Transfer to biological assets (Note 21)	**–**	**(3,902)**	**–**	**–**	**–**	**–**	**(3,902)**
At 31 December 2020	**–**	**90,345**	**–**	**46,406**	**55,431**	**–**	**192,182**
Net book value as at 31 December 2020	**801,801**	**89,900**	**31,730**	**30,147**	**14,886**	**2,404**	**970,868**

Company	Freehold land RM'000	Bearer assets RM'000	Immature fields RM'000	Buildings RM'000	Other assets RM'000	Capital work in progress RM'000	Total RM'000
Cost							
At 1 January 2019	801,801	188,077	–	65,391	65,402	18,613	1,139,284
Additions	–	6,003	12,430	1,004	1,290	461	21,188
Disposal	–	–	–	–	(128)	(3,084)	(3,212)
Write off	–	(585)	–	–	(883)	–	(1,468)
Reclassification	–	(19,300)	19,300	9,592	4,132	(13,724)	–
At 31 December 2019	801,801	174,195	31,730	75,987	69,813	2,266	1,155,792
Accumulated depreciation							
At 1 January 2019	–	80,120	–	42,344	43,546	–	166,010
Charge for the financial year	–	7,246	–	1,943	6,890	–	16,079
Write off	–	(585)	–	–	(635)	–	(1,220)
Disposal	–	–	–	–	(79)	–	(79)
At 31 December 2019	–	86,781	–	44,287	49,722	–	180,790
Net book value as at 31 December 2019	801,801	87,414	31,730	31,700	20,091	2,266	975,002

10. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Carrying amount of assets pledged as security for borrowings:				
– freehold lands	**407,346**	407,346	**–**	–
– bearer assets	**258,557**	264,112	**16,566**	12,660
– immature fields	**49,348**	49,710	**13,363**	12,511
– vessels	**455,790**	699,671	**–**	–
– vessels under construction	**–**	48,518	**–**	–
– buildings	**1,019**	1,058	**–**	–
	1,172,060	1,470,415	**29,929**	25,171

Borrowing costs

Included in property, plant and equipment of the Group and of the Company are interest capitalised amounting to RM12.89 million (2019: RM13.09 million) and RM Nil (2019: RM0.88 million), respectively. During the financial year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM212.50 million (2019: RM201.45 million) and RM20.14 million (2019: RM21.19 million), respectively. The acquisitions were settled through the following means:

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Cash payment	**212,403**	201,446	**20,143**	21,188
Finance leases	**100**	–	**–**	–
	212,503	201,446	**20,143**	21,188

Impairment of property, plant and equipment

The Group has estimated the recoverable amounts of certain property, plant and equipment during the financial year. The assessment has led to the recognition of impairment losses of RM202.06 million (2019: RM7.14 million) as disclosed in Note 7.

Included in these impairment losses is an amount of RM112.70 million relating to certain bearer assets and buildings of the subsidiaries, PT Rambang Agro Jaya ("PT RAJ") and PT Tempirai Palm Resources ("PT TPR"). The significant impairment loss was due to continuing losses incurred by the subsidiaries and negative market outlook, which were recorded in other expenses in the statement of comprehensive income. In determining the recoverable amounts of these bearer assets and buildings, the Group engaged an independent firm of valuers to perform valuation on the affected bearer assets and buildings. The recoverable amount was determined using a discounted cash flow model based on the pre-tax discount rate of 11%.

Included in the total impairment losses is an amount of RM89.36 million (2019: RM2.91 million) relating to certain vessels of a subsidiary, E.A Technique (M) Berhad. The significant impairment loss was due to the decline in the oil and gas market conditions. In determining the recoverable amounts of these vessels, the Group engaged an independent firm of valuers and applied judgement and estimates in determining the fair value of vessels based on quotations received from a broker, judgement of the Directors, and the management's experience in the industry in light of the volatility of current market conditions.

The above fair value measurements are classified in Level 3 of the fair value hierarchy. Further details of the fair value hierarchy are disclosed in Note 38.

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11. RIGHT-OF-USE ASSETS

The Group and the Company lease several assets as stated below. The Group and the Company's average lease term ranges from 2 to 904 years.

The Group's and the Company's obligations are secured by the lessors' title to the leased assets.

Group	Leasehold land RM'000	Leasehold building RM'000	Plant and machinery RM'000	Office equipment RM'000	Total RM'000
Net book value					
At 1 January 2019	**1,760,414**	**1,707**	**16,646**	**194**	**1,778,961**
Additions	**362**	**487**	**52,125**	**–**	**52,974**
Amortisation	**(24,676)**	**(1,104)**	**(7,419)**	**(68)**	**(33,267)**
Write off	**(7)**	**–**	**–**	**–**	**(7)**
Transfer to investment properties (Note 12)	**(16,535)**	**–**	**–**	**–**	**(16,535)**
Exchange differences	**1,545**	**–**	**–**	**–**	**1,545**
At 31 December 2019/1 January 2020	**1,721,103**	**1,090**	**61,352**	**126**	**1,783,671**
Additions	**19,335**	**1,343**	**–**	**–**	**20,678**
Amortisation	**(8,643)**	**(1,038)**	**(33,698)**	**(4,536)**	**(47,915)**
Impairment loss	**(3,279)**	**–**	**–**	**–**	**(3,279)**
Reclassification	**1,858**	**–**	**(9,235)**	**7,377**	**–**
Transfer to property, plant and equipment (Note 10)	**(571)**	**–**	**–**	**–**	**(571)**
Exchange differences	**(1,241)**	**–**	**–**	**–**	**(1,241)**
Derecognition	**(2,366)**	**(240)**	**(11,770)**	**(2,906)**	**(17,282)**
At 31 December 2020	**1,726,196**	**1,155**	**6,649**	**61**	**1,734,061**

Company	Leasehold land RM'000	Leasehold building RM'000	Office equipment RM'000	Total RM'000
Net book value				
At 1 January 2019	409,778	283	29	410,090
Additions	362	98	–	460
Amortisation	(3,890)	(153)	(9)	(4,052)
Transfer to investment properties (Note 12)	(16,535)	–	–	(16,535)
At 31 December 2019/1 January 2020	389,715	228	20	389,963
Additions	–	–	45	45
Amortisation	(3,633)	(122)	(10)	(3,765)
Derecognition	(941)	(86)	–	(1,027)
At 31 December 2020	385,141	20	55	385,216

Approximately 0.08% (2019: 2.98%) and 0.01% (2019: 0.12%) of the leases for the Group and the Company expired in the current financial year. New additions resulted in right-of-use assets of RM20.68 million (2019: RM52.97 million) and RM0.05 million (2019: RM0.46 million) for the Group and the Company respectively.

Certain leasehold land of the Group and the Company amounting to approximately RM1,189.80 million (2019: RM1,206.42 million) and RM233.63 million (2019: RM236.27 million) respectively are pledged as security for borrowings.

11. RIGHT-OF-USE ASSETS (CONT'D.)

Impairment of right-of-use assets

Included in the total impairment losses is an amount of RM3.28 million relating to certain right-of-use assets of a subsidiary, PT Rambang Agro Jaya ("PT RAJ"). The significant impairment loss was due to continuing losses incurred by the subsidiaries and negative market outlook, which were recorded in other expenses in the statement of comprehensive income. In determining the recoverable amounts of these right-of-use assets, the Group had engaged an independent firm of valuers to perform valuation on the assets. The recoverable amount was determined using a discounted cash flow model based on the pre-tax discount rate of 11%.

The above fair value measurement is classified in Level 3 of the fair value hierarchy. Further details of the fair value hierarchy are disclosed in Note 38.

Other details are as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
(a) Cash outflow for leases	**32,406**	16,629	**849**	856
(b) Short term payments and payments for leases of low-value assets	**10,803**	919	**160**	144

12. INVESTMENT PROPERTIES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 January	**69,307**	45,996	**52,380**	28,880
Net (loss)/gain from fair value adjustments recognised in profit or loss	**(2,610)**	1,311	**(2,900)**	1,500
Net (loss)/gain from fair value adjustments recognised in other comprehensive income	**(2,668)**	5,465	**–**	5,465
Transfer from property, plant and equipment (Note 10)	**251**	–	**–**	–
Transfer from right-of-use assets (Note 11)	**–**	16,535	**–**	16,535
At 31 December	**64,280**	69,307	**49,480**	52,380

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12. INVESTMENT PROPERTIES (CONT'D.)

Fair values were arrived at after taking into consideration valuations performed by independent firms of valuers. The fair value is categorised as Level 3 in the fair value hierarchy as the valuation is based on unobservable valuation inputs.

Description of valuation techniques used and key inputs to valuation:

Description	Valuation technique	Relationship of unobservable input to fair value	Significant unobservable inputs 2020	Significant unobservable inputs 2019
Group				
Land use right and building	Comparison method and cost method	The higher the value per square feet, the higher the valuation	RM4 – RM45 per square feet	RM5 – RM45 per square feet
Commercial land	Comparison method	The higher the value per square feet, the higher the valuation	RM38 – RM200 per square feet	RM36 – RM230 per square feet
Commercial land and building	Comparison method	The higher the value per square feet, the higher the valuation	RM351 – RM397 per square feet	RM391 – RM397 per square feet
Company				
Commercial land	Comparison method	The higher the value per square feet, the higher the valuation	RM38 – RM200 per square feet	RM36 – RM230 per square feet
Commercial land and building	Comparison method	The higher the value per square feet, the higher the valuation	RM350 per square feet	RM391 per square feet

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Rental income derived from investment properties	**1,524**	1,404	**1,163**	899
Direct operating expenses relating to rental income (included in cost of sales) recognised in profit or loss	**(792)**	(385)	**(245)**	(36)
Income arising from investment properties carried at fair value	**732**	1,019	**918**	863

The Group and the Company have no restrictions on the realisability of their investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

13. NON-CURRENT INVENTORIES

	Group and Company 2020 RM'000
Land held for development	**2,909**
Costs attributable to the development	**11,601**
	14,510

14. INTANGIBLE ASSETS

Group	Goodwill RM'000	Others RM'000	Total RM'000
Cost			
At 1 January 2019	29,010	9,614	38,624
Additions	–	184	184
At 31 December 2019/At 1 January 2020	29,010	9,798	38,808
Additions	–	7	7
At 31 December 2020	29,010	9,805	38,815
Accumulated amortisation and impairment			
At 1 January 2019	5,828	5,381	11,209
Impairment	18,791	1,285	20,076
Amortisation	–	25	25
At 31 December 2019/At 1 January 2020	24,619	6,691	31,310
Impairment	2,694	3,023	5,717
Amortisation	–	24	24
At 31 December 2020	27,313	9,738	37,051
Net carrying amount			
At 31 December 2020	1,697	67	1,764
At 31 December 2019	4,391	3,107	7,498

Impairment testing of intangible assets with indefinite useful lives

For the purpose of impairment testing, intangible assets have been allocated to the following cash-generating units ("CGU").

	Goodwill		Research and development		Total	
Group	**2020 RM'000**	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Cash generating units						
Insurance broking and consultancy	**1,642**	1,642	**–**	–	**1,642**	1,642
Oil and gas support services	**–**	2,232	**–**	–	**–**	2,232
Others	**–**	517	**122**	3,107	**122**	3,624
	1,642	4,391	**122**	3,107	**1,764**	7,498

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14. INTANGIBLE ASSETS (CONT'D.)

Key assumptions used in determining the recoverable amounts

The recoverable amounts of the CGUs have been determined based on value-in-use calculations using cash flow projections based on financial budgets approved by the Directors covering a five-year period.

The key assumptions on which management has based its cash flow projections are as follows:

	Revenue growth rate %	EBITDA margin %	Discount rate %	Terminal growth rate %
2020				
Cash generating units				
Insurance broking and consultancy	**20**	**18 to 34**	**10**	**3**
Oil and gas support services	**1**	**(8) to 7**	**10**	**3**
2019				
Cash generating units				
Insurance broking and consultancy	14	10 to 19	10	3
Oil and gas support services	1	(8) to 7	10	3

The revenue and EBITDA margins are determined by the Directors based on expectations of market development over the next 5 years. The discount rates used are based on selected market comparable companies and adjusted for projection risk. The terminal growth rate is the growth rate of the business in a stabilised state into perpetuity.

Goodwill relating to the construction of oil and gas equipment and intangible assets relating to research and development amounting to RM2.69 million (2019: RM18.79 million) and RM3.02 million (2019: RM1.29 million) respectively were impaired during the financial year due to negative market outlook for orders in hand and continuing poor performance respectively.

15. INVESTMENTS IN SUBSIDIARIES

	Company 2020 RM'000	Company 2019 RM'000
Amounts due from subsidiaries	**644,177**	635,707
Quoted shares in Malaysia	**6,837**	6,837
Unquoted shares in Malaysia	**649,852**	626,561
Unquoted shares outside Malaysia	**58,754**	58,754
	1,359,620	1,327,859
Less: Impairment losses	**(861,669)**	(210,217)
	497,951	1,117,642

During the financial year, the Company recorded RM651.45 million impairment losses for the investments in certain subsidiaries. The significant impairment of subsidiaries amounting to RM367.78, RM223.15 million, RM35.91 million and RM10.14 million relating to PT Wisesa Inspirasi Nusantara, Kulim Energy Nusantara Sdn Bhd, EPA Management Sdn Bhd and Danamin (M) Sdn Bhd respectively were due to continuing poor performance and negative market outlook, which were recorded in "other expenses" in the statement of comprehensive income.

