SARAWAK
OIL PALMS
BERHAD

Registration No. 196801000358 (7949-M)

BUILDING A SUSTAINABLE FUTURE

ANNUAL REPORT 2019

Our vision

To become a diversified corporation with global recognition.

Our core values

- Insist on Quality
- Be Competitive and Have Strong will to Succeed
- Continuous Improvement in Productivity and Performance
- Integrity and Professionalism
- Team Spirit and Unity
- Continuous Growth, Improvement and Development of Skill and Knowledge
- See Changes as Opportunities
- Environmentally and Safety Conscious

Contents

TEN YEARS FINANCIAL RECORD

RESULTS	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000
Turnover	728,158	1,166,949	1,314,943	1,711,402	2,874,718	3,670,787	4,416,122	4,913,351	3,603,898	2,971,870
Profit before taxation	222,135	361,984	213,935	139,631	160,136	123,762	195,960	351,458	108,997	131,308
Profit after taxation	164,282	266,202	163,602	100,636	123,399	91,903	142,288	252,290	67,907	91,592
Total shareholders' fund	974,156	1,217,615	1,363,961	1,231,619	1,330,724	1,403,784	1,874,679	2,108,168	2,142,636	2,203,365
Total assets	1,664,661	2,049,715	2,480,635	2,467,148	2,719,927	3,030,413	4,332,737	4,289,652	4,126,013	4,182,321
Total borrowings	305,447	418,783	644,554	825,636	931,424	1,101,849	1,188,332	1,412,881	1,271,854	1,236,272
Issued & paid-up capital	431,086	434,477	436,548	438,253	439,498	441,307	570,111	819,860	820,085	820,091
Dividend (Net of tax)	9,659	13,005	16,360	19,693	21,963	21,997	22,090	28,540	34,252	28,544

FINANCIAL STATISTICS	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Profit before taxation / turnover (%)	30.5	31.0	16.3	8.2	5.6	3.4	4.4	7.2	3.0	4.4
Gross dividend (sen / share)	4.0	5.0	6.0	6.0	5.0	5.0	5.0	5.0	6.0	5.0
Net earnings per share (sen) - Basic	35.3	55.9	36.0	21.0	26.3	20.1	28.1	40.8	10.9	15.7
Net earnings per share (sen) - Diluted	34.6	54.7	35.5	20.7	26.0	20.0	28.0	40.8	10.9	15.7
Net tangible assets per share (RM)	2.26	2.80	3.12	2.80	3.03	3.17	3.29	3.40	3.46	3.56

	2015 RM / Mt	2016 RM / Mt	2017 RM / Mt	2018 RM / Mt	2019 RM / Mt
Refined palm products	2,126	2,693	2,913	2,316	2,215
Crude palm oil	2,207	2,665	2,939	2,287	2,122
Palm kernel oil	3,322	4,986	5,072	3,686	2,517
Palm kernel cake	331	387	408	475	402
Palm kernel	1,473	2,372	2,332	1,657	1,137

TEN YEARS CROP RECORD

Planted Hectarage, Production and Yield

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
	Ha	Ha	Ha	Ha	Ha	Ha	Ha	Ha	Ha	Ha
OIL PALMS										
Mature	33,877	43,339	45,107	55,426	59,997	61,049	77,115	78,607	80,772	**79,872**
Immature	25,063	19,416	18,154	8,104	3,380	2,468	10,629	9,380	7,614	**7,699**
Total	58,940	62,755	63,261	63,530	63,377	63,517	87,744	87,986	88,386	**87,571**
Area Under Development, Reserves, Unplanted, Building Sites, etc	13,713	9,898	9,392	9,123	9,276	9,136	32,553	32,311	33,575	**34,423**
Total Area Under Lease	72,653	72,653	72,653	72,653	72,653	72,653	120,297	120,297	121,961	**121,994**

	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes
FFB CROP										
Estate Crop	673,260	839,785	887,425	959,499	1,049,076	1,133,961	1,010,836	1,374,712	1,340,474	**1,341,979**
Outside Crop	462,949	665,514	798,106	853,066	770,991	692,580	603,405	669,525	756,692	**727,410**
	1,136,209	1,505,299	1,685,531	1,812,565	1,820,067	1,826,541	1,614,241	2,044,237	2,097,166	**2,069,389**
Crude Palm Oil (Produced)	238,204	310,760	347,548	364,600	367,015	355,468	315,221	411,930	419,356	**416,682**
Palm Kernels (Produced)	49,182	63,834	73,871	78,712	79,606	76,406	66,288	84,490	87,492	**88,344**
	287,386	374,594	421,419	443,312	446,621	431,874	381,509	496,420	506,848	**505,026**

YIELD PER HECTARE										
Tonnes FFB/ Mature palms	19.87	21.25	18.21	17.09	17.50	18.55	16.79	17.07	16.40	**16.57**
Crude Palm Oil/ FFB	21.23%	21.57%	20.67%	20.14%	20.26%	19.88%	19.97%	20.65%	20.53%	**20.72%**
Palm Kernels/ FFB	4.38%	4.37%	4.39%	4.35%	4.39%	4.27%	4.20%	4.23%	4.28%	**4.39%**

TEN YEARS CROP RECORD
(CONT'D)

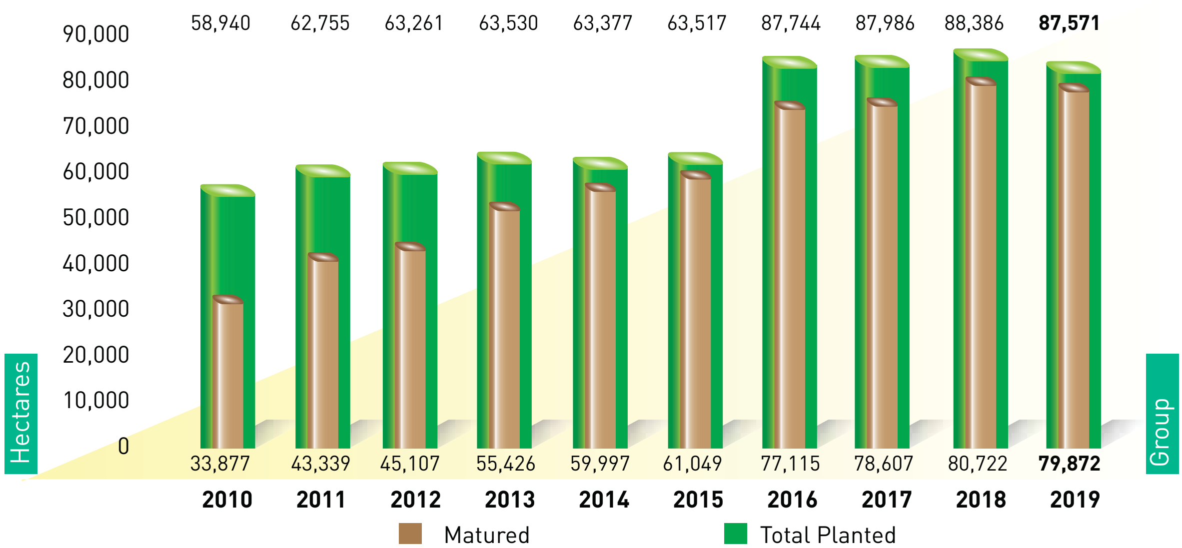
PLANTED AREA STATISTICS

	As at 31/12/2019	As at 31/12/2018
Palm Age (Yrs)	**Area (Ha)**	**Area (Ha)**
Immature (Below 4 yrs)	7,699	7,614
Young (4-10 yrs)	30,585	38,288
Prime (11-20 yrs)	46,652	40,757
Old (21 yrs & above)	2,635	1,727