The reconciliation of impairment losses for investments in subsidiaries as at 31 December is as follows:

	Company 2020 RM'000	Company 2019 RM'000
(i) Quoted and unquoted shares		
At 1 January	**81,909**	58,771
Impairment loss recognised in profit or loss during the financial year (recorded in other expenses)	**136,236**	23,138
At 31 December	**218,145**	81,909
(ii) Amounts due from subsidiaries		
At 1 January	**128,308**	–
Impairment loss recognised in profit or loss during the financial year (recorded in other expenses)	**515,216**	128,308
At 31 December	**643,524**	128,308
Total impairment losses	**861,669**	210,217

15. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

The amounts due from subsidiaries were assessed for expected credit losses as follows:

	Expected credit loss rate %	Basis for recognition of expected credit loss provision	Estimated gross carrying amount at default RM'000	Loss allowance RM'000	Carrying amount (net of impairment provision) RM'000
Company internal credit rating 31 December 2020					
Performing	0%	12 month ECL	**–**	**–**	**–**
Underperforming	100%	Lifetime ECL	**644,177**	**(643,524)**	**653**
Non-performing	0%	Lifetime ECL	**–**	**–**	**–**
Write-off	0%	Asset written off to profit or loss	**–**	**–**	**–**
			644,177	**(643,524)**	**653**

	Expected credit loss rate %	Basis for recognition of expected credit loss provision	Estimated gross carrying amount at default RM'000	Loss allowance RM'000	Carrying amount (net of impairment provision) RM'000
Company internal credit rating 31 December 2019					
Performing	1%	12 month ECL	272,948	(3,438)	269,510
Underperforming	34%	Lifetime ECL	362,759	(124,870)	237,889
Non-performing	0%	Lifetime ECL	–	–	–
Write-off	0%	Asset written off to profit or loss	–	–	–
			635,707	(128,308)	507,399

15. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Ownership interest held by the Group 2020 (%)	Ownership interest held by the Group 2019 (%)	Ownership interest held by non-controlling interest 2020 (%)	Ownership interest held by non-controlling interest 2019 (%)
Held by the Company:						
Mahamurni Plantations Sdn. Bhd.	Malaysia	Production of palm oil and palm kernels	**100.00**	100.00	**–**	–
Selai Sdn. Bhd.	Malaysia	Oil palm plantation and livestock farming	**100.00**	100.00	**–**	–
Ulu Tiram Manufacturing Company (Malaysia) Sdn. Bhd.	Malaysia	Oil palm plantation	**100.00**	100.00	**–**	–
Kumpulan Bertam Plantations Berhad	Malaysia	Oil palm plantation	**95.57**	95.57	**4.43**	4.43
EPA Management Sdn. Bhd.	Malaysia	Investment holding	**100.00**	100.00	**–**	–
+Skellerup Industries (Malaysia) Sdn. Bhd.	Malaysia	Investment holding	**100.00**	100.00	**–**	–
Kulim Topplant Sdn. Bhd.	Malaysia	Production of oil palm clones	**100.00**	100.00	**–**	–
+JTP Trading Sdn. Bhd.	Malaysia	Trading and distribution of tropical fruits	**100.00**	100.00	**–**	–
+Kulim Energy Sdn. Bhd.	Malaysia	Dormant	**80.00**	80.00	**20.00**	20.00
+Pristine Bay Sdn. Bhd.	Malaysia	Investment holding	**100.00**	100.00	**–**	–
Kulim Plantations (Malaysia) Sdn. Bhd.	Malaysia	Production of palm oil and palm kernels	**100.00**	100.00	**–**	–
Sindora Berhad	Malaysia	Investment holding, operations of oil palm	**100.00**	100.00	**–**	–
+Cita Tani Sdn. Bhd.	Malaysia	Dormant	**100.00**	100.00	**–**	–
+Renown Value Sdn. Bhd.	Malaysia	Cultivation of pineapples and other agricultural produce	**100.00**	100.00	**–**	–
Kulim Nursery Sdn. Bhd.	Malaysia	Oil palm nursery and other related services	**100.00**	100.00	**–**	–
+SG Lifestyle Sdn. Bhd.	Malaysia	Dormant	**100.00**	100.00	**–**	–
Danamin (M) Sdn. Bhd.	Malaysia	Providing non-destructive testing services and performing electrical engineering works for oil and gas, marine, chemical and construction industries	**75.00**	75.00	**25.00**	25.00
+PT Wisesa Inspirasi Nusantara	Indonesia	Investment holding	**74.00**	74.00	**26.00**	26.00
Kulim Energy Nusantara Sdn. Bhd.	Malaysia	Investment holding	**100.00**	100.00	**–**	–
Kulim Smart Technologies Sdn. Bhd.	Malaysia	Ceased operation	**100.00**	100.00	**–**	–
#E.A. Technique (M) Berhad	Malaysia	Provision of sea transportation and related services	**52.48**	53.16	**47.52**	46.84
+Kulim Green Energy Ventures Sdn. Bhd.	Malaysia	Renewable energy	**55.00**	100.00	**45.00**	–

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15. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

Details of the subsidiaries are as follows (cont'd.):

Name of subsidiaries	Country of incorporation	Principal activities	Ownership interest held by the Group 2020 (%)	Ownership interest held by the Group 2019 (%)	Ownership interest held by non-controlling interest 2020 (%)	Ownership interest held by non-controlling interest 2019 (%)
Held through Mahamurni Plantations Sdn. Bhd.:						
+Pembangunan Mahamurni Sdn. Bhd.	Malaysia	Investment holding	**100.00**	100.00	**–**	–
United Malayan Agricultural Corporation Berhad	Malaysia	Oil palm plantation	**100.00**	100.00	**–**	–
Held through Ulu Tiram Manufacturing Company (Malaysia) Sdn. Bhd.:						
*EPA Futures Sdn. Bhd.	Malaysia	Dormant	**–**	51.00	**–**	49.00
Held through EPA Management Sdn. Bhd.						
Edaran Badang Sdn. Bhd.	Malaysia	Dealer in agricultural machinery and parts	**100.00**	100.00	**–**	–
+Kulim Civilworks Sdn. Bhd.	Malaysia	Investment holding, facility maintenance, construction services FFB transportation, trading electrical items, air conditioner spare parts and sealant	**100.00**	100.00	**–**	–
Kulim Livestock Sdn. Bhd.	Malaysia	Livestock farming	**100.00**	100.00	**–**	–
+Special Appearance Sdn. Bhd.	Malaysia	Replanting of oil palm and other related services	**99.56**	99.56	**0.44**	0.44
Extreme Edge Sdn. Bhd.	Malaysia	Supply of information technology (IT) hardware and provision of IT maintenance and development services	**75.00**	75.00	**25.00**	25.00
Kulim Safety Training and Services Sdn. Bhd.	Malaysia	Provision of training services and any other services related to occupational safety, health, environmental and security systems and fire safety	**75.00**	75.00	**25.00**	25.00
+PT Kulim Agro Persada	Indonesia	Dormant	**100.00**	100.00	**–**	–
Perfect Synergy Trading Sdn. Bhd.	Malaysia	Trading and supplying of fertilizer and chemicals	**75.00**	75.00	**25.00**	25.00
Held through Kulim Civilworks Sdn. Bhd.:						
+KCW Hardware Sdn. Bhd.	Malaysia	Dormant	**100.00**	100.00	**–**	–
+KCW Kulim Marine Services Sdn. Bhd.	Malaysia	Dormant	**100.00**	100.00	**–**	–
+KCW Electrical Sdn. Bhd.	Malaysia	Dormant	**100.00**	100.00	**–**	–
+Kulim Technology Ideas Sdn. Bhd.	Malaysia	Dormant	**100.00**	100.00	**–**	–

15. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

Details of the subsidiaries are as follows (cont'd.):

Name of subsidiaries	Country of incorporation	Principal activities	Ownership interest held by the Group 2020 (%)	Ownership interest held by the Group 2019 (%)	Ownership interest held by non-controlling interest 2020 (%)	Ownership interest held by non-controlling interest 2019 (%)
Held through Kulim Safety Training and Services Sdn. Bhd.:						
+Optimum Status Sdn. Bhd.	Malaysia	Provision of mechanical and electrical services	**75.00**	75.00	**25.00**	25.00
Held through Skellerup Industries (Malaysia) Sdn. Bhd.:						
+SIM Manufacturing Sdn. Bhd.	Malaysia	Dormant	**90.00**	90.00	**10.00**	10.00
Held through Extreme Edge Sdn. Bhd.						
Sovereign Multimedia Resources Sdn. Bhd.	Malaysia	Software development, technical services, and support related to software design and hardware related to software implementation and other related ICT business	**75.00**	75.00	**25.00**	25.00
Pinnacle Platform Sdn. Bhd.	Malaysia	Development and maintenance of information technology application system	**75.00**	75.00	**25.00**	25.00
Held through Kulim Livestock Sdn. Bhd.:						
*Exquisite Livestock Sdn. Bhd.	Malaysia	Dormant	**–**	100.00	**–**	–
Held through Sindora Berhad:						
+Sindora Wood Products Sdn. Bhd.	Malaysia	Dormant	**100.00**	100.00	**–**	–
*Sindora Timber Products Sdn. Bhd.	Malaysia	Dormant	**–**	100.00	**–**	–
+Sindora Trading Sdn. Bhd.	Malaysia	Dormant	**100.00**	100.00	**–**	–
+Sindora Development Sdn. Bhd.	Malaysia	Dormant	**100.00**	100.00	**–**	–
+Sindora Timber Sdn. Bhd.	Malaysia	Dormant	**100.00**	100.00	**–**	–
+Epasa Shipping Agency Sdn. Bhd.	Malaysia	Shipping and forwarding agent	**100.00**	100.00	**–**	–
*E.A. Technique (M) Berhad	Malaysia	Provision of sea transportation and related service	**52.48**	53.16	**47.52**	46.84
+Microwell Bio Solutions Sdn. Bhd.	Malaysia	Ceased operations	**60.00**	60.00	**40.00**	40.00
MIT Insurance Brokers Sdn. Bhd.	Malaysia	Insurance broking and consultancy	**100.00**	100.00	**–**	–

15. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

Details of the subsidiaries are as follows (cont'd.):

Name of subsidiaries	Country of incorporation	Principal activities	Ownership interest held by the Group 2020 (%)	Ownership interest held by the Group 2019 (%)	Ownership interest held by non-controlling interest 2020 (%)	Ownership interest held by non-controlling interest 2019 (%)
Held through E.A. Technique (M) Berhad:						
Johor Shipyard & Engineering Sdn. Bhd.	Malaysia	Shipbuilding, fabrication of steel structures, engineering services and consultancy	**52.48**	53.16	**47.52**	46.84
Libra Prefex Precision Sdn. Bhd.	Malaysia	Hiring and chartering of marine vessels	**52.48**	53.16	**47.52**	46.84
Held through Microwell Bio Solutions Sdn. Bhd.:						
*Microwell Trading Sdn. Bhd.	Malaysia	Dormant	**–**	60.00	**–**	40.00
Held through MIT Insurance Broker Sdn Bhd:						
MIT Captive Ltd	Malaysia	Licensed to carry Labuan captive takaful business	**100.00**	100.00	**–**	–
Held through Danamin (M) Sdn. Bhd.:						
+DQ-IN Sdn. Bhd.	Malaysia	Business of engineering and fabrication	**75.00**	75.00	**25.00**	25.00
+Xcot Tech Sdn. Bhd.	Malaysia	Dormant	**75.00**	75.00	**25.00**	25.00
Held through PT Wisesa Inspirasi Nusantara:						
+PT Tempirai Palm Resources	Indonesia	Oil palm plantation	**70.30**	70.30	**29.70**	29.70
+PT Rambang Agro Jaya	Indonesia	Oil palm plantation	**70.30**	70.30	**29.70**	29.70

Listed on Main Market of Bursa Malaysia Securities Berhad
* Disposed during the financial year
\+ Audited by firms other than Ernst and Young PLT

15. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

(a) Decrease of interest in subsidiaries in 2020

During the financial year, the Group via E.A Technique (M) Berhad ("EAT") announced the private placement of new ordinary shares representing approximately 21.1% of the Company's total number of issued shares (excluding treasury shares) allotted to its holding company and independent third party investors. Following the completion of the private placement, the Group's shareholdings in EAT decreased from 53.16% to 52.48%.

On 1 October 2019, the Company entered into share sale agreement with a third party in relation to the proposed disposal of 45% equity interest in Kulim Green Energy Ventures Sdn. Bhd. ("KGEV"). The disposal was completed on 3 February 2020. Accordingly, the Group's shareholdings in KGEV decreased from 100% to 55%.

The transactions above did not have any significant effect on the financial position and results of the Group except for the increase in non-controlling interests amounting to RM7.78 million.

(b) Disposal of subsidiaries in 2020

During the financial year, the Group entered into share sale agreements with third parties in relation to the proposed disposal of EPA Futures Sdn. Bhd., Exquisite Livestock Sdn. Bhd., Sindora Timber Products Sdn. Bhd. and Microwell Trading Sdn. Bhd. for a purchase consideration of RM1 for each subsidiary. The decision is in line with the Group's intention to streamline its business activities and assets base by focusing on the Group's strength and expertise in palm oil and its related businesses. The disposal was completed on 13 November 2020. Accordingly, the abovementioned entities ceased to be subsidiaries of the Group.

The disposal did not have any significant effect on the financial position and results of the Group.

(c) Increase in interest in subsidiaries in 2019

In the previous financial year, the Group acquired an additional 25.00% equity interest in Renown Value Sdn. Bhd., 17.97% equity interest in Sindora Timber Sdn. Bhd. and 25.00% equity interest in MIT Insurance Brokers Sdn. Bhd. for a total consideration of RM0.08 million, RM1 and RM2.27 million respectively. The acquisitions above did not have any significant effect on the financial position and results of the Group except for the increase in non-controlling interests amounting to RM3.83 million.

(d) Disposal of a subsidiaries in 2019

In the previous financial year, the Group entered into share sale agreements with third parties in relation to the proposed disposal of Akli Resources Sdn. Bhd., Jejak Juara Sdn. Bhd., JTP Montel Sdn. Bhd., Tiram Fresh Sdn. Bhd., Skellerup Foam Products Sdn. Bhd. and Skellerup Latex Products Sdn. Bhd. for a purchase consideration of RM1 for each subsidiary. The decisions were in line with the Group's intention to streamline its business activities and assets base by focusing on the Group's strength and expertise in palm oil and its related businesses. The disposals were completed on 24 July 2019. Accordingly, the abovementioned entities ceased to be subsidiaries of the Group. Panquest Ventures Limited was struck off on 26 February 2019.

The disposals did not have any significant effect on the financial position and results of the Group.

In the previous financial year, the Group reversed the contingent consideration relating to the acquisitions in 2016 of PT Rambang Agro Jaya and PT Tempirai Palm Resources amounting to RM30 million as the Group no longer had any obligations arising.

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15. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

(e) Summarised financial information of subsidiaries which have non-controlling interests that are material to the Group

Proportion of equity interest held by non-controlling interests:

	2020 %	2019 %
E.A. Technique (M) Berhad ("EAT") Group	**47.52**	46.84
PT Wisesa Inspirasi Nusantara ("PT WIN") Group	**26.00**	26.00

Summarised statements of financial position before intra-group elimination:

	EAT Group RM'000	PT WIN Group RM'000	Total RM'000
At 31 December 2020			
Current assets	**137,722**	**9,696**	**147,418**
Non-current assets	**588,841**	**169,573**	**758,414**
Current liabilities	**(531,038)**	**(357,825)**	**(888,863)**
Non-current liabilities	**(37,859)**	**–**	**(37,859)**
Total equity	**157,666**	**(178,556)**	**(20,890)**
Attributable to:			
– Equity holders of the Company	**82,743**	**(132,131)**	**(49,388)**
– Non-controlling interests	**74,923**	**(46,425)**	**28,498**
	157,666	**(178,556)**	**(20,890)**
At 31 December 2019			
Current assets	79,165	10,905	90,070
Non-current assets	834,040	268,199	1,102,239
Current liabilities	(475,719)	(282,695)	(758,414)
Non-current liabilities	(219,780)	(831)	(220,611)
Total equity	217,706	(4,422)	213,284
Attributable to:			
– Equity holders of the Company	115,733	(3,272)	112,461
– Non-controlling interests	101,973	(1,150)	100,823
	217,706	(4,422)	213,284

15. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

(e) Summarised financial information of subsidiaries which have non-controlling interests that are material to the Group (cont'd.)

Summarised statements of comprehensive income before intra-group elimination:

	EAT Group RM'000	PT WIN Group RM'000	Total RM'000
At 31 December 2020			
Revenue	**303,193**	**6,696**	**309,889**
Cost of sales	**(253,832)**	**(22,872)**	**(276,704)**
Other income	**4,881**	**1,252**	**6,133**
Administrative and other expenses	**(119,277)**	**(160,656)**	**(279,933)**
Finance costs	**(18,741)**	**–**	**(18,741)**
Loss before tax	**(83,776)**	**(175,580)**	**(259,356)**
Tax	**13,080**	**(1,165)**	**11,915**
Loss net of tax, representing total comprehensive loss for the financial year	**(70,696)**	**(176,745)**	**(247,441)**
Attributable to:			
– Equity holders of the Company	**(37,101)**	**(130,791)**	**(167,892)**
– Non-controlling interests	**(33,595)**	**(45,954)**	**(79,549)**
	(70,696)	**(176,745)**	**(247,441)**
At 31 December 2019			
Revenue	271,872	3,214	275,086
Cost of sales	(194,933)	(14,266)	(209,199)
Other income	10,303	154	10,457
Administrative and other expenses	(77,547)	(2,846)	(80,392)
Finance costs	(22,300)	–	(22,300)
Loss before tax	(12,605)	(13,744)	(26,348)
Tax	3,716	1,352	5,068
Loss net of tax, representing total comprehensive loss for the financial year	(8,889)	(12,392)	(21,280)
Attributable to:			
– Equity holders of the Company	(4,725)	(9,170)	(13,894)
– Non-controlling interests	(4,164)	(3,222)	(7,386)
	(8,889)	(12,392)	(21,280)

15. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

(e) Summarised financial information of subsidiaries which have non-controlling interests that are material to the Group (cont'd.)

Summarised statements of cash flows before intra-group elimination:

	EAT Group RM'000	PT WIN Group RM'000	Total RM'000
At 31 December 2020			
Net cash generated from/(used in) operating activities	**197,904**	**(17,227)**	**180,677**
Net cash used in investing activities	**(93,306)**	**(27,832)**	**(121,138)**
Net cash (used in)/generated from financing activities	**(108,937)**	**47,198**	**(61,739)**
Net (decrease)/increase in cash and cash equivalents	**(4,339)**	**2,139**	**(2,200)**
At 31 December 2019			
Net cash generated from/(used in) operating activities	143,369	(5,729)	137,640
Net cash used in investing activities	(60,222)	(40,738)	(100,960)
Net cash (used in)/generated from financing activities	(74,814)	45,213	(29,601)
Net increase/(decrease) in cash and cash equivalents	8,333	(1,254)	7,079

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Investments in associates:				
Unquoted shares in Malaysia	**4,739**	4,739	**3,939**	3,939
Amount due from an associate	**2,500**	2,500	**2,500**	2,500
Share of post-acquisition reserves	**3,665**	3,018	**–**	–
	10,904	10,257	**6,439**	6,439
Accumulated impairment losses	**(6,439)**	(3,939)	**(6,439)**	(6,439)
	4,465	6,318	**–**	–
Investment in joint venture:				
Unquoted shares in Indonesia	**310,104**	306,808	**–**	–
Share of post-acquisition reserve	**(48,378)**	(43,980)	**–**	–
Accumulated impairment losses	**(261,726)**	(42,982)	**–**	–
	–	219,846	**–**	–
	4,465	226,164	**–**	–

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONT'D.)

Details of the associates and joint venture are as follows:

Name	Country of incorporation/ principal place business	Principal activities	Nature of relationship	% of ownership interest held by the Group* 2020 (%)	2019 (%)
Held by Company					
Intrapreneur Value Creation Sdn. Bhd. ("IVC")	Malaysia	To provide financing to companies within Johor Corporation Group based on Shariah principles	Associate	**29.91**	29.91
Held through Sindora Berhad					
Tepak Marketing Sdn. Bhd. ("Tepak")	Malaysia	Tea blending and packaging	Associate	**20.00**	20.00
Held through Kulim Energy Nusantara Sdn Bhd					
PT Rizki Bukit Barisan Energi ("PT RBBE")*	Indonesia	Operator of a Production Sharing Contract in South West Bukit Barisan ("PSC SWBB")	Joint Venture	**60.00**	60.00

* By virtue of the agreements as disclosed in Note 36 (a), the Group considers that it has joint control over the operations of PT RBBE.

Impairment of investments accounted for using the equity method

Due to the unfavourable results of exploration activities, poor future prospects and continued losses incurred by PT RBBE, the investment in PT RBBE was assessed for impairment.

In determining the recoverable amount of the investment in PT RBBE, the Group engaged an independent technical and commercial oil and gas consultant to perform a valuation on the investment in PT RBBE. An impairment test was performed by comparing the recoverable amount against the carrying value of the cash generating unit. The recoverable amount is determined by calculation of the value-in-use based on the discounted cash flow model as no recent third party transactions exist on which a reliable market-based fair value can be established. The value-in-use calculation model, takes into consideration cash flows, which are expected to arise until year of 2038, being the license term of the oil and gas field.

The aforementioned impairment assessment has resulted in impairment losses of RM218.74 million (2019: RM42.98 million) being recorded during the financial year ended 31 December 2020.

The key assumptions used in the Group's discounted cash flow models reflect past experience and take account of external factors. These assumptions are:

Description	Significant inputs
Oil prices	USD60/barrel
Gas prices	USD5.15/Metric million British thermal unit
Reserves and recoveries:	
Oil reserves	0.8 million stock tank barrels
Gas reserves	31 billion standard cubic feet
Discount rate	10%

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONT'D.)

Summarised financial information of investments accounted for using the equity method

Summarised financial information is set out below. The summarised financial information represents the amounts in the financial statements and not the Group's share of those amounts.

(i) Summarised statements of financial position of associates

	IVC RM'000	Tepak RM'000	Total RM'000
At 31 December 2020			
Non-current assets	**9,445**	**1,710**	**11,155**
Current assets			
Cash and cash equivalents	**3,340**	**6,573**	**9,913**
Other current assets	**2,449**	**15,458**	**17,907**
	5,789	**22,031**	**27,820**
Total assets	**15,234**	**23,741**	**38,975**
Non-current liabilities	**2,500**	**149**	**2,649**
Current liabilities	**608**	**1,265**	**1,873**
Total liabilities	**3,108**	**1,414**	**4,522**
Net assets	**12,126**	**22,327**	**34,453**
At 31 December 2019			
Non-current assets	7,684	1,942	9,626
Current assets			
Cash and cash equivalents	5,083	777	5,860
Other current assets	2,561	22,987	25,548
	7,644	23,764	31,408
Total assets	15,328	25,706	41,034
Non-current liabilities	2,500	149	2,649
Current liabilities	848	6,469	7,317
Total liabilities	3,348	6,618	9,966
Net assets	11,980	19,088	31,068

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONT'D.)

Summarised financial information of investments accounted for using the equity method (cont'd.)

(ii) Summarised statements of comprehensive income of associates

	IVC RM'000	Tepak RM'000	Total RM'000
At 31 December 2020			
Revenue	**63**	**40,323**	**40,386**
Depreciation	**–**	**(248)**	**(248)**
Other income	**102**	**54**	**156**
Profit for the financial year	**146**	**3,239**	**3,385**
Total comprehensive income for the financial year	**146**	**3,239**	**3,385**
At 31 December 2019			
Revenue	105	41,420	41,525
Depreciation	–	(293)	(293)
Other income	273	64	337
(Loss)/profit for the financial year	(1,190)	4,571	3,381
Total comprehensive (loss)/income for the financial year	(1,190)	4,571	3,381

(iii) Reconciliation of the summarised financial information presented above to the carrying amount on the associates

	IVC RM'000	Tepak RM'000	Total RM'000
At 31 December 2020			
Net assets at 1 January	**11,980**	**19,088**	**31,068**
Profit net of tax	**146**	**3,239**	**3,385**
Net assets	**12,126**	**22,327**	**34,453**
Interest in associates	**29.91%**	**20.00%**	
Group's share of net assets	**3,627**	**4,465**	**8,092**
Share of losses in excess of investment not recognised	**312**	**–**	**312**
Amount due from an associate	**2,500**	**–**	**2,500**
Accumulated impairment losses	**(6,439)**	**–**	**(6,439)**
Carrying value of Group's interest in associates, net of impairment losses	**–**	**4,465**	**4,465**
At 31 December 2019			
Net assets at 1 January	13,170	14,517	27,687
(Loss)/profit net of tax	(1,190)	4,571	3,381
Net assets	11,980	19,088	31,068
Interest in associate	**29.91%**	**20.00%**	
Group's share of net assets	3,583	3,818	7,401
Share of losses in excess of investment not recognised	356	–	356
Amount due from an associate	2,500	–	2,500
Accumulated impairment losses	(3,939)	–	(3,939)
Carrying value of Group's interest in associates, net of impairment losses	2,500	3,818	6,318

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16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONT'D.)

Summarised financial information of investments accounted for using the equity method (cont'd.)

(iv) Summarised statement of financial position of joint venture

	PT RBBE	
	RM'000 2020	RM'000 2019
Non-current assets	**180,711**	187,226
Current assets		
Cash and cash equivalents	**137**	6,410
Other current assets	**20,030**	20,824
Total current assets	**20,167**	27,234
Total assets	**200,878**	214,460
Non-current liabilities	**279,504**	282,524
Current liabilities	**645**	6,015
Total liabilities	**280,149**	288,539
Net liabilities	**(79,271)**	(74,079)

(v) Summarised statement of comprehensive income of joint venture

	PT RBBE	
	RM'000 2020	RM'000 2019
Other income	**4**	10
Interest expenses	**(3)**	15
Administrative and other expenses	**(7,101)**	(1,852)
Loss before tax	**(7,100)**	(1,827)
Income tax (expenses)/credit	**(229)**	75
Loss net of tax, representing total comprehensive loss for the year	**(7,329)**	(1,752)

(vi) Reconciliation of the summarised financial information presented above to the carrying amount on the joint venture:

	PT RBBE	
	RM'000 2020	RM'000 2019
Net liabilities at 1 January	**(74,079)**	(72,327)
Loss net of tax	**(7,329)**	(1,752)
Net liabilities at 31 December	**(81,408)**	(74,079)
Add: Share capital	**779**	779
Reserves	**(80,629)**	(73,300)
Interest in joint venture	**60.00%**	**60.00%**
Share of post-acquisition reserves	**(48,378)**	(43,980)
Cost of investment	**310,104**	306,808
Accumulated impairment losses	**(261,726)**	(42,982)
Carrying value of Group's interest in joint venture, net of impairment losses	**–**	219,846

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Shares in Malaysia		
Group	**Unquoted RM'000**	**Quoted RM'000**	**Total RM'000**
Non-current			
31 December 2020			
Financial assets at fair value through other comprehensive income	**22,298**	**18,947**	**41,245**
Current			
31 December 2020			
Financial assets at fair value through other comprehensive income	**–**	**15,827**	**15,827**
Non-current			
31 December 2019			
Financial assets at fair value through other comprehensive income	12,325	36,808	49,133

	Shares in Malaysia		
Company	**Unquoted RM'000**	**Quoted RM'000**	**Total RM'000**
Non-current			
31 December 2020			
Financial assets at fair value through other comprehensive income	**12,361**	**18,938**	**31,299**
Current			
31 December 2020			
Financial assets at fair value through other comprehensive income	**–**	**4,998**	**4,998**
Non-current			
31 December 2019			
Financial assets at fair value through other comprehensive income	9,241	23,866	33,107

The significant unobservable inputs used in the fair value measurements of unquoted equity instruments are categorised as Level 3 of the fair value hierarchy. The fair values of the non-listed equity investments have been estimated using the value of net tangible assets of the investees.

Active markets exist for the quoted shares of the Group and of the Company.

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18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group	Shares in Malaysia Quoted RM'000	Warrants in Malaysia Quoted RM'000	Total RM'000
Non-current			
31 December 2020			
Financial assets at fair value through profit or loss	**15,046**	**–**	**15,046**
Current			
31 December 2019			
Financial assets at fair value through profit or loss	22,159	1,209	23,368

Company	Shares in Malaysia Quoted RM'000	Warrants in Malaysia Quoted RM'000	Total RM'000
Non-current			
31 December 2020			
Financial assets at fair value through profit or loss	**14,883**	**–**	**14,883**
Current			
31 December 2019			
Financial assets at fair value through profit or loss	21,919	382	22,301

Active markets exist for the quoted shares and warrants of the Group and of the Company.

19. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Non-current				
Other receivables:				
Third parties	**58,430**	58,488	**56,386**	56,386
Holding corporation	**–**	188,848	**–**	188,848
Related companies	**–**	1,567	**–**	1,567
Subsidiaries	**–**	–	**4,549**	3,681
	58,430	248,903	**60,935**	250,482
Less: Allowance for impairment losses:				
Third parties	**(58,430)**	(16,137)	**(56,386)**	(16,084)
Holding corporation	**–**	(1,421)	**–**	(1,421)
Subsidiaries	**–**	–	**(4,549)**	(2,038)
	(58,430)	(17,558)	**(60,935)**	(19,543)
	–	231,345	**–**	230,939
Other non-current assets:				
Holding corporation prepayment	**60,531**	–	**–**	–
Total non-current	**60,531**	231,345	**–**	230,939

19. TRADE AND OTHER RECEIVABLES (CONT'D.)

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Current				
Trade receivables:				
Third parties	**97,661**	121,343	**1,286**	2,348
Less: Allowance for impairment losses:				
Third parties	**(11,166)**	(11,741)	**(385)**	(1,252)
	86,495	109,602	**901**	1,096
Other receivables:				
Third parties	**43,759**	61,521	**14,438**	54,440
Less: Allowance for impairment losses:				
Third parties	**(18,014)**	(17,767)	**(11,536)**	(11,548)
	25,745	43,754	**2,902**	42,892
Amounts due from:				
Subsidiaries	**–**	–	**39,030**	65,203
Holding corporation	**367,005**	209,781	**360,328**	199,443
Related companies	**8,216**	5,645	**6,566**	2,752
	375,221	215,426	**405,924**	267,398
Less: Allowance for impairment losses:				
Subsidiaries	**–**	–	**(13,171)**	(39,526)
Holding corporation	**(5,521)**	(2,464)	**(4,617)**	(3,005)
Related companies	**(2,486)**	(2,648)	**(1,457)**	–
	(8,007)	(5,112)	**(19,245)**	(42,531)
Amounts due from, net	**367,214**	210,314	**386,679**	224,867
Other current assets:				
Deposit	**2,981**	2,860	**197**	–
Prepayments	**11,827**	15,429	**2,172**	2,503
	14,808	18,289	**2,369**	2,503
Total current	**494,262**	381,959	**392,851**	271,358
Total trade and other receivables	**554,793**	613,304	**392,851**	502,297

(i) Included in non-current other receivables of the Group and the Company are amounts due from PT Graha Sumber Berkah and its related companies amounting to RM58.43 million and RM56.39 million respectively that were fully impaired during the financial year due to negative market outlook. Prepayment in other non-current assets mainly relate to advance payments to the holding corporation for land lease arrangements amounting to RM60.53 million.

(ii) The amounts due from holding corporation of the Group and of the Company amounting to RM367.01 million (2019: RM398.63 million) and RM360.33 million (2019: RM388.29 million) respectively are unsecured, with interest charged at 4.26% (2019: 4.93% - 5.84%) per annum.

(iii) Certain amounts due from subsidiaries amounting to RM45.58 million (2019: RM68.88 million) are unsecured, with interest charged at 3.56% - 4.26% (2019: 4.93% - 6.85%) per annum.

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19. TRADE AND OTHER RECEIVABLES (CONT'D.)

(a) Reconciliation of loss allowance

(i) Trade receivables

The reconciliation of the loss allowance for trade receivables as at 31 December is as follows:

	2020 RM'000	2019 RM'000
Group		
At 1 January	**11,741**	15,104
Increase in loss allowance recognised in profit or loss during the financial year	**1,211**	737
Reversal of provision	**(1,786)**	(4,100)
At 31 December	**11,166**	11,741
Company		
At 1 January	**1,252**	1,252
Reversal of provision	**(867)**	–
At 31 December	**385**	1,252

(ii) Other receivables (third parties)

The reconciliation of the loss allowance for other receivables as at 31 December is as follows:

	2020 RM'000	2019 RM'000
Group		
At 1 January	**33,904**	13,619
Increase in loss allowance recognised in profit or loss during the financial year	**42,957**	20,676
Reversal of provision	**(417)**	(391)
At 31 December	**76,444**	33,904
Company		
At 1 January	**27,632**	13,451
Increase in loss allowance recognised in profit or loss during the financial year	**40,290**	14,181
At 31 December	**67,922**	27,632

19. TRADE AND OTHER RECEIVABLES (CONT'D.)

(a) Reconciliation of loss allowance (cont'd.)