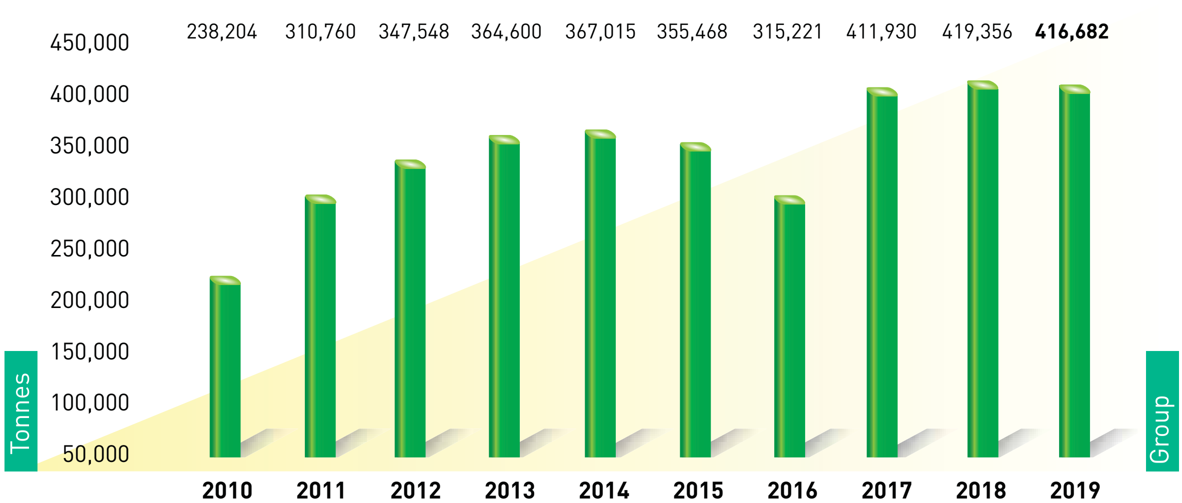
FFB Production and Extraction Rates	2019	2018
Group FFB production (mt)	1,341,979	1,340,474
Total FFB processed (mt)	2,010,560	2,042,320
Group CPO Production (mt)	416,682	419,356
Group Palm Kernel Production (mt)	88,344	87,492
Group FFB average yield (mt/ha)	16.57	16.40
Group average oil extraction rate (OER) (%)	20.72%	20.53%
Group average kernel extraction rate (KER) (%)	4.39%	4.28%

TEN YEARS STATISTICAL HIGHLIGHTS

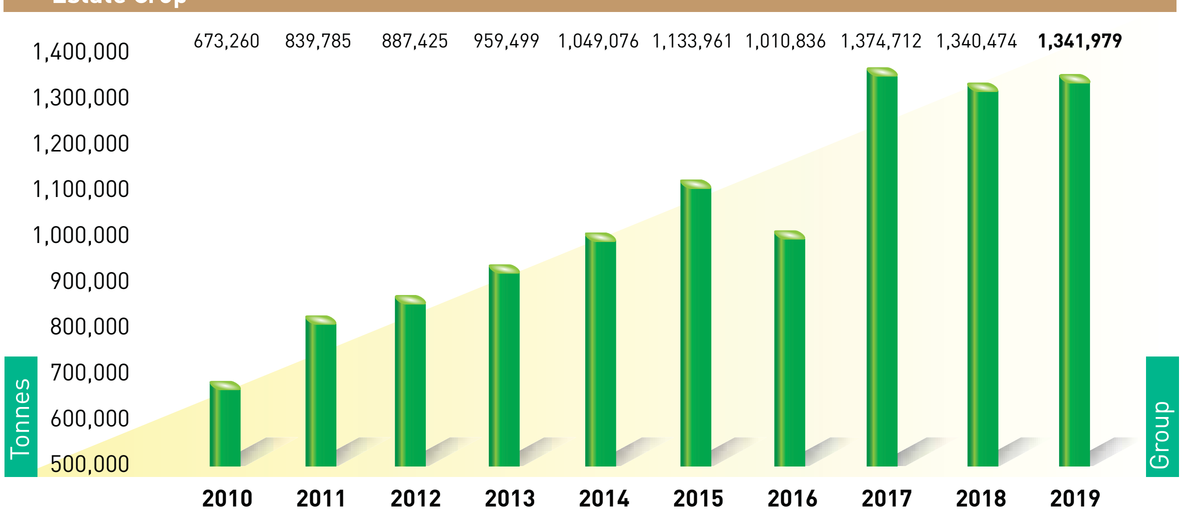
Area Planted



Crude Palm Oil (Produced)

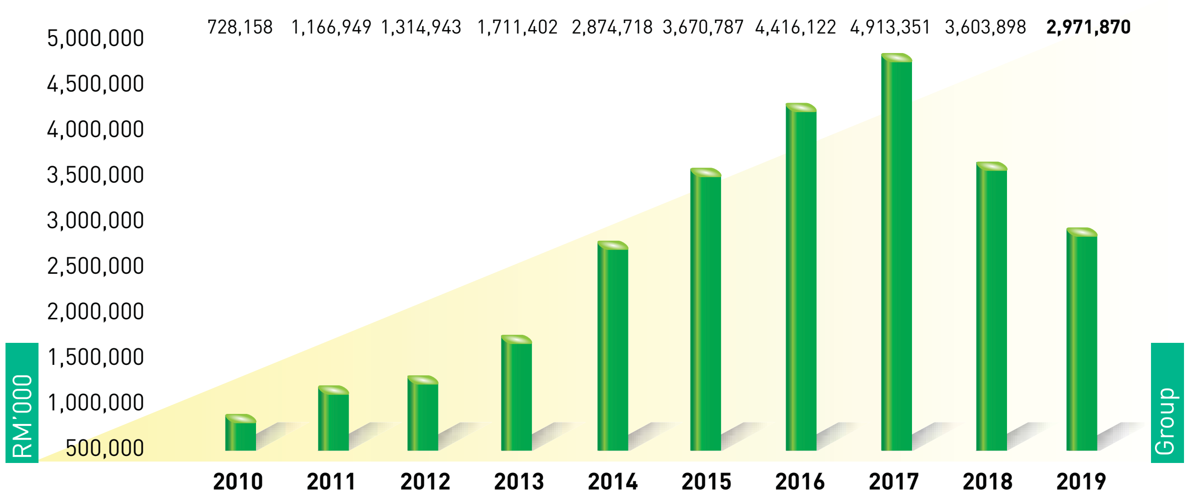


Estate Crop

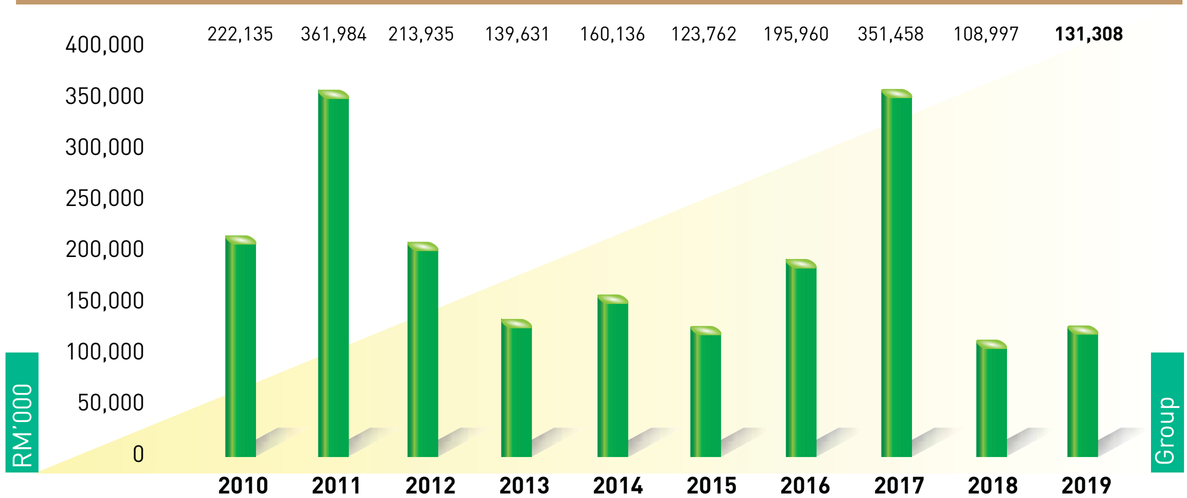


TEN YEARS STATISTICAL HIGHLIGHTS
(CONT'D)