(iii) Holding corporation and related companies

The reconciliation of the loss allowance for amounts due from holding corporation and related companies as at 31 December is as follows:

	2020 RM'000	2019 RM'000
Group		
At 1 January	**6,533**	6,705
Increase in loss allowance recognised in profit or loss during the financial year	**2,103**	2,361
Reversal of provision	**(629)**	(2,533)
At 31 December	**8,007**	6,533
Company		
At 1 January	**45,990**	36,934
Increase in loss allowance recognised in profit or loss during the financial year	**7,071**	9,056
Reversal of provision	**(29,267)**	–
At 31 December	**23,794**	45,990

(b) Maximum exposure to credit risk

(i) Trade receivables using simplified approach.

The Group and the Company apply the MFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 24 months before 31 December 2020 or 31 December 2019 respectively and the corresponding historical credit losses experienced within this period. No significant changes to estimation techniques or assumptions were made during the reporting period.

19. TRADE AND OTHER RECEIVABLES (CONT'D.)

(b) Maximum exposure to credit risk (cont'd.)

(i) Trade receivables using simplified approach (cont'd.)

Group	Current RM'000	More than 30 days past due RM'000	More than 60 days past due RM'000	More than 90 days past due RM'000	Total RM'000
31 December 2020					
Expected loss rate	**1%**	**1%**	**0%**	**47%**	
Gross carrying amount – trade receivables	**69,055**	**3,748**	**2,475**	**22,383**	**97,661**
Loss allowance	**(720)**	**(22)**	**–**	**(10,424)**	**(11,166)**
Carrying amount (net of loss allowance)	**68,335**	**3,726**	**2,475**	**11,959**	**86,495**
31 December 2019					
Expected loss rate	0%	0%	0%	54%	
Gross carrying amount – trade receivables	53,406	27,842	18,828	21,267	121,343
Loss allowance	(51)	(82)	(62)	(11,546)	(11,741)
Carrying amount (net of loss allowance)	53,355	27,760	18,766	9,721	109,602

Company	Current RM'000	More than 30 days past due RM'000	More than 60 days past due RM'000	More than 90 days past due RM'000	Total RM'000
31 December 2020					
Expected loss rate	**0%**	**0%**	**0%**	**45%**	
Gross carrying amount – trade receivables	**156**	**151**	**119**	**860**	**1,286**
Loss allowance	**–**	**–**	**–**	**(385)**	**(385)**
Carrying amount (net of loss allowance)	**156**	**151**	**119**	**475**	**901**
31 December 2019					
Expected loss rate	0%	0%	0%	65%	
Gross carrying amount – trade receivables	156	151	119	1,922	2,348
Loss allowance	–	–	–	(1,252)	(1,252)
Carrying amount (net of loss allowance)	156	151	119	670	1,096

19. TRADE AND OTHER RECEIVABLES (CONT'D.)

(b) Maximum exposure to credit risk (cont'd.)

(ii) Other receivables, holding corporation, related companies and subsidiaries using general 3 stage approach (cont'd.)

	Expected credit loss rate %	Basis for recognition of expected credit loss provision	Estimated gross carrying amount at default RM'000	Loss allowance RM'000	Carrying amount (net of impairment provision) RM'000
Group internal credit rating 31 December 2020					
Performing	1%	12 month ECL	**373,210**	**(4,677)**	**368,533**
Underperforming	18%	Lifetime ECL	**27,691**	**(5,104)**	**22,587**
Non-performing	97%	Lifetime ECL	**70,531**	**(68,692)**	**1,839**
Write-off	100%	Asset written off to profit or loss	**5,978**	**(5,978)**	**–**
			477,410	**(84,451)**	**392,959**

	Expected credit loss rate %	Basis for recognition of expected credit loss provision	Estimated gross carrying amount at default RM'000	Loss allowance RM'000	Carrying amount (net of impairment provision) RM'000
Group internal credit rating 31 December 2019					
Performing	5%	12 month ECL	467,362	(24,301)	443,061
Underperforming	28%	Lifetime ECL	58,488	(16,136)	42,352
Non-performing	Nil	Lifetime ECL	–	–	–
Write-off	Nil	Asset written off to profit or loss	–	–	–
			525,850	(40,437)	485,413

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19. TRADE AND OTHER RECEIVABLES (CONT'D.)

(b) Maximum exposure to credit risk (cont'd.)

(ii) Other receivables, holding corporation, related companies and subsidiaries using general 3 stage approach (cont'd.)

	Expected credit loss rate %	Basis for recognition of expected credit loss provision	Estimated gross carrying amount at default RM'000	Loss allowance RM'000	Carrying amount (net of impairment provision) RM'000
Company internal credit rating 31 December 2020					
Performing	1%	12 month ECL	**389,635**	**(4,616)**	**385,019**
Underperforming	72%	Lifetime ECL	**16,379**	**(11,817)**	**4,562**
Non-performing	100%	Lifetime ECL	**75,283**	**(75,283)**	**–**
Write-off	Nil	Asset written off to profit or loss	**–**	**–**	**–**
			481,297	**(91,716)**	**389,581**

	Expected credit loss rate %	Basis for recognition of expected credit loss provision	Estimated gross carrying amount at default RM'000	Loss allowance RM'000	Carrying amount (net of impairment provision) RM'000
Company internal credit rating 31 December 2019					
Performing	2%	12 month ECL	444,677	(9,108)	435,569
Underperforming	28%	Lifetime ECL	88,234	(25,105)	63,129
Non-performing	100%	Lifetime ECL	39,409	(39,409)	–
Write-off	Nil	Asset written off to profit or loss	–	–	–
			572,320	(73,622)	498,698

19. TRADE AND OTHER RECEIVABLES (CONT'D.)

(b) Maximum exposure to credit risk (cont'd.)

(iii) Trade receivables using simplified approach (cont'd.)

Category of internal credit rating	Definition of category	Basis for recognition of expected credit losses
Performing	Includes financial instruments that have not had a significant increase in credit risk since initial recognition or that (at the option of the entity) have low credit risk at the reporting date. 12-month ECL are the ECL that result from default events that are possible within 12 months after the reporting date.	For these assets, 12-month expected credit losses ('ECL') are recognised and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset, weighted by the probability that the loss will occur in the next 12 months.
Underperforming	Includes financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date and this option is taken by the entity) but that do not have objective evidence of impairment. ECL are the weighted average credit losses, with the respective risks of a default occurring as the weights.	For these assets, lifetime ECL are recognised, but interest revenue is still calculated on the gross carrying amount of the asset. Lifetime ECL are the ECL that result from all possible default events over the maximum contractual period during which the entity is exposed to credit risk.
Non-performing	Includes financial assets that have objective evidence of impairment at the reporting date.	For these assets, lifetime ECL are recognised and interest revenue is calculated on the net carrying amount (that is, net of credit allowance).
Write-off	Interest and/or principal repayments are 365 days past due and there is no reasonable expectation of recovery.	Asset is written off.

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20. CURRENT INVENTORIES

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Current:				
Agricultural produce	**7,395**	5,387	**–**	–
Raw materials and consumables	**9,323**	6,664	**1,622**	1,741
Finished goods	**3,802**	7,626	**46**	207
Completed properties held for sale	**74,647**	88,511	**74,647**	88,511
Land held for development	**–**	2,938	**–**	2,938
	95,167	111,126	**76,315**	93,397

During the financial year, the amount of inventories recognised as an expense in cost of sales of the Group and of the Company were RM535.5 million (2019: RM523.2 million) and RM25.7 million (2019: RM7.3 million) respectively.

21. BIOLOGICAL ASSETS

Group	**Fresh fruit bunches RM'000**	**Pineapple RM'000**	**Livestock RM'000**	**Total RM'000**
At 1 January 2020	**5,891**	**4,180**	**16,370**	**26,441**
Addition	**–**	**3,390**	**2,960**	**6,350**
Changes in fair value	**13,723**	**(2,137)**	**(1,152)**	**10,434**
Disposal	**–**	**–**	**(3,152)**	**(3,152)**
Transfer from property, plant and equipment	**–**	**4,471**	**–**	**4,471**
Exchange differences	**(7)**	**–**	**–**	**(7)**
At 31 December 2020	**19,607**	**9,904**	**15,026**	**44,537**
At 1 January 2019	745	5,665	16,860	23,270
Addition	–	3,244	2,301	5,545
Changes in fair value	5,146	(4,729)	922	1,339
Disposal	–	–	(3,713)	(3,713)
Exchange differences	–	–	–	–
At 31 December 2019	5,891	4,180	16,370	26,441

21. BIOLOGICAL ASSETS (CONT'D.)

Company	**Fresh fruit bunches RM'000**	**Pineapple RM'000**	**Total RM'000**
At 1 January 2020	**1,368**	**4,180**	**5,548**
Addition	**–**	**3,390**	**3,390**
Changes in fair value	**1,805**	**(2,137)**	**(332)**
Transfer from property, plant and equipment	**–**	**4,471**	**4,471**
Disposal	**–**	**–**	**–**
At 31 December 2020	**3,173**	**9,904**	**13,077**
At 1 January 2019	173	5,665	5,838
Addition	–	3,244	3,244
Changes in fair value	1,195	(4,729)	(3,534)
Disposal	–	–	–
At 31 December 2019	1,368	4,180	5,548

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Current:				
Due no later than one year	**44,537**	26,441	**13,077**	5,548

During the financial year, the Group produced approximately 1,070,060 metric tonnes ("MT") (2019: 907,172 MT) of fresh fruit bunches ("FFB"), 2,151 MT (2019: 1,954 MT) pineapples and 289 heads (2019: 1,105 heads) of cattles. The Company produced approximately 242,529 MT (2019: 225,015 MT) of FFB and 2,151 MT (2019: 1,954 MT) of pineapples.

As at 31 December 2020, the Group's unharvested FFB, pineapples and unsold cattle used in the fair value computations were 26,118 MT (2019: 31,654 MT), 5,210 MT (2019: 6,396 MT) and 6,115 heads (2019: 6,069 heads) respectively. The Company's unharvested FFB and pineapples used in the fair value were 4,590 MT (2019: 8,145 MT) of FFB and 5,210 MT (2019: 6,396 MT) of pineapples.

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21. BIOLOGICAL ASSETS (CONT'D.)

FFB The Group and the Company have considered the oil content of all unripe FFB from the week after pollination to the week prior to harvest. As the oil content accrues exponentially in the 2 weeks prior to harvest, FFB more than 2 weeks before harvesting are excluded from the valuation as their fair values are considered negligible. The fair value of FFB is calculated based on the income approach which considers the net present value of all directly attributable net cashflows including imputed contributory asset charges and the range of FFB prices as at financial year end of RM748 to RM861 (2019: RM564 to RM642) per MT and RM793 to RM826 (2019: RM588 to RM643) per MT for the Group and the Company respectively.

Pineapple Growing pineapples of the Group and the Company represent the standing pineapples prior to harvest. The fair value of growing pineapples depends on the age, sucrose content and condition and is calculated based on expected selling prices as at financial year end of RM2.09/kg (2019: RM2.60/kg).

Livestock Fair values of the livestock are based on the Group's assessment of the age and market values of the livestock, which range from RM2,500 to RM5,500 (2019: RM2,995 to RM5,833) per cattle.

FV hierarchy The fair value measurement of the Group's biological assets are categorised within Level 3 of the fair value hierarchy. If the selling price of the FFB, pineapples and livestock changed by 5%, the loss of the Group would have increased or decreased by approximately RM1.65 million (2019: RM0.94 million) RM0.50 million (2019: RM0.21 million) and RM0.75 million (2019: RM1.24 million), respectively.

If the selling price of the FFB and pineapples changed by 5%, the loss of the Company would have increased or decreased by approximately RM0.31 million (2019: RM0.25 million) and RM0.50 million (2019: RM0.21 million) respectively."

22. CASH AND BANK BALANCES

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Cash at banks and in hand	**127,167**	121,139	**92,463**	81,920
Deposits placed with licensed banks	**38,961**	47,235	**15,200**	22,237
Short-term money market funds	**4,102**	1,558	**35**	25
	170,230	169,932	**107,698**	104,182

Included in deposits placed with licensed banks of the Group and of the Company are amounts of RM36.91 million (2019: RM37.39 million) and RM15.20 million (2019: RM14.07 million) respectively, pledged for bank facilities granted to the Group and the Company.

The weighted average interest rate of the fixed deposits of the Group and of the Company at the reporting date are 2.97% (2019: 3.23%) per annum and 2.22% (2019: 2.87%) per annum respectively.

The weighted average maturities of the fixed deposits of the Group and of the Company at the reporting date are 258 days (2019: 122 days) and 217 days (2019: 53 days) respectively.

Short-term money market funds of the Group and of the Company are highly liquid fund investments which can be realised within 2 days (2019: 2 days) and 7 days (2019: 7 days) respectively. They bear interest at rates of 2.15% (2019: 3.39%) per annum and 1.78% (2019: 3.02%) per annum respectively.

22. CASH AND BANK BALANCES (CONT'D.)

For the purposes of the statements of cash flows, cash and cash equivalents comprise the following at the reporting date:

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Cash and bank balances	**170,230**	169,932	**107,698**	104,182
Less:				
Deposits pledged	**(36,912)**	(37,391)	**(15,200)**	(14,074)
Bank overdrafts (Note 27)	**(6,851)**	(6,918)	**–**	–
Deposits placed with licensed banks with maturities exceeding 90 days	**(897)**	(27)	**–**	–
Cash and cash equivalents	**125,570**	125,596	**92,498**	90,108

23. ASSETS CLASSIFIED AS HELD FOR SALE

	Group	
	2020 RM'000	**2019 RM'000**
Transfer from:		
Property, plant and equipment	**90,404**	–

On 26 November 2020, the Group via its subsidiary, E.A Technique (M) Berhad proposed to dispose certain vessels with carrying amount of RM90.40 million. The proposed disposal has been approved by the Board of Directors of the subsidiary and is expected to be completed within a year from the reporting date.

24. CONTRACT LIABILITIES

	Group	
	2020 RM'000	**2019 RM'000**
At 1 January	**15,610**	–
Charge to profit and loss	**(15,610)**	–
Progress billings	**–**	15,610
At 31 December	**–**	15,610

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25. TRADE AND OTHER PAYABLES

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Current				
Trade payables	**350,648**	306,014	**18,772**	10,970
Other payables	**204,979**	105,211	**48,203**	21,264
	555,627	411,225	**66,975**	32,234
Amounts due to:				
Subsidiaries	**–**	–	**116,941**	221,807
Holding corporation	**5,053**	1,245	**2,899**	–
Related companies	**7,508**	3,384	**4,354**	–
	12,561	4,629	**124,194**	221,807
	568,188	415,854	**191,169**	254,041
Non-current				
Amount due to:				
Subsidiary	**–**	–	**–**	288,576
	–	–	**–**	288,576
Total trade and other payables	**568,188**	415,854	**191,169**	542,617

(a) Trade payables

Credit terms granted to the Group and the Company vary from 30 to 90 days (2019: 30 to 90 days).

Included in trade payables is an amount of RM124.69 million (2019: RM128.87 million) relating to the costs payable to a trade vendor as determined from the final outcome of a material litigation as disclosed in Note 37 (a) to the financial statements.

(b) Other payables

Other payables are unsecured and non-interest bearing except for an amount due to the non-controlling interest of a subsidiary of RM6.10 million (2019: RM11.55 million) that bears interest at rates of 6.85% - 9.00% (2019: 6.85% - 9.00%) per annum.