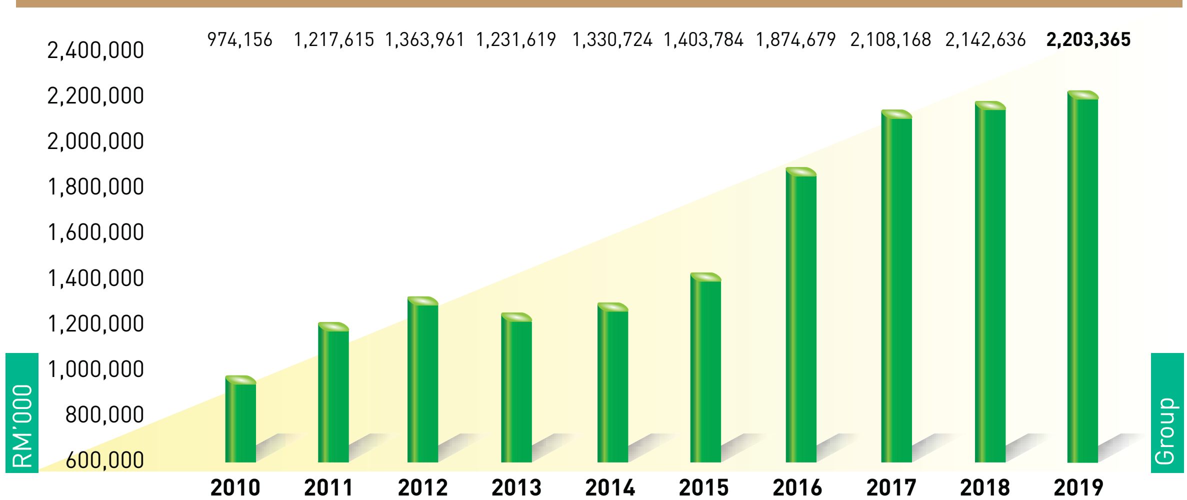
Revenue



Profit before taxation



Total shareholders' fund



CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Datuk Ling Chiong Ho
(Group Executive Chairman)

Ling Chiong Sing

Ling Lu Kuang

Tang Tiong Ing

Dr. Lai Yew Hock, Dominic

Kamri Bin Ramlee

Fong Yoo Kaw @ Fong Yee Kow, Victor

Chua Chen San

Datuk Amar Haji Ahmad Tarmizi Bin Haji Sulaiman

Hasmawati Binti Sapawi
(Alternate Director for Datuk Amar Haji Ahmad Tarmizi Bin Haji Sulaiman)

Monaliza Binti Zaidel

GROUP AUDIT AND RISK MANAGEMENT COMMITTEE

Fong Yoo Kaw @ Fong Yee Kow, Victor
Chairman
Independent Non-Executive

Tang Tiong Ing
Non-Independent Non-Executive

Dr. Lai Yew Hock, Dominic
Independent Non-Executive

Chua Chen San
Independent Non-Executive

INVESTMENT COMMITTEE

Fong Yoo Kaw @ Fong Yee Kow, Victor
Chairman
Independent Non-Executive

Dr. Lai Yew Hock, Dominic
Independent Non-Executive

Monaliza Binti Zaidel
Non-Independent Non-Executive

Wong Hee Kwong
Group Chief Executive Officer

NOMINATION COMMITTEE

Fong Yoo Kaw @ Fong Yee Kow, Victor
Chairman
Independent Non-Executive

Dr. Lai Yew Hock, Dominic
Independent Non-Executive

Tang Tiong Ing
Non-Independent Non-Executive

ESOS COMMITTEE

Tan Sri Datuk Ling Chiong Ho
Chairman
Group Executive Chairman

Chua Chen San
Independent Non-Executive

Dr. Lai Yew Hock, Dominic
Independent Non-Executive

Wong Hee Kwong
Group Chief Executive Officer

REMUNERATION COMMITTEE

Fong Yoo Kaw @ Fong Yee Kow, Victor
Chairman
Independent Non-Executive

Dr. Lai Yew Hock, Dominic
Independent Non-Executive

Monaliza Binti Zaidel
Non-Independent Non-Executive

GROUP CHIEF EXECUTIVE OFFICER

Wong Hee Kwong

COMPANY SECRETARY

Eric Kiu Kwong Seng

REGISTERED OFFICE

No. 124-126
Jalan Bendahara,
98000 Miri, Sarawak
Tel : (6085) 436969
Fax : (6085) 432929

SHARE REGISTRARS

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

AUDITORS

KPMG PLT Auditors
1st Floor, Lot 2045,
Jalan MS1/2, Marina Square Marina Parkcity,
98000 Miri, Sarawak.
Tel : 085-321912
Fax : 085-321962

PRINCIPAL BANKERS

AmBank (M) Berhad
AmBank Islamic Berhad
CIMB Bank Berhad
Export-Import Bank of Malaysia Berhad
Hong Leong Bank Berhad
Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad
United Overseas Bank (Malaysia) Bhd

STOCK EXCHANGE LISTING

The Main Board
Bursa Malaysia

STOCK NAME

SOP

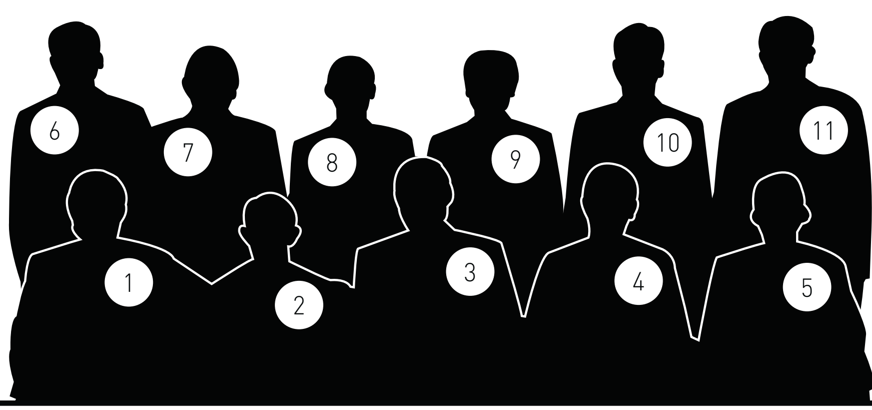
STOCK CODE

5126

DOMICILE

MALAYSIA

BOARD OF DIRECTORS



Not pictured

1. Monaliza Binti Zaidel
2. Hasmawati Binti Sapawi (Alternate Director to Datuk Amar Haji Ahmad Tarmizi Bin Haji Sulaiman)

Seated

1. Ling Chiong Sing
2. Datuk Amar Haji Ahmad Tarmizi Bin Haji Sulaiman
3. Tan Sri Datuk Ling Chiong Ho (Group Executive Chairman)
4. Fong Yoo Kaw @ Fong Yee Kow, Victor
5. Kamri Bin Ramlee

Standing

6. Chua Chen San
7. Dr. Lai Yew Hock, Dominic
8. Tang Tiong Ing
9. Ling Lu Kuang
10. Wong Hee Kwong (Group CEO)
11. Eric Kiu Kwong Seng (Company Secretary)

BOARD OF DIRECTORS
(CONT'D)

TAN SRI DATUK LING CHIONG HO

A Malaysian citizen, aged 68, was appointed as Director on 16 June 1995. In 1999, he was appointed as the Group Non-Executive Chairman and was subsequently redesignated as Group Executive Chairman in 2003. He is also the Chairman of the Group Management, ESOS and MRGF Committees. In addition to being the current Deputy Chairman of Sarawak Timber Association, he also serves as Chairman/Deputy Chairman of several school boards and charitable organizations in Sarawak.

Tan Sri Datuk Ling is the founder and Chairman of the diversified Shin Yang Group of companies involving in reforestation, wood-based downstream activities, domestic and international shipping, shipbuilding, property development, infrastructure projects, oil palm, public transports, hypermarket and hotel business. He is also the Non-Executive Chairman of Shin Yang Shipping Corporation Berhad, a company listed on Bursa Malaysia Securities Berhad.

Tan Sri Datuk Ling is the brother of Ling Chiong Sing, a director of SOPB. Tan Sri Datuk Ling is deemed connected to Shin Yang Plantation Sdn Bhd, one of the substantial shareholders of SOPB. He is deemed interested in various transactions between the SOPB Group and certain companies carried out in the ordinary course of business by virtue of his common directorship and/or shareholdings in these companies.