Included in other payables is an amount of RM39.46 million (2019: RM0.62 million) in relation to the provision for litigation as disclosed in Note 37 (b) to the financial statements. The movement of the provision is as follows:

	Group 2020 RM'000	Group 2019 RM'000
At 1 January	**620**	–
Additional provision for litigation	**38,843**	620
At 31 December	**39,463**	620

(c) Amounts due to subsidiaries and related companies (non-trade)

These amounts which arose mainly from advances and payments on behalf are generally unsecured and non-interest bearing, other than amounts of RM96.37 million (2019: RM102.64 million) due to subsidiaries which bear interest at rates of 3.56% - 5.22% (2019: 4.93% - 6.85%) per annum.

26. LEASE LIABILITIES

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Amount due for settlement within 12 months	**8,224**	35,084	**699**	713
Amount due for settlement after 12 months	**3,516**	24,834	**677**	2,525
	11,740	59,918	**1,376**	3,238
Maturity analysis:				
Not more than 1 year	**8,224**	35,084	**699**	713
Later than 1 year and not later than 5 years	**1,511**	22,771	**677**	2,525
Later than 5 years	**2,005**	2,063	**–**	–
	11,740	59,918	**1,376**	3,238

Set out below the movements in lease liabilities during the financial year:

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
At 1 January	**59,918**	22,395	**3,238**	3,459
Additions	**1,457**	52,974	**45**	460
Accretion of interest	**3,428**	2,042	**83**	175
Payments	**(32,406)**	(16,629)	**(849)**	(856)
Exchange differences	**1,093**	(864)	**–**	–
Derecognition	**(21,750)**	–	**(1,141)**	–
At 31 December	**11,740**	59,918	**1,376**	3,238

The Group and the Company do not face a significant liquidity risk with regard to its lease liabilities.

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27. BORROWINGS

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Current				
Secured:				
Term loans	**245,049**	136,331	**49,155**	11,712
Revolving credits	**9,728**	11,988	**–**	–
Hire purchase	**1,788**	2,956	**–**	–
Bank overdrafts	**6,851**	6,918	**–**	–
Bankers' acceptances	**7,114**	8,511	**–**	–
	270,530	166,704	**49,155**	11,712
Unsecured:				
Term loans	**800**	145,843	**800**	145,843
Revolving credits	**50,000**	19,000	**50,000**	–
	50,800	164,843	**50,800**	145,843
Current borrowings	**321,330**	331,547	**99,955**	157,555
Non-current				
Secured:				
Term loans	**1,880,979**	2,034,947	**1,025,745**	1,022,261
Hire purchase	**1,444**	2,492	**–**	–
	1,882,423	2,037,439	**1,025,745**	1,022,261
Unsecured:				
Term loans	**23,774**	12,900	**23,774**	13,952
Non-current borrowings	**1,906,197**	2,050,339	**1,049,519**	1,036,213
Total borrowings	**2,227,527**	2,381,886	**1,149,474**	1,193,768
Total borrowings:				
Term loans	**2,150,602**	2,330,021	**1,099,474**	1,193,768
Revolving credits	**59,728**	30,988	**50,000**	–
Hire purchase	**3,232**	5,448	**–**	–
Bank overdrafts (Note 22)	**6,851**	6,918	**–**	–
Bankers' acceptances	**7,114**	8,511	**–**	–
	2,227,527	2,381,886	**1,149,474**	1,193,768

In the previous financial year, the Group and the Company capitalised directly attributable transaction costs relating to certain term loans amounting to RM11.82 million and RM8.68 million respectively.

27. BORROWINGS (CONT'D.)

Details of the Group's term loans are as follows:

Group	Year of maturity	Carrying amount RM'000	Repayment: Within 1 year RM'000	Repayment: 1 – 2 years RM'000	Repayment: 3 – 5 years RM'000	Repayment: Over 5 years RM'000
31 December 2020						
Islamic financing facilities	2021-2031	**2,055,128**	**150,556**	**277,115**	**403,259**	**1,224,198**
Conventional financing facilities	2021-2030	**95,474**	**95,293**	**22**	**25**	**134**
		2,150,602	**245,849**	**277,137**	**403,284**	**1,224,332**
31 December 2019						
Islamic financing facilities	2020-2031	2,051,911	97,387	124,566	375,053	1,454,905
Conventional financing facilities	2021-2030	278,110	184,787	36,511	56,673	139
		2,330,021	282,174	161,077	431,726	1,455,044

Group	Year of maturity	Carrying amount RM'000	Repayment: Within 1 year RM'000	Repayment: 1 – 2 years RM'000	Repayment: 3 – 5 years RM'000	Repayment: Over 5 years RM'000
31 December 2020						
Islamic financing facilities	2021-2031	**1,099,474**	**49,955**	**148,960**	**211,046**	**689,513**
31 December 2019						
Islamic financing facilities	2021-2031	1,047,768	11,555	48,067	184,357	803,789
Conventional financing facilities	2020	146,000	146,000	–	–	–
		1,193,768	157,555	48,067	184,357	803,789

27. BORROWINGS (CONT'D.)

Hire purchase commitments

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group	
	2020 RM'000	**2019 RM'000**
Minimum hire purchase payments		
Not later than 1 year	**2,190**	3,746
Later than 1 year but not later than 5 years	**1,495**	2,453
Later than 5 years	**64**	59
Total minimum hire purchase payments	**3,749**	6,258
Less: Amounts representing finance charges	**(517)**	(810)
Present value of minimum hire purchase payments	**3,232**	5,448
Present value of payments		
Not later than 1 year	**1,788**	2,956
Later than 1 year but not later than 5 years	**1,389**	2,444
Later than 5 years	**55**	48
Present value of minimum hire purchase payments	**3,232**	5,448
Less: Amounts due within 12 months	**(1,788)**	(2,956)
Amount due after 12 months	**1,444**	2,492

The Group has hire purchase for certain items of machinery, equipment and motor vehicles (Note 10). These leases do not have terms of renewal, but have purchase options at nominal values at the end of the lease term. The hire purchase bore an average interest rate at the reporting date of 3.48% (2019: 3.34%) per annum.

Security

The borrowings are secured by the following:

(a) Charges over certain property, plant and equipment and right-of-use assets of the Group and Company as disclosed in Notes 10 and Note 11;

(b) Charges over certain fixed deposits of the Group as disclosed in Note 22;

(c) Corporate guarantee from the Company;

(d) Joint and several guarantees by certain directors and shareholders of a subsidiary;

(e) Duly executed and enforceable Memorandum of Deposit and letter of set-off for the placement of fixed deposits totaling RM1.51 million (2019: RM1.51 million) in form of Al Mudharabah General Investment Account (GIA) throughout the financing period;

(f) Assignment of the relevant insurance coverage over certain vessels indicating the Bank as loss payee (beneficiary), namely:

 (i) Hull and machinery;

 (ii) Mortgage interest; and

 (iii) Protection and Indemnity Club (P&I) acceptable to the Bank.

The amount to be covered by insurance shall not be less than the outstanding amount of the facilities;

27. BORROWINGS (CONT'D.)

Security (cont'd.)

The borrowings are secured by the following (cont'd.):

(g) Duly executed and enforceable Deed of Mortgage and Covenant over certain vessels and vessels under construction to be financed by the Banks; and

(h) Legal assignment of the contract proceeds throughout the financing period to be duly acknowledged by Charterer.

Significant financial covenants

In connection with significant term loan facilities, the Group and the Company have agreed on the following significant financial covenants with the lenders:

(a) Plantation segment:

 (i) The Group shall ensure that commencing from the financial year ended 2020 and thereafter throughout the tenure of facility, Kulim's Malaysian Plantation Division's Financing Payment Coverage Ratio ("FPCR") (including cash balance) is not less than one point two (1.2) times.

 (ii) The Group shall ensure that the Gearing Ratio on a consolidated basis shall not throughout the tenure of the Facility at any time exceed one (1) time.

 (iii) The Group shall ensure that the Minimum Security Cover of at least one point three (1.30) times for Syndicated Term Financing-I of up to RM1.50 billion and at least zero point five (0.5) times for Term Financing-I up to RM500 million is to be maintained throughout the tenure of the Facility.

(b) Oil and gas support services:

 (i) E.A Technique (M) Berhad's total financing to tangible net worth ("Gearing ratio") will not exceed 3 times as per the following formula:

$$\frac{\text{Total Financing}}{\text{Tangible Net worth + Subordination of Shareholders and Directors Advances}}$$

 (ii) E.A Technique (M) Berhad debt to equity ratio will not exceed 10 times.

As at 31 December 2020, E.A Technique (M) Berhad has breached a financing facility covenant arising from court proceedings filed by MMHE. Accordingly, the non-current financing facilities amounting to RM74.98 million became payable on demand and have been reclassified as current borrowings. Following the Settlement Agreement signed on 8 March 2021, MMHE has withdrawn and discontinued the court proceedings filed and the event triggering the covenant breach has been remediated.

The borrowings of the Group and Company bear interest at the following rates:

	Group		Company	
	2020 % per annum	**2019 % per annum**	**2020 % per annum**	**2019 % per annum**
Weighted average effective interest rates at the end of reporting period:				
– Term loans	**4.94**	5.30	**4.00**	4.99
– Revolving credits and bankers' acceptances	**4.18**	5.18	**3.38**	4.39
– Finance lease	**3.48**	3.34	**–**	–
– Bank overdrafts	**6.55**	6.79	**–**	–

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28. DERIVATIVES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Contractual nominal value				
Interest rate swap	**400,000**	400,000	**300,000**	300,000
Fair value				
Current liabilities				
Interest rate swap	**3,790**	3,470	**2,884**	2,644

The Group and the Company have entered into interest rate swap contracts with a notional amount of RM400 million (2019: RM400 million) and RM300 million (2019: RM300 million) respectively that are designed to convert their floating rate liabilities to fixed rate liabilities to reduce the Group's and Company's exposure to adverse fluctuations in interest rates on its borrowings.

Under the interest rate swap contracts, the Group and the Company pay a fixed rate of interest of 3.89% per annum and receive a variable rate based on one month Kuala Lumpur Interbank Offered Rate ("KLIBOR") on the amortised notional amount.

The above interest rate swaps are not designated as a cash flow or fair value hedges and are entered into for a period consistent with the transaction exposure, which is up to the financial year ending 2021.

29. RETIREMENT BENEFIT OBLIGATIONS

The Group and the Company operate a defined benefit retirement scheme for its eligible employees, which is unfunded. The estimated obligations under the retirement benefit scheme are based on an actuarial valuation report prepared by a qualified independent actuary on 16 December 2020 covering the period from year 2020 to year 2023.

The movement during the financial year in respect of the Group's and the Company's retirement benefit plan is as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 January	**4,478**	–	**2,174**	–
Charged to profit or loss	**4,489**	6,109	**290**	2,367
Contribution paid	**(450)**	(1,631)	**(142)**	(193)
At 31 December	**8,517**	4,478	**2,322**	2,174

The expenses recognised in the statements of comprehensive income are analysed as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Charged to profit or loss:				
Current service costs included in staff cost (Note 7)	**4,191**	5,703	**208**	2,282
Interest costs	**298**	406	**82**	85
	4,489	6,109	**290**	2,367

29. RETIREMENT BENEFIT OBLIGATIONS (CONT'D.)

The charge to profit and loss on current service cost was included in administrative expenses.

The retirement benefit obligations are in respect of a non-funded benefit plan. The liabilities are accrued at the present value of the defined benefit obligations using the projected unit method. The principal assumptions used are as follows:

	Group and Company	
	2020	2019
Discount rate	**3.9%**	3.9%
Expected rate of salary increase	**4% – 6%**	4% – 6%

A quantitative sensitivity analysis for significant assumptions as at 31 December 2020 are as shown below:

	Group		Company	
	Defined benefit obligations		Defined benefit obligations	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Future salary				
– 1% increase/(decrease)	**938**	(800)	**230**	(199)
Discount rate				
– 1% (increase)/decrease	**(984)**	824	**(199)**	235

The sensitivity analysis above has been determined based on a method that extrapolates the impact on net defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting date.

30. DEFERRED TAX (ASSETS) AND LIABILITIES

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

	Group		Company	
	2020 RM'000	2019 RM'000 Restated	2020 RM'000	2019 RM'000 Restated
Presented after appropriate offsetting as follows:				
Deferred tax assets	**–**	(2,013)	**–**	–
Deferred tax liabilities	**575,672**	578,371	**188,031**	185,410
	575,672	576,358	**188,031**	185,410

30. DEFERRED TAX (ASSETS) AND LIABILITIES (CONT'D.)

The movement in the deferred assets and liabilities during the financial year are as follows:

	Group		Company	
	2020 RM'000	**2019 RM'000 Restated**	**2020 RM'000**	**2019 RM'000 Restated**
At 1 January, as previously stated	**350,159**	424,584	**42,306**	85,348
Prior year adjustments	**226,199**	214,114	**143,104**	126,877
At 1 January, as restated	**576,358**	638,698	**185,410**	212,225
(Credited)/charged to profit or loss (Note 9)				
Property, plant and equipment	**(93,710)**	(196,088)	**4,816**	(53,417)
Investment properties	**(483)**	(2,314)	**(290)**	903
Right-of-use assets	**87,674**	161,194	**(296)**	49,249
Biological assets	**6,493**	(71)	**386**	287
Payables	**(7,624)**	10,539	**(916)**	(22,020)
Unutilised tax losses and unabsorbed capital allowances	**8,085**	(27,574)	**28**	239
Receivables	**100**	(8,756)	**–**	(2,833)
Lease liabilities	**(1,221)**	730	**(1,107)**	777
	(686)	(62,340)	**2,621**	(26,815)
At 31 December	**575,672**	576,358	**188,031**	185,410
Deferred tax assets (before offsetting)				
Payables	**40,774**	33,150	**3,788**	2,872
Unutilised tax losses and unabsorbed capital allowances	**39,788**	47,873	**3,787**	3,816
Receivables	**–**	100	**–**	–
Lease liabilities	**491**	(730)	**330**	(777)
	81,053	80,393	**7,905**	5,911
Offsetting	**(81,053)**	(78,380)	**(7,905)**	(5,911)
Deferred tax assets (after offsetting)	**–**	2,013	**–**	–
Deferred tax liabilities (before offsetting)				
Property, plant and equipment	**350,612**	444,322	**112,567**	107,751
Right-of-use assets	**297,962**	210,288	**79,618**	79,915
Investment properties	**902**	1,385	**613**	903
Biological assets	**7,249**	756	**3,138**	2,752
	656,725	656,751	**195,936**	191,321
Offsetting	**(81,053)**	(78,380)	**(7,905)**	(5,911)
Deferred tax liabilities (after offsetting)	**575,672**	578,371	**188,031**	185,410

30. DEFERRED TAX (ASSETS) AND LIABILITIES (CONT'D.)

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2020 RM'000	**2019 RM'000**
Unutilised tax losses	**88,000**	79,000
Unabsorbed capital allowances	**31,000**	13,000
Other deductible temporary differences	**1,000**	1,000
	120,000	93,000

The unutilised tax losses will expire in years 2026 and 2027 under the current tax legislation. Deferred tax assets have not been recognised by certain subsidiaries in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

The unabsorbed capital allowances and other deductible temporary differences can be carried forward to be deducted from the adjusted income of the subsequent years of assessment indefinitely until it is fully utilised.

31. SHARE CAPITAL

	Group and Company	
	2020 RM'000	**2019 RM'000**
Issued and fully paid share capital		
4,000,000 ordinary shares with no par value	**1,000**	1,000

The holders of ordinary shares are entitled to receive dividends as and when declared from time to time by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regards to the Company's residual assets.