Tan Sri Datuk Ling has attended all five Board Meetings held during the financial year ended 31 December 2019. He has not been convicted of any offence within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

LING CHIONG SING

A Malaysian citizen, aged 63, was appointed as Non-Independent Non-Executive Director on 1 December 2006. He is also a member of MRGF Committee.

He graduated from Taiwan in Accounting and is currently the Chief Executive Director of a well-diversified Shin Yang Group of Companies in Sarawak. He has more than 30 years of managerial experience and is very hands on in the business of logging, plywood, shipping and shipbuilding, quarry operations, transportation, construction and project fields. He is the Group Managing Director of Shin Yang Shipping Corporation Berhad, a company listed on Bursa Malaysia Securities Berhad.

He is the brother of Tan Sri Datuk Ling Chiong Ho who is the Group Executive Chairman of SOPB and is deemed connected party to Shin Yang Plantation Sdn Bhd, a substantial shareholder of the SOPB. He is deemed interested in various transactions between the SOPB Group and certain companies carried out in the ordinary course of business by virtue of his common directorships and/or shareholdings in these companies.

He has attended four out of the five Board Meetings held during the financial year ended 31 December 2019. He has not been convicted of any offence within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

LING LU KUANG

A Malaysian citizen, aged 43, was appointed as a Non-Independent Non-Executive Director on 27 June 2008. He is also the Vice Chairman of the Group Management Committee. He graduated from the University of Auckland with Bachelor of Commerce degree double majoring in management and operation management. Currently he is the Non-Executive Director of some companies of Shin Yang Group which involved in domestic and international shipping, property development, infrastructure projects, oil palm and hotel business.

He is the eldest son of Tan Sri Datuk Ling Chiong Ho who is the Group Executive Chairman of SOPB and is deemed connected party to Shin Yang Plantation Sdn Bhd, a substantial shareholder of the SOPB. He is deemed interested in various transactions between the SOPB Group and certain companies carried out in the ordinary course of business by virtue of his common directorships and/or shareholdings in these companies.

He has attended all five Board Meetings held during the financial year ended 31 December 2019. He has not been convicted of any offence within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

BOARD OF DIRECTORS
(CONT'D)

TANG TIONG ING

A Malaysian citizen, aged 61, has been a Non-Independent Non-Executive Director since 16 June 1995. He serves as a member of the Group Audit and Risk Management Committee and Nomination Committee. He graduated from University of Malaya with Bachelor in Accounting with Honours. He is a Chartered Accountant (Malaysia) and is a member of several professional bodies including the Malaysian Institute of Accountants, Chartered Tax Institute of Malaysia and Fellow Certified Practicing Accountants of Australia and Malaysian Association of Company Secretaries.

His career started from Lau Hoi Chew & Co., a Certified Public Accounting firm in 1984 and was promoted to head the Miri Branch in 1985 till 1990. In 1991, he joined Shin Yang Group as a Group Accountant to oversee all the financial and accounting functions, corporate taxation, treasury, corporate planning and company secretarial function of the diversified Shin Yang Group. He is an appointed representative of Shin Yang Plantation Sdn. Bhd., a substantial shareholder of SOPB and does not have any conflict of interest with SOPB.

He has attended all five Board Meetings held during the financial year ended 31 December 2019. He has not been convicted of any offence within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

DR. LAI YEW HOCK, DOMINIC

A Malaysian citizen, aged 61, was appointed as an Independent Non-Executive Director on 24 February 2000. He serves as a member of the Group Audit and Risk Management, Nomination, Remuneration, Investment and ESOS Committees. He graduated from the University of Otago, Dunedin, New Zealand with a Bachelor of Laws degree in 1985. He was variously admitted as a Barrister and Solicitor of the High Court of New Zealand in October 1985, as an Advocate of the High Court in Sabah and Sarawak in February 1986, and as an Advocate and Solicitor of the High Court of Malaya in October 1986. He graduated from the University of South Australia, Adelaide, Australia with the degree of Doctor of Business Administration in December 2006. His doctorial thesis is on Corporate Governance. He is also a Commissioner for Oaths, a Notary Public and an Accredited Mediator. He started his own legal firm in Miri, Sarawak in May 1992. He is not related to any director and/or substantial shareholder of SOPB and does not have any conflict of interest with SOPB.

He has attended all five Board Meetings held during the financial year ended 31 December 2019. He has not been convicted of any offence within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

KAMRI BIN RAMLEE

A Malaysia citizen, aged 60, was appointed as a Non-Independent Non-Executive Director on 1 April 2011. He holds a degree in LLB (Hons) from University Malaya and also a Master of Business Administration from University Kebangsaan Malaysia. He joined the Land Custody and Development Authority (LCDA) since 1989. He is currently the Senior Manager, Legal & Secretarial Division of LCDA Holdings Sdn Bhd since 2007. Prior to this, he worked as a legal officer with a government agency and a credit officer with a commercial bank in Kuala Lumpur. He is an appointed representative of LCDA Holdings Sdn Bhd, a substantial shareholder of SOPB and does not have any conflict of interest with SOPB.

He has attended all five Board Meetings held during the financial year ended 31 December 2019. He has not been convicted of any offence within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

BOARD OF DIRECTORS
(CONT'D)

FONG YOO KAW @ FONG YEE KOW, VICTOR

A Malaysian citizen, aged 67, was appointed as an Independent Non-Executive Director on 28 April 2014.

He serves as a Chairman of the Group Audit and Risk Management Committee, Nomination Committee, Remuneration Committee and Investment Committee.

He graduated from Victoria University of Wellington, New Zealand with Bachelor's Degree in Commerce and Administration (BCA) in 1975. He is a member of the Chartered Institute of Australia and New Zealand, a member of the Malaysian Institute of Accountants and an Associate member of the Institute of Chartered Secretaries and Administrator (ACIS). He started his career in New Zealand with the Lion Breweries Ltd Group of Companies. From 1979 to 1989, he was the Accountant and Group Secretary and later promoted to Group Financial Controller of the Sarawak Pulp Industries Sdn Bhd Group of companies. Victor joined the international professional service firm of Ernst & Young in 1989 and during his professional career with Ernst & Young for over 20 years he held the positions of senior manager, Director and Partner in Ernst & Young Malaysia and Partner, Ernst and Young, Asia-Pacific.

He is an Independent Non-Executive Director of YKGI Holdings Berhad, Pansar Berhad and DPI Holdings Berhad. He is not related to any director and/or substantial shareholder of SOPB and does not have any conflict of interest with SOPB.

He has attended all five Board Meetings held during the financial year ended 31 December 2019. He has not been convicted of any offence within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

CHUA CHEN SAN

A Malaysian citizen, aged 59, was appointed as an Independent Non-Executive Director on 1 March 2016. He serves as a member of the Group Audit and Risk Management and ESOS Committees. He graduated with a Bachelor of Commerce degree from the University of Canterbury, New Zealand in 1986. He is a Chartered Accountant (Malaysia) and is a member of the Malaysian Institute of Accountants, Chartered Tax Institute of Malaysia and Institute of Chartered Accountants Australia and New Zealand.

He was a Senior Accountant in Koller & Koller Accountants, New Zealand from 1988 to 1992. He joined Doyon Development Sdn Bhd, Samling Group as a Financial Accountant from 1992 to 1994. From 1994 to 2006, he was the Audit Manager in Liew & Co, Chartered Accountants and Internal Audit Manager in Shin Yang Group from 2006 to 2009. He is currently the Director of Audit, Tax and Consultancy Services in Andy Chia & Co, Chartered Accountants. He is not related to any director and/or substantial shareholder of SOPB and does not have any conflict of interest with SOPB.

He has attended all five Board Meetings held during the financial year ended 31 December 2019. He has not been convicted of any offence within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

DATUK AMAR HAJI AHMAD TARMIZI BIN HAJI SULAIMAN

A Malaysian citizen, aged 57, was appointed as the Non-Independent Non-Executive Director on 10 August 2017 and was subsequently redesignated as an Independent Director on 26 July 2018. He holds a Master of Business Administration (Finance) and also a Bachelor of Science (Business Administration), United States of America.

He started his career in Interfinance Berhad, Kuching in 1983 as a Credit Administrative Assistant. He joined Arab-Malaysian Merchant Bank Berhad, Kuala Lumpur as an Investment Manager from 1987 to 1992. He was an Investment Manager in American International Assurance Co. Ltd. Kuala Lumpur from 1992 to 1993 and a Chief Executive Officer in Amanah Saham Sarawak Berhad from 1993 to 2002. He was a Deputy State Financial Secretary from 2002 to 2004 and is currently the State Financial Secretary since 2004.

He is not related to any director and/or substantial shareholder of SOPB and does not have any conflict of interest with SOPB. He and Ms Hasmawati Binti Sapawi (alternate director to Datuk Amar Haji Ahmad Tarmizi Bin Haji Sulaiman) have collectively attended four out of the five Board Meetings held during the financial year ended 31 December 2019. He has not been convicted of any offence within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

BOARD OF DIRECTORS
(CONT'D)

HASMAWATI BINTI SAPAWI
Alternate Director to Datuk Amar Haji Ahmad Tarmizi Bin Haji Sulaiman

A Malaysian citizen, aged 52, was appointed to the Board of SOPB as an Alternate Director to Datuk Amar Haji Ahmad Tarmizi Bin Haji Sulaiman on 27 November 2017. She holds a Bachelor of Arts (Hons, Economics), Canada, a Master of Business Administration, Australia and a Master of Environmental Management (Development Planning), Malaysia. She started her career as an Economist in Investment Division at Land Custody & Development Authority (LCDA) from November 1992 to December 2005 before serving the State Financial Secretary's Office (SFSO) on a secondment basis until December 2007. Subsequently, she was employed on a permanent basis with SFSO. Presently, she is holding the post of the Director of Corporate Services & Investment Division at SFSO since April 2008, handling corporate finance and investment activities. Ms. Hasmawati was a Non-Executive Director in Sarawak Plantation Berhad, appointed on 25 November 2011 and also a Non-Executive Director (Independent) in Amanah Saham Sarawak Berhad, appointed on 31 October 2017.

She is not related to any director and/or substantial shareholder of SOPB and does not have any conflict of interest with SOPB. She has not been convicted of any offence within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

MONALIZA BINTI ZAIDEL

A Malaysian citizen, aged 56, was appointed to the Board of SOPB as an Non Executive Director on 26 July 2018. She serves as a member of the Remuneration Committee and Investment Committee. She holds a Bachelor of Science in Electrical Engineering from the University of Bridgeport, Connecticut, USA, a Master of Science In Information Systems and Technology at City University, London and a Corporate Masters in Business Administration (CMBA) at Ohio University, Ohio, USA.

She started her career as an Electrical Engineer at JKR Sarawak from August 1986 to March 2001. She was seconded to Sarawak Incorporated Sdn. Bhd. as a Manager of Facilities Management Services from March 2001 to September 2005. She was promoted as Senior Electrical Engineer at JKR Sarawak from October 2005 to 25 March 2007. She was seconded to LCDA Holdings Sdn. Bhd. from 26 March 2007 until October 2009 as a Senior Manager of Property Management Division,to Jabatan Ketua Menteri (JKM) from November 2010 until 01 May 2012 as a Deputy Director in Innovation Unit and to LCDA Holdings Sdn. Bhd. from 2 May 2012 to September 2016 as a Senior Manager of Property And Engineering Division. She was the Deputy Chief Executive Officer (Property Sector) of LCDA Holdings Sdn Bhd since 1st April 2017 until early of January 2020. She was promoted as Chief Executive Officer and Director of LCDA Holdings Sdn Bhd and Acting General Manager of Land Custody and Development Authority on 01 January 2020.

She is not related to any director and/or substantial shareholder of SOPB and does not have any conflict of interest with SOPB. She has attended attended four out of five Board Meetings held during the financial year ended 31 December 2019. She has not been convicted of any offence within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

PROFILE OF KEY SENIOR MANAGEMENT

WONG HEE KWONG

A Malaysian citizen, aged 57, appointed as the Chief Executive Officer of Sarawak Oil Palms Berhad ("SOPB") in 1998 and was subsequently redesignated as Group Chief Executive Officer in 2010. He is a Chartered Accountant (Malaysia), a member of the Malaysian Institute of Accountants and Fellow member of Association of Chartered Certified Accountants (FCCA), U.K. He worked in KPMG, EON Finance Berhad and a Government linked company before joining SOPB Group as the Group Finance Manager and Company Secretary in April 1996. His professional experiences include accounting, secretarial, management consultancy, taxation and banking and finance. Currently, he is a council member of Malaysian Palm Oil Association (MPOA) and also a Board member of Trustees of Malaysian Palm Oil Council (MPOC).

He is not related to any director or substantial shareholder of SOPB and does not have any conflict of interest with SOPB. His direct interests in the shares and share options under the Employee Share Option Scheme of SOPB at year end are 2,245,600 shares and 2,853,900 options respectively.

He has not been convicted of any offence within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

ERIC KIU KWONG SENG

A Malaysian citizen, aged 48, appointed as the Company Secretary in 1998 and has about 21 years' experience in corporate secretarial practices. He is currently the Company Secretary and Chief Operating Officer of the Group. He holds an engineering degree in Manufacturing & Management (Hons) from University of Nottingham, U.K and also a Master of Business Administration from University of Leeds (Leeds University Business School, U.K.).

He is the son-in-law of Tan Sri Datuk Ling Chiong Ho who is the Group Executive Chairman of SOPB. He has not been convicted of any offence within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

CHUA KIAN HONG

A Malaysian citizen, aged 66, was appointed as the Group Plantation Controller of Sarawak Oil Palms Berhad in April 2000. He graduated from UPM in Diploma of Agriculture, and has more than 44 years' working experiences in plantation industry. He served as Plantation Executive with major plantation companies in West Malaysia from 1975 to 1994. Thereafter he served as Senior Plantation Executive/Senior Plantation Controller in Sabah from 1994 until 2000.

He is not related to any director or substantial shareholder of SOPB and does not have any conflict of interest with SOPB. He has not been convicted of any offence within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

THO KHENG CHIANG

A Malaysian citizen, aged 41, was appointed as the Assistant Group Financial Controller of SOPB in 2016 and redesignated as Chief Financial Officer of the Group in 2019. He is a Chartered Accountant (Malaysia), a member of the Malaysian Institute of Accountants and a Fellow member of Association of Chartered Certified Accountants (FCCA), U.K. He worked in KPMG and a public listed company before joining SOPB as the Internal Audit Manager in year 2010. His professional experiences include audit and assurance, accounting and corporate exercises.

He is not related to any director and/or substantial shareholder of SOPB and does not have any conflict of interest with SOPB. He has not been convicted of any offence within the past 5 years and has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

CHAIRMAN'S STATEMENT

Review of Results

In 2019, SOPB's group profit after tax of RM91.6 million was 35% higher compared to RM67.9 million reported in 2018.

The average price for crude palm oil in year the 2019 was RM2,122 per metric tonne, compared to RM2,287 per metric tonne in 2018. On the other hand, the total production volume of the Fresh Fruit Bunches ("FFB") was 1.34 million metric tonne.

As for the plantation sector, crop losses were severe due to labour shortage despite our best efforts to recruit more workers. Labour was a common structural issue across the industry that was expected to persist. As such, we had embarked on new initiatives with mechanization to improve efficiency.

Further details on our operational and financial review can be found in the Management Discussion and Analysis on page 15 to 19.

Dividend

In anticipation of future developments, we had decided to set aside a large portion of reserve funds for strategic purposes. The cash and cash equivalents of RM755.80 million as at 2019 closing would be managed sensibly for better debt management and act as a buffer from any unfavourable market fluctuations.

The Board of Directors had proposed a first and final tax-exempt dividend of 5 sen per ordinary share amounting to RM28,543,817 for the Financial Year ended 31st December 2019.

Sustainability

To achieve our corporate visions, we continued to adopt a proactive and prudent approach to meet the triple bottom line of People, Planet and Profit. We remained committed to sustainable agricultural practices, good corporate governance, high standards for occupational safety, health and welfare of our workforce and effectuate corporate social responsibility to the local communities.