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32. RESERVES

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Translation reserve	(a)	**(9,477)**	(3,539)	**–**	–
Fair value reserve	(b)	**(6,754)**	(14,693)	**(2,588)**	(5,778)
Equity transaction reserve	(c)	**(7,636)**	(6,023)	**–**	–
Other reserves	(d)	**(4,808)**	(2,140)	**9,630**	9,630
		(28,675)	(26,395)	**7,042**	3,852

The movements of each category of the reserves during the financial year are disclosed in the statements of changes in equity.

The nature and purpose of each category of reserves are as follows:

(a) Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations where functional currencies are different from that of the Group's presentation currency.

(b) Fair value reserve

The fair value reserve comprises the cumulative net loss on financial assets at fair value through other comprehensive income until the investments are derecognised or impaired.

(c) Equity transaction reserve

The equity transaction reserve comprises the differences between the share of non-controlling interests in subsidiaries acquired/disposed and the consideration paid/received.

(d) Other reserves

Other reserves consist mainly of reserves arising from the scheme of reconstruction, amalgamation, liquidation and merger of certain subsidiaries and fair value gain on investment properties as a result of transfer from owner occupied property.

33. RETAINED EARNINGS

The entire retained earnings of the Company as at 31 December 2020 and 31 December 2019 may be distributed in full as dividends under the single tier system.

34. RELATED PARTY TRANSACTIONS

(a) Sale and purchase of goods and services

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

All entities within the Johor Corporation Group are considered related companies/parties.

In addition to the related party information disclosed elsewhere in the financial statements, the following transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

Group	Transaction value for the financial year ended 31 December 2020 RM'000	2019 RM'000
Holding corporation		
Johor Corporation		
– Agency fees received	**500**	993
– Purchase and sales commission received	**21**	51
– Planting advisory and agronomy fees received	**412**	861
– Computer charges received	**4**	–
– Sales of goods	**436**	1,179
– Rental payable	**(85)**	(840)
– Purchase of fresh fruit bunches	**(19,358)**	(30,814)
– Insurance charges	**32**	35
– Secretarial and share registration fees paid	**(493)**	(502)
– Dividend paid	**(49,994)**	(192,140)
– Interest income on advances	**20,196**	14,401
Other related companies		
Johor Franchise Development Sdn. Bhd.		
– Agency fees received	**463**	936
– Purchase and sales commission received	**21**	49
– Purchase of fresh fruit bunches	**(30,628)**	(47,924)
– Planting advisory and agronomy fees received	**380**	900
– Computer charges received	**2**	3
– Dividend paid	**(64)**	(240)
– Sales of goods	**349**	672
– Sales of oil palm seedling and bio compost fertilizer	**175**	81

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34. RELATED PARTY TRANSACTIONS (CONT'D.)

(a) Sale and purchase of goods and services (cont'd.)

Group (cont'd.)	Transaction value for the financial year ended 31 December 2020 RM'000	2019 RM'000
Other related companies (cont'd.)		
Damansara Assets Sdn. Bhd.		
– Dividend income	**914**	1,420
– Computer charges received	**4**	23
Johor Land Berhad		
– Purchase of fresh fruit bunches	**(3,201)**	(2,496)
– Management fees received	**565**	562
– Management fees charged	**(518)**	(540)
– Rendering of services	**637**	931
– Insurance charges	**29**	220
TLP Terminal Sdn. Bhd.		
– Computer charges received	**825**	553
KARA Holdings Sdn. Bhd.		
– Computer charges received	**105**	334
Tenaga Utama (Johor) Berhad		
– Dividend paid	**(29)**	(100)
JCorp Capital Solution Sdn. Bhd.		
– Dividend paid	**(1,909)**	(7,340)
JCorp Capital Holding Sdn. Bhd.		
– Dividend paid	**(44)**	(180)
KPJ Healthcare Berhad		
– Dividend income	**322**	379
Shareholders of a subsidiary, E.A Technique (M) Berhad		
Dato' Ir. Abdul Hak bin Md Amin		
– Shareholder's advances	**–**	9,300
– Interest charged	**(1,106)**	(670)
Datin Hamidah binti Omar		
– Shareholder's advances	**–**	2,000
– Interest charged	**(275)**	(223)

34. RELATED PARTY TRANSACTIONS (CONT'D.)

(a) Sale and purchase of goods and services (cont'd.)

Company	Transaction value for the financial year ended 31 December 2020 RM'000	2019 RM'000
Holding corporation		
Johor Corporation		
– Secretarial fee payable	**(45)**	(43)
– Dividend	**(49,994)**	(192,140)
– Interest income on advances	**20,100**	14,337
Other related companies		
Intrapreneur Development Sdn. Bhd.		
– Dividend paid	**(64)**	(240)
Al-Salam REIT		
– Dividend income	**904**	1,403
Johor Land Berhad		
– Purchase of fresh fruit bunches	**(3,201)**	(2,496)
– Management fees received	**565**	562
– Management fees charged	**(518)**	(540)
Tenaga Utama (Johor) Berhad		
– Dividend paid	**(29)**	(100)
JCorp Capital Solution Sdn. Bhd.		
– Dividend paid	**(1,909)**	(7,340)
Johor Ventures Sdn. Bhd.		
– Dividend paid	**(44)**	(180)
KPJ Healthcare Berhad		
– Dividend income	**322**	379

34. RELATED PARTY TRANSACTIONS (CONT'D.)

(a) Sale and purchase of goods and services (cont'd.)

Company (cont'd.)	Transaction value for the financial year ended 31 December 2020 RM'000	2019 RM'000
Subsidiaries		
Mahamurni Plantations Sdn. Bhd.		
– Sales of fresh fruit bunches	**82,877**	61,481
– Interest income	**657**	127
– Corporate guarantee fees	**3**	651
– Dividend income	**318,000**	10,000
Kulim Plantations (Malaysia) Sdn. Bhd.		
– Sales of fresh fruit bunches	**32,681**	27,599
– Dividend income	**31,000**	20,000
Selai Sdn. Bhd.		
– Dividend income	**29,000**	2,000
Ulu Tiram Manufacturing Company (Malaysia) Sdn. Bhd.		
– Interest income	**57**	–
Kumpulan Bertam Plantations Berhad		
– Dividend income	**7,646**	1,996
Sindora Berhad		
– Sales of fresh fruit bunches	**15,538**	11,508
– Interest income	**2,076**	21
– Interest expense	**–**	(174)
Danamin (M) Sdn. Bhd.		
– Interest income	**1,491**	1,769
Kulim Nursery Sdn. Bhd.		
– Purchase of oil palm seedlings and bio compost fertilizers	**(2,561)**	(2,260)
Edaran Badang Sdn. Bhd.		
– Purchase of goods	**(601)**	(1,415)
Perfect Synergy Trading Sdn. Bhd.		
– Purchase of chemicals	**–**	(1,393)

34. RELATED PARTY TRANSACTIONS (CONT'D.)

(a) Sale and purchase of goods and services (cont'd.)

Company (cont'd.)	Transaction value for the financial year ended 31 December 2020 RM'000	2019 RM'000
Subsidiaries (cont'd.)		
Extreme Edge Sdn. Bhd.		
– Purchase of computer hardware and software supplies	**(156)**	(130)
– Services performed for conversion of IT software	**(125)**	(282)
– Maintenance of equipment charged	**(2,609)**	(2,218)
– IT hardware and maintenance services	**(2,877)**	(5,401)
Pinnacle Platform Sdn. Bhd.		
– Services performed on maintenance of IT application systems	**(1,906)**	(2,027)
– Purchase of IT application systems and software	**–**	(136)
EPA Management Sdn. Bhd.		
– Interest expense	**(2,074)**	(2,352)
– Dividend income	**50,002**	–
Kulim Livestock Sdn. Bhd.		
– Interest income	**329**	316

(b) Compensation of key management personnel

Key management personnel are 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 comprises all the Directors and top management of the Group and their compensation are disclosed in Note 8.

35. CAPITAL COMMITMENTS

	Group 2020 RM'000	2019 RM'000	Company 2020 RM'000	2019 RM'000
Authorised capital expenditure in respect of property, plant and equipment not provided for in the financial statements at the end of the financial year:				
– Contracted for	**57,597**	59,559	**955**	1,424
– Not contracted for	**25,988**	47,240	**620**	664
	83,585	106,799	**1,575**	2,088

36. SIGNIFICANT EVENTS DURING AND SUBSEQUENT TO YEAR END

(a) Investment in Indonesia oil and gas project

On 24 October 2014, the Group via Kulim Energy Nusantara Sdn. Bhd. ("KENSB") signed a Joint Operating Agreement ("JOA") for an oil and gas project at the contract area of South West Bukit Barisan Block ("SWBB PSC"), Central Sumatera, Indonesia with PT Rizki Bukit Barisan Energi ("PT RBBE") and PT Graha Sumber Berkah ("PT GSB"). The JOA establishes the structure, rights, responsibilities and obligations and the terms and conditions of the intended cooperation between PT RBBE as Operator, KENSB and PT GSB as Co-operators in relation to the SWBB PSC project.

On 10 December 2014, KENSB entered into a Conditional Subscription and Share Purchase Agreement ("CSSPA") with PT Citra Sarana Energi ("PT CSE") and its existing shareholders, namely PT Wisesa Inspirasi Sumatera ("PT WIS") and PT Inti Energi Sejahtera ("PT IES"), to acquire a 60% equity interest in PT CSE to participate in the exploration and development of SWBB PSC for a total cash consideration of approximately USD133.55 million (approximately RM534.86 million).

On 7 February 2016, KENSB entered into a Supplemental Agreement to the CSSPA ("SA CSSPA") to revise the total cash consideration from USD133.55 million (approximately RM534.86 million) to USD80 million (approximately RM318.41 million).

On 6 December 2017, KENSB, PT WIS and PT CSE (collectively referred to as the "Parties") agreed that the SA CSSPA dated 7 February 2016 be amended to revise the mode of payment of the balance purchase price for the Sale Shares of USD11.32 million (approximately RM47.00 million), amongst others. PT WIS plans to sell its shares in PT CSE to potential investors (hereinafter referred to "PT CSE Divestment"). The Parties agreed that the balance purchase price for the Sale Shares amounting to USD11.32 million (approximately RM47.00 million) shall be paid by KENSB to PT WIS by way of set off from KENSB's entitlement to the proceeds of the PT CSE Divestment.

On 22 June 2018, the Indonesian Government approved the first Plan of Development ("POD") for Sinamar area of SWBB PSC, with a projected gross revenue of USD938.00 million (approximately RM3.89 billion). Following the POD approval, PT RBBE shall comply with the provisions regulated by the Indonesian Government and Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi ("SKK MIGAS") to;

(i) Complete development work at Sinamar area; and

(ii) Continue exploration program at SWBB PSC.

As at 31 December 2020, KENSB has paid a total of USD77.48 million (approximately RM307.99 million) representing:

(i) USD12.83 million (approximately RM46.76 million) as deposit for acquisition of shares;

(ii) USD40.85 million (approximately RM162.33 million) as prepayment for subscription of shares;

(iii) USD15.00 million (approximately RM62.23 million) as further investment in accordance with the CSSPA and SA CSSPA; and

(iv) USD8.80 million (approximately RM36.67 million) as advances in accordance with the JOA.

The completion date of the CSSPA and SA CSSPA have been further extended to 31 December 2021 due to the pending approval by the Indonesian Government and SKK MIGAS in respect of the Change of Control ("COC") of the SWBB PSC.

The Directors are currently evaluating several proposals in relation to this investment and have approved its full divestment. The Group does not intend to fund any further capex requirements, as the focus is on divestment and monetisation.

Information regarding impairment assessment of the investment is disclosed in Note 16.

36. SIGNIFICANT EVENTS DURING AND SUBSEQUENT TO YEAR END (CONT'D.)

(b) Impact of the Novel Coronavirus infection ("COVID-19") global pandemic

The World Health Organisation declared a global pandemic arising from COVID-19 on 11 March 2020. This was followed by the Government of Malaysia issuing a Federal Government Gazette on 18 March 2020, imposing a Movement Control Order ("MCO") effective from 18 March 2020 to 31 March 2020 arising from the COVID-19 pandemic and has subsequently entered into various phases of the Conditional MCO, Recovery MCO and MCO until 18 March 2021.

Whilst the MCO, Conditional MCO and Recovery MCO were imposed, the Group and the Company were able to continue their operations as palm oil, transportation and logistics industry are considered essential sectors. The plantations, mills and vessels have operated in compliance with the standard operating procedures and directives issued by the Government of Malaysia throughout the period.

There is no significant impact arising from the COVID-19 pandemic to the Group's and the Company's operation in palm oil. However, due to low oil prices resulting from the COVID-19 pandemic, the Group's operations in transportation and logistics are expected to be affected. The Group expects a possibility of a lower revenue due to fewer spot charter, longer maintenance period and adjustment on the charter hire price.

As at the date of authorisation of the financial statements, the COVID-19 pandemic situation is still evolving and uncertain. The Group and the Company will continue to actively monitor and manage their funds and operations to minimise any impact arising from the COVID-19 pandemic and assess the impact of the COVID-19 pandemic on the financial statements of the Group and of the Company for the financial year ending 31 December 2021.

(c) Estates land lease arrangement with Johor Corporation ("JCORP")

A subsidiary, Mahamurni Plantations Sdn. Bhd. ("MPSB"), has entered into a tenancy agreement with the holding corporation, JCORP for leasing of estates land for a period of 3 years commencing upon the execution of the tenancy agreement, for RM19.47 million. The estates land comprise four (4) estates (together with all buildings erected thereon together with assets, equipment, appliances, and plant and machineries located within the oil palm land) known as Bukit Payung, Tunjuk Laut, Bukit Kelompok and Pasir Logok.

Following the fulfilment of the conditions and the execution of a tenancy agreement between MPSB and JCORP, the lease on the four (4) estates commenced on 1 July 2020.

(d) Proposed private placement, debt capitalisation and free warrants issue

A subsidiary, E.A. Technique (M) Berhad ("EAT") had obtained the approval from its shareholders at the last Extraordinary General Meeting ("EGM") convened on 25 September 2019, authorising the Directors to allot and issue:

i. 106,355,800 Placement Shares in respect of the Proposed Private Placement;

ii. 121,622,400 Settlement Shares in respect of the Proposed Debt Capitalisation; and

iii. 365,989,100 warrants in respect of the Proposed Free Warrants Issue.

Bursa Malaysia Securities Berhad ("Bursa Securities"), vide its letter dated 20 August 2019, approved the followings:

i. listing of up to 106,355,800 Placement Shares on the Main Market;

ii. listing of 121,622,400 Settlement Shares on the Main Market;

iii. admission to the Official List of Bursa Securities and the listing and quotation of up to 365,989,100 Warrants; and

iv. listing of up to 365,989,100 new Shares to be issued from the exercise of the Warrants on the Main Market.

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36. SIGNIFICANT EVENTS DURING AND SUBSEQUENT TO YEAR END (CONT'D.)

(d) Proposed private placement, debt capitalisation and free warrants issue (cont'd.)

(collectively known as "the Proposals")

Management had obtained written consent from EAT's lenders/financiers in respect of the change in capital structure. All approvals have been obtained which the last approval was obtained on 24 December 2019.

In the previous financial year, the management has received mandate from the Board of Directors of EAT to implement the proposed private placement, debt capitalisation and free warrants issue when the share price is at RM0.35.