We had collaborated with local and overseas research institutions to develop biodiversity conservation strategies in addition to our research on greenhouse gas emissions and peatland dynamics. The Sustainability Report from page 20 to 75 contains more details on the related achievements.

Prospect

The industry will always encounter challenges such as labour crunch, price swings and import restrictions. To overcome these, we will seek market diversification, to be less labour intensive and raise efficiency in order to lower cost. We will forge ahead by harnessing the full potential our assets, stay resilient against any adverse external shocks and continue to deliver exceptional value to our stakeholders.

Appreciation

On behalf of the Board, I would like to express our heartfelt gratitude to our employees, customers, partners and all our stakeholders for their immense support that had helped SOPB grew stronger in 2019. The COVID-19 pandemic is an emerging crisis for the world. It is my fervent hope that we can overcome it together and achieve better results for the year 2020 and for SOPB to be further recognized as a leading integrated sustainable producer in Sarawak.

TAN SRI DATUK LING CHIONG HO
GROUP EXECUTIVE CHAIRMAN
SARAWAK OIL PALMS BERHAD

MANAGEMENT DISCUSSION AND ANALYSIS

This review highlights details on the financial and operation information of the Group for the year 2019.

1. Overview of Group's business

During the year under review, the Group's core business remained unchanged with upstream segments which comprised of oil palms plantation and milling operations, and downstream segments which comprised of refining, trading and marketing of palm oil products.

For the plantation segment, the Group's fresh fruit bunches (FFB) production in 2019 was 1,341,979 metric tonnes compared to 1,340,474 metric tonnes in 2018. The yield was 16.57 metric tonnes per hectare compared to 16.40 metric tonnes per hectare achieved in 2018.

For the milling segment, the Group recorded a better oil extraction and kernel extraction rate of 20.72% and 4.39% respectively, compared to 20.53% and 4.28% achieved in the preceding year.

The global palm oil prices in 2019 was lower with the average crude palm oil (CPO) price of RM2,122 per metric tonnes compared to RM2,287 per metric tonnes in 2018.

For 2020, the global palm oil prices are expected to be volatile due to the economic uncertainties caused by the COVID-19 pandemic.

2. Financial Results

(i) Abridged Group Income Statement

The total revenue of the Group in 2019 was RM2.9 billion compared to RM3.6 billion in 2018. The reduction was mainly due to lower average realized price and lower transacted volume for palm products.

Nevertheless, the Group had registered a higher profit after tax of RM91.6 million compared to RM67.9 million achieved in 2018. The improvement was attributed mainly to better operational efficiency and palm products margin.

Abridged Group Income Statement:

	Year 2019 RM'million	Year 2018 RM'million
Revenue	2,971.9	3,603.9
Profit before tax	131.3	109.0
Profit after tax	91.6	67.9
Earnings before interest, tax, depreciation and amortisation	335.6	313.6
Earnings per share		
Basic	15.67 sen	10.95 sen
Diluted	15.67 sen	10.95 sen

Average Realized Prices for Palm Products:

	2019 RM/mt	2018 RM/mt
Crude Palm Oil	2,122	2,287
Palm Kernel Oil	2,517	3,686

MANAGEMENT DISCUSSION AND ANALYSIS
(CONT'D)

(ii) Abridged Group Cash Flow Statement

	2019 RM'million	2018 RM'million
Operating activities		
(i) Cash generated before changes in working capital	330.36	311.93
(ii) Cash inflow from changes in working capital, payment of tax & interest	113.81	65.76
Net cash flows from operating activities	444.17	377.69
Financing activities		
(i) Net payment for trade financing, loans & borrowings	(252.42)	(260.57)
(ii) Proceeds from loans & borrowings	209.37	107.13
(iii) Dividend & interest payment	(82.17)	(82.30)
(iv) Cash inflow from other financing activities	2.81	0.73
Net cash flows used in financing activities	(122.41)	(235.01)
Investing activities		
(i) Capital expenditure on property, plant & equipment & bearer plants	(125.41)	(144.69)
(ii) Acquisition of joint venture/subsidiary	(40.24)	0.35
(iii) Cash (outflow)/inflow from other investing activities	(54.62)	13.41
Net cash flows used in investing activities	(220.27)	(130.93)
Net increase in cash and cash equivalents	101.49	11.75
Cash and cash equivalents at 1 January	647.35	635.06
Effect of exchange rate changes	(0.78)	0.54
Cash and cash equivalents at 31 December	748.06	647.35

For the year 2019, the Group generated a net cash inflow of RM444.2 million from operating activities comprising cash generated before working capital changes of RM330.4 million, cash inflow from changes in working capital, and net payment of tax and interest of RM113.8 million.

For financing activities, the proceeds from loans and borrowings were RM209.4 million. The changes in trade financing and repayment of loans were RM252.4 million. Dividend and interest payments were RM33.2 and RM48.9 respectively. With these, the overall cash outflow from financing activities was RM122.4 million.

For investing activities, the Group had incurred a capital expenditure of RM125.4 million which was mainly due to the Group's replanting, upkeep and maintenance of immature planted areas and upgrade of palm oil mills. In addition, the Group had also invested RM40.2 million in a joint venture company.

The overall net increase in cash and cash equivalents for the financial year under review was RM101.49 million compared to RM11.8 million in year 2018.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Abridged Group Statement of Financial Position

	2019	2018
	RM'million	**RM'million**
Assets		
Non-current assets		
Property, plant and equipment	1,043.16	1,559.56
Bearer plants	1,014.07	1,028.81
Right-of-use assets	519.49	-
Other non-current assets	302.43	268.43
	2,879.15	2,856.80
Current assets		
Biological assets	18.55	8.74
Other current assets	528.81	605.96
Cash and bank balances	755.81	654.51
	1,303.17	1,269.21
Total assets	4,182.32	4,126.01
Equity and liabilities		
Share capital	820.09	820.09
Reserves	1,383.27	1,322.55
Non-controlling interests	111.74	108.19
Total equity	2,315.10	2,250.83
Non-current liabilities		
Loans and borrowings	801.13	756.82
Other non-current liabilities	376.02	367.40
	1,177.15	1,124.22
Current liabilities		
Loans and borrowings	435.14	515.03
Other current liabilities	254.93	235.93
	690.07	750.96
Total liabilities	1,867.22	1,875.18
Total equity and liabilities	4,182.32	4,126.01

As of the financial year ended 31st December 2019, the Group's total assets and liabilities was RM4,182.3 million and RM1,867.2 million respectively. The total equity stood at RM2,315.1 million.

Overall, the gross gearing of the Group was 0.54 times.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONT'D)

3. Review of Operations:

(i) Plantation Segment

(a) Plantation Areas Statistics

	As at 31/12/2019		As at 31/12/2018	
Palm Age (Yrs)	**Area (Ha)**	**%**	**Area (Ha)**	**%**
Immature (Below 4 yrs)	7,699	8.79%	7,614	8.61%
Young (4-10 yrs)	30,585	34.93%	38,288	43.32%
Prime (11-20 yrs)	46,652	53.27%	40,757	46.11%
Old (21 yrs & above)	2,635	3.01%	1,727	1.96%
Total	87,571	100.00%	88,386	100.00%

As of 31st December 2019, the Group's total planted area was 87,571 hectares compared to 88,386 hectares in 2018. A total of 1,272 hectares was replanted in 2019 compared to 1,328 hectares in 2018. The Group's weighted average palm age was 11.4 years.

(b) FFB Production and Extraction rates

		2019	2018
Group total mature area	Ha	79,872	80,772
Group FFB production	mt	1,341,979	1,340,474
Total FFB processed	mt	2,010,560	2,042,320
Group CPO Production	mt	416,682	419,356
Group PK Production	mt	88,344	87,492
Group FFB average yield	mt/Ha	16.57	16.40
Group average oil extraction rate (OER)	%	20.72%	20.53%
Group average kernel extraction rate (KER)	%	4.39%	4.28%

In 2019, the total FFB production was 1,341,979 metric tonnes, which translated to a yield of 16.57 metric tonnes per hectare. The OER and KER attained was 20.72% and 4.39% respectively. With these, the Group registered an oil per hectare of 3.43 metric tonnes against 3.37 metric tonnes in the preceding year.

A total of 2,010,560 metric tonnes of FFB was processed by the mill segment, representing approximately 72% of the mill capacity utilization rate.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONT'D)

(ii) Downstream Segment

For the financial year under review, the downstream segment of the Group had seen better profitability partly due to better operational efficiency and margin from transacted palm products. In spite of these, the downstream segment would still be subjected to commodity price volatility as well as sharp price competition from Indonesia.

For the biodiesel segment, the overall demand for biodiesel had improved due to the government's policy.

For the phytonutrient plant, the Group had focused on expanding the product range and market development. The plant is not expected to contribute significantly to the revenue and profitability of the Group.

(iii) Property Development Segment

Apart from the first property development project - Lot 120 Taman Lambir Jaya, the Group had also launched 3-storey commercial shophouses located at Lot 2415 of Lambir District, Miri in 2019. The overall take-up rate of both residential and commercial units was approximately 60%.

The property market in Sarawak remains bearish due to poor market sentiments and strict lending policy. The property segment is not expected to contribute significantly to the revenue and profitability of the Group.

4. Outlook for 2020

The Group is expected to operate in a more challenging business environment in 2020 due to the bleak global outlook and economic uncertainties caused by the COVID-19 pandemic that is disrupting global commodity demand and supply.

The Group will continue to review and sharpen its business model ensuring a lean and cost-effective structure and concurrently strive to realize the full potential of its existing assets despite external headwinds and commodity price swings.

SUSTAINABILITY REPORT 2019

ABOUT THIS REPORT

This report presents the sustainability performance of SOPB and its subsidiaries in the economic, environment and social realms for the year ended 31st December 2019 prepared based on Global Reporting Initiative Sustainability Reporting Standards and Bursa Malaysia Sustainability Reporting Guidelines.

SCOPE OF REPORT

REPORTING PERIOD	
GRI 102 – 50	1st January till 31st December 2019, unless otherwise specified.
DATE OF RECENT REPORT	
GRI 102 – 51	This is the third Sustainability Report prepared under the GRI Standards.
DATE OF RECENT REPORT	
GRI 102 – 52	Annual.
COVERAGE	
GRI 102 – 46	Entire operations of Sarawak Oil Palms Berhad (SOPB) including its subsidiaries.
GUIDELINES	
	Principal Guidelines • Global Reporting Initiative Standards Additional Guidelines • Bursa Malaysia Sustainability Reporting Guidelines
DISTRIBUTION OF AND FEEDBACK ON THE REPORT	
GRI 102 – 53	Hardcopy is available upon request or download a copy from www.sop.com.my. For further queries, please contact: **Sarawak Oil Palms Berhad** **Attention to: Mr. Galau Melayong** **Telephone: +6 085-436969**

GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT TO STAKEHOLDERS

Dear Stakeholders,

We are pleased to present SOPB's 2019 Sustainability Report for the third year based on the Global Reporting Initiative Sustainability Reporting Standards and Bursa Malaysia Sustainability Reporting Guidelines.

Our unwavering commitment to sustainable palm oil had enabled us to become one of the most sustainable players in Sarawak. We would continue to improve on existing practices and explore new strategies to address emerging global trends.

Growth

2019 was a watershed year in our drive towards greater commitments in sustainability. We launched our Oil Palms Sustainability Policy (OPSP) which represented SOPB's firm commitment towards No Deforestation, No Peat and No Exploitation. The OPSP was developed after a series of engagements with key stakeholders. It was always our intention to play a pivotal role to make sustainable palm oil the norm in Sarawak and beyond.

Our integrated business model allowed us to have better control over the quality and traceability of our supply chain and provided public certitude on our sustainability agenda. As of 2019, all our fresh fruit bunches (FFB), crude palm oil (CPO) and palm kernel oil (CPKO) were fully traceable including those from external sources. We had published a Grievance List to address any concerns over traceability and compliance to our policies.

People

Our employees were a key driver for the growth of our company. We continued to provide broad avenues for skills development. In 2019, we operated with a total workforce of about 11,000 despite streamlining to stay competitive.

The safety, health and well-being of our employees were of utmost importance. Our Safety and Health Unit had developed plans to minimise risks at the workplace. The residential quarters and amenities were inspected and maintained so as to improve the living standards of the employees.

We had also created job opportunities for the local communities so that they could share in the fruits of our growth.

Planet

At the end of 2019, all our operating units were fully certified under the Malaysian Sustainable Palm Oil (MSPO) certifications. We would continue to collaborate with the Malaysian Palm Oil Certification Council (MPOCC) and Malaysian Palm Oil Board (MPOB) to assist other oil palm plantations and smallholders within Sarawak to be MSPO certified.

Last but not least, on behalf of SOPB, I would like to take this opportunity to extend our sincere gratitude to all our stakeholders for their continuous support. We would persist to uphold our sustainability commitments and work closer with our customers, suppliers and stakeholders so that SOPB could gain greater recognition as a sustainable and transparent company both in Sarawak and globally.

WONG HEE KWONG
GROUP CHIEF EXECUTIVE OFFICER
SARAWAK OIL PALMS BERHAD

SUSTAINABILITY REPORT 2019
(CONT'D)

AWARDS AND ACCOLADES

SUSTAINABILITY MANAGEMENT GOVERNANCE STRUCTURE

The Sustainability Governance structure comprises of the Board of Directors (BOD), Group Management Committee (GMC) and Group Sustainability Committee (GSC). It is a top-down approach involving everyone in SOPB and a feedback mechanism is made available to external stakeholders.

Sustainability is a core part of our business strategy and it is guided by our BOD and Group CEO who make decisions on all fundamental initiatives. The GMC which comprises of every Head of Department formulates strategies, goals and practices. The GMC deliberates sustainability issues and manages SOPB's performance reporting.

At the operational level, the GSC is led by our Group CEO supported by our Chief Operating Officer (COO) and the respective Managers which ensures implementation of our policies. The GSC is responsible for overall policy implementation, reporting and stakeholder engagement.

We engage subject specialists and employ personnel with relevant skills to assist SOPB and our suppliers. The Operational Units Managers helps to raise awareness among employees to ensure that sustainability standards are consistently upheld across SOPB.

This systematic reporting approach allows us to monitor the sustainability performance of our entire operations.

SUSTAINABILITY REPORT 2019
(CONT'D)

SUSTAINABILITY MANAGEMENT GOVERNANCE STRUCTURE

BOARD OF DIRECTORS

- Promotes sustainability with respect to environment, economic and social aspects.
- Oversees SOPB Group's sustainability performance
- Approves sustainability policies