On 27 February 2020, EAT has made an additional listing announcement, which involves private placement of new ordinary shares in EAT. The private placement proposal will be the first tranche of the approved number of placement shares which the approval has been obtained from the shareholders during EGM on 25 September 2019. The private placement will be representing approximately 21.1% of EAT's total number of issued shares. The total number of shares to be issued is 26,500,000 units, with 11,500,000 units at the price of RM0.47 per share and remaining 15,000,000 units at the price of RM0.35 per share. 11,500,000 units of shares is in relation to the private placement of 1,000,000 new shares to Dato' Ir. Abdul Hak bin Md Amin and 10,500,000 new shares to Sindora Berhad. The remaining 15,000,000 units of shares is in relation to placement made to independent third party investors.

On 26 February 2021, the application submitted to Bursa Securities on 2 February 2021 in relation to the extension of time ("EOT") to complete the implementation of the Proposals was withdrawn in consideration of the followings:

(a) declining trend in the share price since the end of previous financial year have imposed challenges for EAT to secure potential investors at a price not deviating significantly from the historical range prior to that;

(b) unfavourable prevailing market conditions especially from the unprecedented implementation of MCO which first came into effect on 18 March 2020 and implemented in different phases by the Malaysian government following the outbreak of the COVID-19 pandemic in Malaysia has further adversely impacted the Malaysian economy and dampened consumers' as well as investors' sentiments;

(c) the MCO/conditional MCO periods during the year have also hindered the progress of EAT to secure potential independent third party investors. Prior to this unprecedented period, face to face direct meetings are the norm for a company to approach potential investors in order to demonstrate sincerity and to persuade investors on the merits of investing in the company. Further, all parties are primarily focused in adjusting to the new standard operating procedures for businesses and operating activities in order to be able to operate as usual during the MCO/conditional MCO periods. As such, there is hardly any interest shown by the investing community in EAT, in view that efforts tend to focus on minimising any adverse impact to the financial performance of their various existing businesses and investments; and

(d) as announced by EAT on 17 June 2020, EAT is not in compliance with the required public shareholding spread pursuant to Paragraph 8.02(1) of the Main Market Listing Requirements of Bursa Securities. Thus, the Company is unable to complete the implementation of the Proposals without further diluting the public shareholding spread.

Following the withdrawal of the EOT Application, the Proposals had lapsed on 19 February 2021, being the last date granted by Bursa Securities to complete the implementation of the Proposals.

37. MATERIAL LITIGATION AND CONTINGENT LIABILITIES

(a) E.A. Technique (M) Berhad ("EAT")

Adjudication Proceeding 1

On 5 October 2018, Malaysia Marine and Heavy Engineering Holdings Berhad ("MMHE") served E.A. Technique (M) Berhad ("EAT") with a Notice of Adjudication under the Construction Industry Payment and Adjudication Act 2012 ("CIPAA") claiming USD30,221,301 for invoices issued to EAT relating to the Engineering, Procurement, Construction, Installation and Commissioning ("EPCIC") project after taking into consideration the amounts paid on behalf by HESS Exploration and Production Malaysia B.V. ("HESS") and the deletion of some additional work order ("AWO") scopes.

On 27 May 2019, the Adjudicator decision has awarded in favor of MMHE. EAT was required to proceed with payments to MMHE a total sum of USD21,607,206 including 6% of GST, interest at the rate of 1.5% per month on the sum from the date of payment claim (5 October 2018) until the full and final settlement of the sum and costs of adjudication of RM309,113.

On 4 June 2019, EAT filed an application to set aside the Adjudication decision. Subsequently, MMHE served their application for Enforcement of Adjudication Decision on 5 July 2019. On 16 July 2019, EAT filed an application for a stay of the Adjudication Decision.

The Court of Appeal hearing is fixed on 6 July 2021 for set aside of the adjudication decision. On 1 June 2020, the judge has dismissed EAT's application to stay the Adjudication Decision.

On 2 November 2020, MMHE initiated a court proceeding against EAT pursuant to Sections 465(1)(e) and/or (h) and 466(1)(c) of the Companies Act 2016 in essence of the Adjudication Decision and garnishee orders over EAT's bank balances in RHB Islamic Bank, AmIslamic Bank and Affin Bank. Subsequently, the garnishee orders for Affin Bank was struck out on 2 December 2020 whilst RHB Islamic Bank and AmIslamic Bank was struck out on 22 February 2021.

On 10 November 2020, the Tribunal under Asian International Arbitration Centre ("AIAC") as detailed in Arbitration Proceedings delivered its decision and took precedent over the adjudication decision on Adjudication Proceeding 1.

Adjudication Proceeding 2

On 29 May 2019, MMHE served EAT with a Notice of Adjudication under CIPAA claiming USD6,096,792 for invoices issued to EAT and tank treatment claim relating to the EPCIC project.

On 4 December 2019 the Adjudicator decision was awarded in favor of MMHE. EAT was ordered to pay MMHE a total of adjudicated sum of USD6,066,996, interest at the rate of 5% per annum on the Adjudicated Sum from 4 December 2019 until the full and final settlement of the adjudicated sum and costs of adjudication of RM204,557.

On 31 December 2019, EAT filed an application to set aside and a stay of the Adjudication decision. Subsequently, EAT has filed for transfer of set aside application and stay for the adjudication to Johor Bahru High Court. The Judge has fixed hearing for the transfer on 3 December 2020.

On 10 November 2020, the Tribunal under AIAC as detailed in Arbitration Proceedings delivered its decision and took precedent over the adjudication decision on Adjudication Proceeding 2.

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37. MATERIAL LITIGATION AND CONTINGENT LIABILITIES (CONT'D.)

(a) E.A. Technique (M) Berhad ("EAT") (cont'd.)

Arbitration Proceedings

On 27 September 2018, EAT filed a Notice of Arbitration to the AIAC to claim from MMHE amounts paid on behalf by HESS, deletion of MMHE's AWO scope as well as back charges with a total aggregate amount of USD21,656,198.

On 15 February 2019, EAT served its Statement of Claim to MMHE amounting to USD21,656,198. MMHE filed a counterclaim against EAT in the AIAC Arbitration amounting to USD49,105,096 and filed its Defence for Counter claim in March 2019.

The last evidentiary hearing took place on 6 November 2019 pursuant to the claim made by EAT and counter claim by MMHE.

On 10 January 2020, EAT and MMHE have filed their respective written submission. Subsequently, EAT and MMHE has replied the counter part written submission on 10 February 2020. The date for clarification hearing has been postponed to a later date from 24 February 2020.

On 10 November 2020, the outcome of the Arbitral Tribunal was finalised and EAT was ordered to pay MMHE a total of USD29,520,173 and costs in the sum of RM4,686,398 together with interest at 5% per annum from the date of Award to the date of full payment. Subsequently, on 14 December 2020, EAT filed to the High Court for the Final Award to be set aside or varied or remitted to the Arbitral Tribunal.

As at 31 December 2020, the Group has provided for RM124.69 million (2019: RM128.86 million) in respect of the above claims as disclosed in Note 25 (a).

Settlement Agreement with MMHE

On 8 March 2021, EAT and MMHE entered into a Settlement Agreement with terms of settlement include, amongst others, the followings:

(1) Both parties agreed, without admission of liability, to settle the disputes and differences that have arisen between themselves.

(2) EAT agreed to pay and MMHE agreed to accept the sum of USD25.5 million ("the Settlement Sum") as full and final settlement of the disputes between the parties, including MMHE's rights under the Adjudication Proceeding 1, Adjudication Proceeding 2 and the Arbitration Proceedings. The Settlement Sum will be paid in accordance with the terms stipulated in the Settlement Agreement.

(3) Both parties also agreed to withdraw and/or discontinue the court proceedings filed in respect of the Adjudication Proceeding 1, Adjudication Proceeding 2 and Arbitration Proceedings.

(4) MMHE's acceptance of the Settlement Sum is subjected to MMHE's rights to enforce and/or execute the Judgment, which is the full sum awarded in the Final Award, less all payments made in the event EAT commits defaults under the Settlement Agreement and fails to remedy the same.

37. MATERIAL LITIGATION AND CONTINGENT LIABILITIES (CONT'D.)

(b) PT Rambang Agro Jaya ("PT RAJ")

For the financial year ended 31 December 2019, a civil lawsuit was filed by the Ministry of Environment and Forestry in the Central of Jakarta, Indonesia claiming for damages arising from fires that occurred on PT RAJ's land amounting to IDR199.57 billion (RM58.37 million).

On 26 January 2021, the First Level Court ruled that PT RAJ was liable for the fires and fined the subsidiary a sum of IDR 137.60 billion (RM39.46 million).

The Group has made an additional provision of RM38.84 million (2019: RM0.62 million) as disclosed in (Note 25 (b)) which was recorded in other expenses in the statement of comprehensive income.

The Directors are in the midst of reviewing the decision and are considering all available options for their next course of action.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the management team. The Board of Audit and Risk Committee ("BARC") provides independent oversight over the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial year, the Group's and the Company's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from receivables. For other financial assets (including investments, cash and bank balances and derivatives), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group seeks to invest cash assets safely and profitably. The Group has in place, for significant operating subsidiaries, policies to ensure that sales of products and services are made to customers with an appropriate credit history and sets limits on the amount of credit exposure to any customers.

The Company's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Company trades only with recognised and creditworthy third parties.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

– The carrying amount of each class of financial assets recognised in the statements of financial position;

– Corporate guarantees provided by the Company to banks for credit facilities granted to subsidiaries. As at the reporting date, the outstanding guarantees on such facilities amounted to RM4.50 million (2019: RM22.55 million).

Analysis of the credit risk exposure of financial instruments for which on an ECL allowance is recognised is disclosed in Note 19. The gross carrying amount of the financial assets represents the maximum exposure of credit risk.

Credit risk concentration profile

Other than the amounts due from the holding corporation and subsidiaries, the Group and the Company are not exposed to any significant concentration of credit risk in the form of receivables due from a single debtor or from groups of debtors.

Concentration of credit risk with respect to trade receivables are limited due to the Group's and Company's diverse customer base. The Group and the Company control their credit risk by ensuring their customers have solid financial standing and credit history.

(b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities, which had unutilised balances of RM275.08 million (2019: RM485.28 million) as at the reporting date.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

Group	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
At 31 December 2020				
Financial liabilities:				
Trade and other payables	**568,188**	**–**	**–**	**568,188**
Borrowings	**335,995**	**772,610**	**1,655,226**	**2,763,831**
Lease liabilities	**8,569**	**1,574**	**2,089**	**12,233**
Total undiscounted financial	**912,752**	**774,184**	**1,657,315**	**3,344,252**
At 31 December 2019				
Financial liabilities:				
Trade and other payables	415,854	–	–	415,854
Borrowings	347,489	715,368	2,215,563	3,278,420
Lease liabilities	36,700	23,820	2,158	62,678
Total undiscounted financial	800,043	739,188	2,217,721	3,756,952

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Liquidity risk (cont'd.)

Analysis of financial instruments by remaining contractual maturities (cont'd.)

Company	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
At 31 December 2020				
Financial liabilities:				
Trade and other payables	**191,169**	**–**	**–**	**191,169**
Borrowings	**103,248**	**407,727**	**932,681**	**1,443,656**
Lease liabilities	**728**	**705**	**–**	**1,434**
Total undiscounted financial	**295,145**	**408,432**	**932,681**	**1,636,259**
At 31 December 2019				
Financial liabilities:				
Trade and other payables	254,041	288,576	–	542,617
Borrowings	164,960	280,266	1,219,348	1,664,574
Lease liabilities	746	2,641	–	3,387
Total undiscounted financial	419,747	571,483	1,219,348	2,210,578

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from borrowings. Borrowings issued at variable rates expose the Group and the Company to cash flow interest rate risk whereas those issued at fixed rates expose the Group and the Company to fair value interest rate risk. The Group and the Company manage their interest rate exposure by maintaining a mix of fixed and floating rate borrowings as disclosed below:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Fixed rate instruments				
Financial liabilities	**178,908**	270,332	**–**	–
Floating rate instruments				
Financial liabilities	**2,048,619**	2,111,554	**1,149,474**	1,193,768

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Interest rate risk (cont'd.)

Sensitivity analysis for interest rate risk

(i) Cash flow sensitivity analysis for the floating rate instruments

A change of 50 basis points ("bp") in interest rates during the reporting period would result in (decrease)/increase in net income by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
50 bp increase in interest rates	**(7,785)**	(8,024)	**(4,368)**	(4,536)
50 bp decrease in interest rates	**7,785**	8,024	**4,368**	4,536

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group operates internationally and is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group entities. The currency giving rise to this risk is primarily the United States Dollar ("USD") and Chinese Yuan Renminbi ("RMB").

The Group's exposure to USD and RMB foreign currency risk, based on carrying amounts as at the end of the reporting period was:

Group	2020 USD RM'000	2019 USD RM'000	2020 RMB RM'000	2019 RMB RM'000
Trade and other receivables	**4,132**	18,892	**–**	–
Cash and bank balances	**11,861**	15,332	**–**	–
Trade and other payables	**(137,452)**	(19,411)	**(36,032)**	–
Borrowings	**(37,652)**	(83,707)	**–**	–
Lease liabilities	**–**	(45,632)	**–**	–
Net exposure	**(159,111)**	(114,526)	**(36,032)**	–

The Company is exposed to significant foreign currency risk that are denominated in a currency other than the functional currency of the Company. The currencies giving rise to this risk are primarily the United States Dollar ("USD") and Indonesian Rupiah ("IDR").

The Company's exposure to USD and IDR foreign currency risk based on carrying amounts as at the end of the reporting period was:

Company	2020 RM'000	2019 RM'000
USD/RM		
Cash and bank balances	**11,168**	14,654
IDR/RM		
Amounts due from subsidiaries	**–**	272,948

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(d) Foreign currency risk (cont'd.)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's loss net of tax to a reasonably possible change in the USD and RMB exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

	Loss net of tax	
	2020 RM'000	2019 RM'000
USD/RM		
– strengthening of USD by 5%	**6,046**	4,352
– weakening of USD by 5%	**(6,046)**	(4,352)
RMB/RM		
– strengthening of RMB by 5%	**1,369**	–
– weakening of RMB by 5%	**(1,369)**	–

The following table demonstrates the sensitivity of the Company's loss net of tax to a reasonably possible change in the USD and IDR exchange rates against the respective functional currencies of the Company, with all other variables held constant.

	Loss net of tax	
	2020 RM'000	2019 RM'000
USD/RM		
– strengthening of USD by 5%	**(424)**	(557)
– weakening of USD by 5%	**424**	557
RMB/RM		
– strengthening of RMB by 5%	**–**	(10,372)
– weakening of RMB by 5%	**–**	10,372

(e) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group and Company are exposed to market price risk arising from its investments in financial instruments.

The Group and the Company are exposed to securities price risk from their investment securities designated at FVTPL and FVOCI.

The objective of the Group and of the Company is to manage investment returns and the price risk by investing in investment grade securities with steady dividend yield.

Sensitivity analysis for securities price risk

At the reporting date, a 5% strengthening in the respective shares would have increased the Group's profit before tax and other comprehensive income by RM0.57 million (2019: RM0.89 million) and RM2.85 million (2019: RM2.46 million) respectively. A 5% weakening would have an equal but opposite effect on the Group's profit before tax and other comprehensive income.

At the reporting date, a 5% strengthening in the respective shares would have increased the Company's profit before tax and other comprehensive income by RM0.57 million (2019: RM0.85 million) and RM1.81 million (2019: RM1.66 million) respectively. A 5% weakening would have an equal but opposite effect on the Company's profit before tax and other comprehensive income.

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(f) Fair value

Fair value hierarchy

The following table provides the fair value measurement hierarchy of the Group's and Company's assets and liabilities:

	<------------------- Fair value measurement using ------------------>			
Group	**Quoted prices in active market (Level 1) RM'000**	**Significant observable inputs (Level 2) RM'000**	**Significant unobservable inputs (Level 3) RM'000**	**Total RM'000**
At 31 December 2020				
Assets measured at fair value				
Financial assets at fair value through other comprehensive income	34,774	–	22,298	57,072
Financial assets at fair value through profit and loss	15,046	–	–	15,046
Investment properties	–	–	64,280	64,280
Biological assets	–	–	44,537	44,537
Liabilities measured at fair value				
Derivatives	–	(3,790)	–	(3,790)
At 31 December 2019				
Assets measured at fair value				
Financial assets at fair value through other comprehensive income	36,808	–	12,325	49,133
Financial assets at fair value through profit and loss	23,368	–	–	23,368
Investment properties	–	–	69,307	69,307
Biological assets	–	–	26,441	26,441
Liabilities measured at fair value				
Derivatives	–	(3,470)	–	(3,470)

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(f) Fair value (cont'd.)

Fair value hierarchy (cont'd.)

The following table provides the fair value measurement hierarchy of the Group's and Company's assets and liabilities (cont'd.):

	<------------------- Fair value measurement using ------------------>			
Company	**Quoted prices in active market (Level 1) RM'000**	**Significant observable inputs (Level 2) RM'000**	**Significant unobservable inputs (Level 3) RM'000**	**Total RM'000**
At 31 December 2020				
Assets measured at fair value				
Financial assets at fair value through other comprehensive income	23,936	–	12,361	36,297
Financial assets at fair value through profit and loss	14,883	–	–	14,883
Investment properties	–	–	49,480	49,480
Biological assets	–	–	13,077	13,077
Liabilities measured at fair value				
Derivatives	–	(2,884)	–	(2,884)
At 31 December 2019				
Assets measured at fair value				
Financial assets at fair value through other comprehensive income	23,866	–	9,241	33,107
Financial assets at fair value through profit and loss	22,301	–	–	22,301
Investment properties	–	–	52,380	52,380
Biological assets	–	–	5,548	5,548
Liabilities measured at fair value				
Derivatives	–	(2,644)	–	(2,644)

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(f) Fair value (cont'd.)

Fair value hierarchy (cont'd.)

(i) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group and the Company are the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily equity investments listed in Bursa Malaysia Securities Berhad or foreign stock exchanges classified as financial assets at fair value through other comprehensive income and financial assets at fair value through profit and loss.

(ii) Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

(iii) Financial instruments in Level 3

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs).

Non-financial instrument measurement

The non-financial instruments of the Group and of the Company measured at fair value comprise investment properties as disclosed in Note 12 and biological assets as disclosed in Note 21. The fair value measurement of these assets have been categorised as Level 3 using significant unobservable inputs. There have been no transfers between Level 1, Level 2 and Level 3 during the financial year.

39. MFRS 9 FINANCIAL INSTRUMENTS

The financial instruments of the Group and the Company as at 31 December are categorised into the following classes:

Group	Note	2020 RM'000	2019 RM'000
(a) Financial assets measured at amortised cost			
Trade and other receivables	19	**482,435**	597,875
Cash and bank balances	22	**170,230**	169,932
		652,665	767,807
(b) Financial assets/(liabilities) measured at fair value			
Financial assets at fair value through other comprehensive income	17	**57,072**	49,133
Financial assets at fair value through profit or loss	18	**15,046**	23,368
Derivatives	28	**(3,790)**	(3,470)
		68,328	69,031
(c) Financial liabilities measured at amortised cost			
Trade and other payables	25	**494,403**	394,707
Lease liabilities	26	**11,740**	59,918
Borrowings	27	**2,227,527**	2,381,886
		2,733,670	2,836,511

Company	Note	2020 RM'000	2019 RM'000
(a) Financial assets measured at amortised cost			
Trade and other receivables	19	**390,679**	499,794
Cash and bank balances	22	**107,698**	104,182
		498,377	603,976
(b) Financial assets/(liabilities) measured at fair value			
Financial assets at fair value through other comprehensive income	17	**36,297**	33,107
Financial assets at fair value through profit or loss	18	**14,883**	22,301
Derivatives	28	**2,884**	2,644
		54,064	58,052
(c) Financial liabilities measured at amortised cost			
Trade and other payables	25	**186,207**	532,345
Lease liabilities	26	**1,376**	3,238
Borrowings	27	**1,149,474**	1,193,768
		1,337,057	1,729,351

40. CAPITAL MANAGEMENT

The primary objective of the Group's and the Company's capital management is to ensure that they maintain a strong capital base and healthy capital ratios in order to support their business and maximise shareholders' value.

The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Group and the Company monitor capital using a gearing ratio, which is total bank financing and borrowed funds (including hire purchase) of the Group divided by shareholders' funds (less intangibles). The gearing ratios at 31 December 2020 and at 31 December 2019 were as follows:

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Lease liabilities (Note 26)	**11,740**	59,918	**1,376**	3,238
Total borrowings (Note 27)	**2,227,527**	2,381,886	**1,149,474**	1,193,768
	2,239,267	2,441,804	**1,150,850**	1,197,006
Total equity	**2,725,194**	3,232,931	**1,024,716**	1,370,876
Less: Total intangible assets (Note 14)	**(1,764)**	(7,498)	**–**	–
	2,723,430	3,225,433	**1,024,716**	1,370,876
Gearing ratio (times)	**0.82**	0.76	**1.12**	0.87

The Group and Company have met their externally imposed financial covenants as described in Note 27 during the financial year.

41. SEGMENT INFORMATION

For management purposes, the Group is organised into strategic business units based on their products and services, and has five reportable segments. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. The Group Management Committee reviews internal management reports for each of the strategic business units on a monthly basis. The operations of each of the Group's reportable segments are summarised below:

Plantation operations	Oil palm planting, crude palm oil processing and plantation management services and consultancy.
Integrated farming	Commercial cattle farming and trading and distribution of tropical fruits.
Oil and gas support services	Sea transportation and oil and gas equipment support services.
Intrapreneur ventures	Information and communication technology business, insurance broking and consultancy, trading and supplying of fertilizer and chemicals and dealer in agricultural machinery and parts.
Properties	Housing development.

Other operations of the Group mainly comprise investment holding, tourism, training, and other miscellaneous activities which are not of sufficient size to be reported separately.

Performance is measured based on segment profit before tax and interest as included in the internal management reports that are reviewed by the Group Management Committee. Management believes that segment profits are the most relevant measure by which it can assess the results of the segments against those of other entities operating in the same industries.

41. SEGMENT INFORMATION (CONT'D.)

31 December 2020	Plantations RM'000 Malaysia	Plantations RM'000 Indonesia	Integrated farming RM'000	Oil and gas support services RM'000	Intrapreneur ventures RM'000	Properties RM'000	Other operations RM'000	Consolidated total RM'000
Segment revenue	1,008,723	6,696	12,215	334,147	26,464	19,449	4,438	1,412,132
Results								
Interest income	22,854	786	–	760	123	–	575	25,098
Finance costs	(63,284)	–	(1)	(18,293)	(66)	–	(25,046)	(106,690)
Depreciation of property, plant and equipment	(76,619)	(13,832)	(614)	(103,391)	(1,741)	–	(194)	(196,391)
Amortisation of right-of-use assets	(27,941)	19,603	(205)	(38,692)	(650)	–	(30)	(47,915)
Amortisation of intangible assets	–	–	–	–	–	–	(24)	(24)
Share of results of associates and joint venture, net of impairments	–	–	–	(223,143)	–	–	(1,852)	(224,995)
Segment profit/(loss)	207,097	(174,345)	(5,090)	(66,859)	(938)	3,347	(55,570)	(92,358)
Profit/(loss) before tax	166,667	(173,560)	(5,091)	(306,414)	(881)	3,347	(83,013)	(398,945)
Earnings/(loss) before interest, tax, depreciation and amortisation	334,511	(179,331)	(4,271)	(146,038)	1,576	3,347	(57,743)	(47,949)
Assets								
Investments accounted for using the equity method	–	–	–	–	–	–	4,465	4,465
Intangible assets	–	–	–	–	1,642	–	122	1,764
Additions to property, plant and equipment	74,401	24,968	56	109,374	1,767	–	1,937	212,503
Segment assets	5,383,094	120,515	3,632	638,806	(6,450)	64,280	(65,397)	6,138,480
Segment liabilities	2,064,100	357,824	12,541	917,250	49,663	–	11,908	3,413,286

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41. SEGMENT INFORMATION (CONT'D.)

31 December 2019	Plantations RM'000 Malaysia	Plantations RM'000 Indonesia	Integrated farming RM'000	Oil and gas support services RM'000	Intrapreneur ventures RM'000	Properties RM'000	Other operations RM'000	Consolidated total RM'000
Segment revenue	834,611	3,214	18,378	307,516	37,628	1,404	6,085	1,208,836
Results								
Interest income	19,153	154	–	–	101	–	749	20,157
Finance costs	(31,800)	–	–	(18,871)	(49)	–	(49,791)	(100,511)
Depreciation of property, plant and equipment	(79,413)	(6,204)	(861)	(83,600)	(2,937)	–	(4,164)	(177,179)
Amortisation of right-of-use assets	(21,692)	–	(23)	(7,841)	(664)	–	(3,047)	(33,267)
Amortisation of intangible assets	–	–	–	–	–	–	(25)	(25)
Share of results of associates and joint venture, net of impairments	–	–	–	(44,033)	–	–	(3,727)	(47,760)
Segment profit/(loss)	57,594	(13,898)	(2,275)	(29,608)	199	1,019	(12,764)	267
Profit/(loss) before tax	44,947	(13,743)	(2,275)	(92,512)	251	1,019	(65,534)	(127,847)
Earnings/(loss) before interest, tax, depreciation and amortisation	177,852	(7,539)	(1,391)	17,800	3,901	1,019	(8,532)	183,110
Assets								
Investments accounted for using the equity method	–	–	–	219,846	–	–	6,318	226,164
Intangible assets	–	–	–	2,232	1,642	–	3,624	7,498
Additions to property, plant and equipment	93,920	38,405	193	63,614	2,322	–	2,992	201,446
Segment assets	4,971,629	279,103	14,683	1,231,765	62,379	52,380	84,619	6,696,558
Segment liabilities	2,741,436	283,526	21,909	655,739	39,227	–	(278,210)	3,463,627

Geographical information

Revenue and total assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue 2020 RM'000	Revenue 2019 RM'000	Total assets 2020 RM'000	Total assets 2019 RM'000
Malaysia	**1,405,436**	1,205,622	**5,959,211**	6,417,454
Indonesia	**6,696**	3,214	**179,269**	279,104
	1,412,132	1,208,836	**6,138,480**	6,696,558

42. PRIOR YEAR ADJUSTMENTS

During the financial year, the Group and the Company made prior year adjustments to correct the effects of errors in the deferred tax computations of the prior years. As a result, adjustments have been made to the opening balances and relevant comparative information of the Group and the Company have been restated accordingly.

The effects of the prior year adjustments are as follows:

(a) Impact on the Group's and the Company's statements of financial position:

As at 1 January 2019	As previously stated RM'000	Effects of prior year adjustments RM'000	As restated RM'000
Group			
Deferred tax liabilities	426,484	214,114	640,598
Retained earnings	3,682,900	(213,864)	3,469,036
Non-controlling interests	108,594	(250)	108,344
Company			
Deferred tax liabilities	85,348	126,877	212,225
Retained earnings	1,916,879	(126,877)	1,790,002

As at 31 December 2019	As previously stated RM'000	Effects of prior year adjustments RM'000	As restated RM'000
Group			
Deferred tax liabilities	352,172	226,199	578,371
Retained earnings	3,384,699	(225,949)	3,158,750
Non-controlling interests	99,826	(250)	99,576
Company			
Deferred tax liabilities	42,306	143,104	185,410
Retained earnings	1,509,128	(143,104)	1,366,024

(b) Impact on the Group's and the Company's statements of comprehensive income:

Financial year ended 31 December 2019	As previously stated RM'000	Effects of prior year adjustments RM'000	As restated RM'000
Group			
Tax	17,873	(12,085)	5,788
Loss after tax	(109,974)	(12,085)	(122,059)
Company			
Tax	29,860	(16,227)	13,633
Loss net of tax	(207,751)	(16,227)	(223,978)

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43. DIVIDEND

	2020 RM'000	2019 RM'000
In respect of the financial year ended 31 December:		
Dividend of RM13.01 per share (2019: RM50.00 per share), declared on 22 December 2020 and paid on 31 December 2020 (2019: declared on 31 March 2019 and 27 May 2019 and paid in tranches on 27 May 2019, 11 June 2019, 30 August 2019, 4 September 2019 and 23 December 2019)	**52,040**	200,000

44. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Group	1 January 2020 RM'000	Net changes in bank overdrafts RM'000	Additional hire purchase RM'000	Proceeds from borrowings, net of transaction fees RM'000	Repayment of borrowings RM'000	Foreign exchange RM'000	31 December 2020 RM'000
Islamic financing facilities	**2,051,911**	**–**	**–**	**98,920**	**(95,565)**	**(139)**	**2,055,127**
Conventional financing facilities	**278,110**	**–**	**–**	**11,640**	**(194,276)**	**–**	**95,474**
Revolving credits	**30,988**	**–**	**–**	**219,000**	**(190,260)**	**–**	**59,728**
Bank overdrafts	**6,918**	**(67)**	**–**	**–**	**–**	**–**	**6,851**
Others	**13,959**	**–**	**100**	**–**	**(3,712)**	**–**	**10,347**
Total liabilities from financing activities	**2,381,886**	**(67)**	**100**	**329,560**	**(483,813)**	**(139)**	**2,227,527**

Group	1 January 2019 RM'000	Net changes in bank overdrafts RM'000	Proceeds from borrowings, net of transaction fees RM'000	Repayment of borrowings RM'000	Foreign exchange RM'000	31 December 2019 RM'000
Islamic financing facilities	1,036,366	–	1,449,539	(431,557)	(2,437)	2,051,911
Conventional financing facilities	202,631	–	126,093	(50,614)	–	278,110
Revolving credits	621,199	–	562,384	(1,152,595)	–	30,988
Bank overdrafts	8,265	(1,347)	–	–	–	6,918
Others	12,932	–	11,880	(10,853)	–	13,959
Total liabilities from financing activities	1,881,393	(1,347)	2,149,896	(1,645,619)	(2,437)	2,381,886

44. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONT'D.)

Company	1 January 2020 RM'000	Proceeds from borrowings, net of transaction fees RM'000	Repayment of borrowings RM'000	31 December 2020 RM'000
Islamic financing facilities	**1,047,768**	**62,641**	**(10,935)**	**1,099,474**
Conventional financing facilities	**146,000**	**–**	**(146,000)**	**–**
Revolving credits	**–**	**219,000**	**(169,000)**	**50,000**
Total liabilities from financing activities	**1,193,768**	**281,641**	**(325,935)**	**1,149,474**

Company	1 January 2019 RM'000	Proceeds from borrowings, net of transaction fees RM'000	Repayment of borrowings RM'000	31 December 2019 RM'000
Islamic financing facilities	553,319	1,014,450	(374,000)	1,047,768
Conventional financing facilities	–	–	–	146,000
Revolving credits	290,000	230,000	(520,000)	–
Total liabilities from financing activities	843,319	1,244,450	(894,000)	1,193,768

45. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 15 March 2021.

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