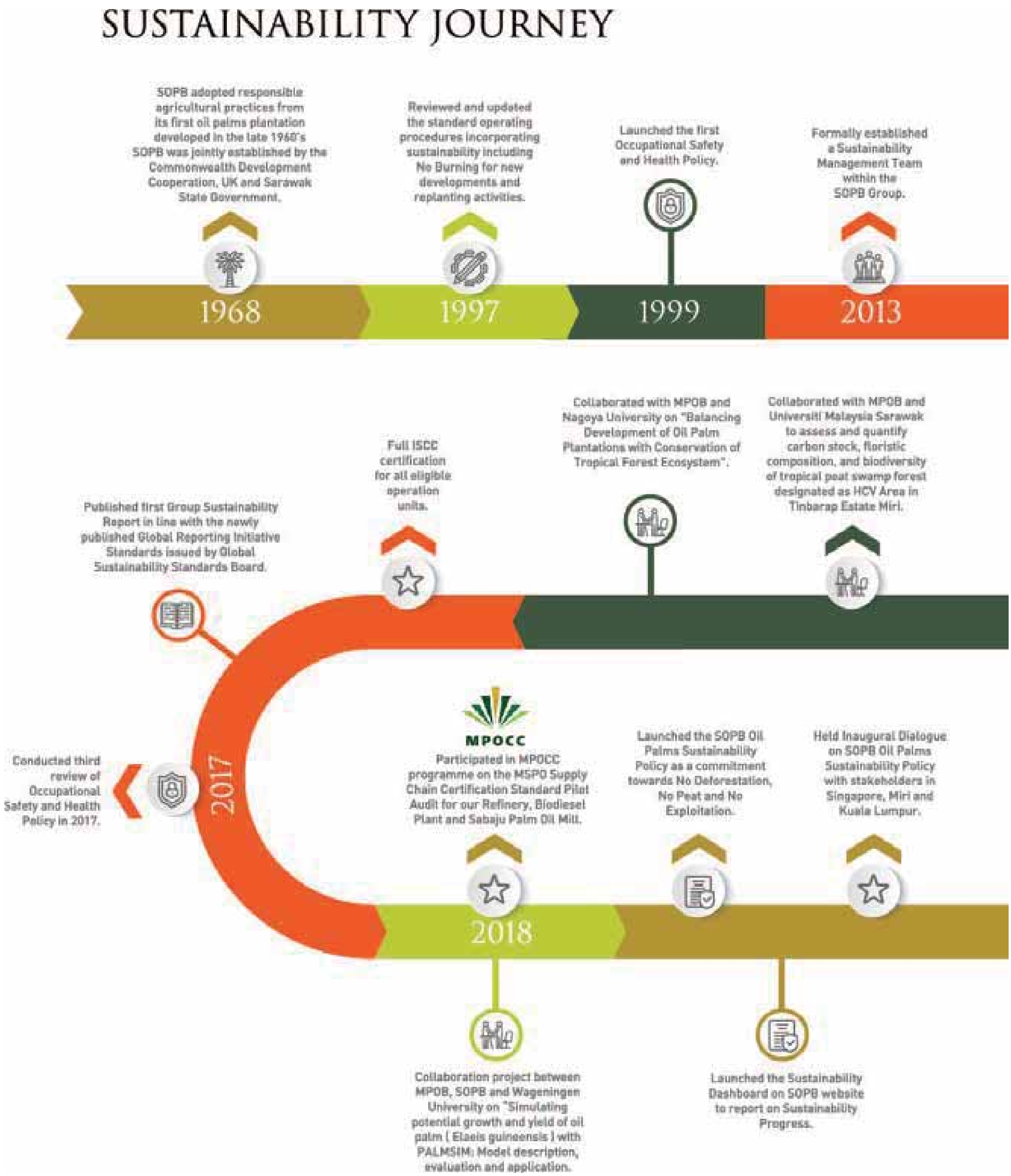
GROUP MANAGEMENT COMMITTEE

- Formulates sustainability strategies, goals and implementation procedures and practices
- Deliberates sustainability issues
- Manages SOPB's sustainability performance and sustainability reporting

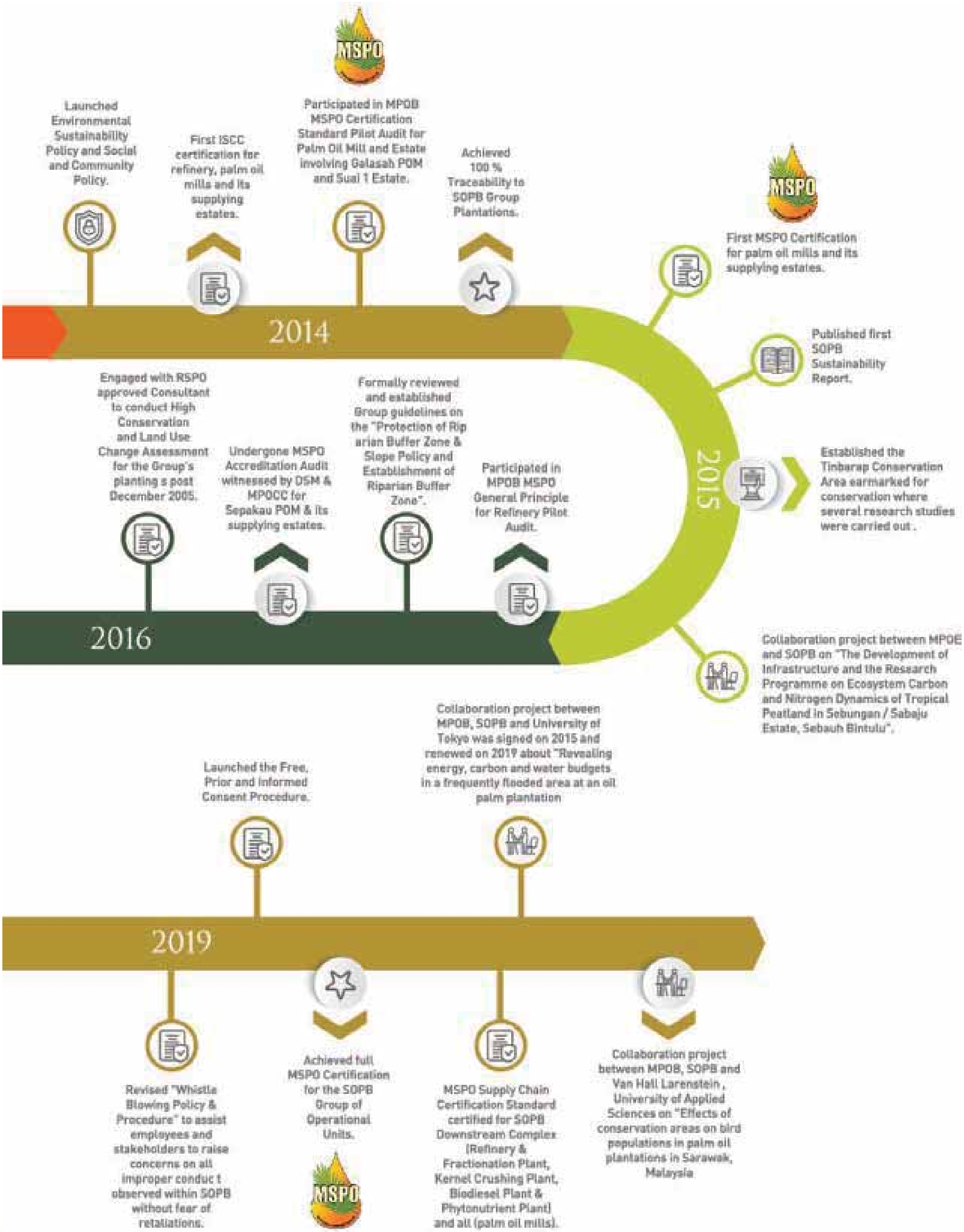
GROUP SUSTAINABILITY COMMITTEE

- Enhances sustainability performance across the Group
- Engages stakeholders
- Raises awareness among employees
- Ensure that sustainability standards are consistent across the Group

SUSTAINABILITY REPORT 2019
(CONT'D)



SUSTAINABILITY REPORT 2019
(CONT'D)



SUSTAINABILITY REPORT 2019
(CONT'D)

SUSTAINABILITY POLICIES & GRIEVANCE MECHANISM

Sustainability had been entrenched in our supply chain since inception and it was further strengthened by new policies developed over the years aimed to achieve a balance between the competing needs of Planet, People and Profit at every level of our operations.

The Group's sustainability policies were periodically reviewed by the Board of Directors to ensure that our commitments are addressing emerging global trends and market requirements.

SUSTAINABILITY POLICIES

In January 2019, SOPB integrated existing sustainable policies and pledged our commitment to No Deforestation, No Peat and No Exploitation ("NDPE") in our supply chain through the launch of the **SOPB Oil Palms Sustainability Policy ("OPSP").**

We believe that all palm products should be produced sustainably in compliance to no deforestation, no new development on peat regardless of depth, no new developments on areas without High Conservation Value (HCV) assessment, full traceability, minimal greenhouse gases (GHG) emissions, responsible practices and the rights of the employees and local communities upheld.

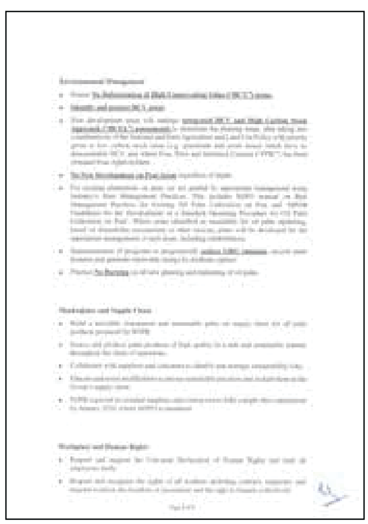
We are convinced that for the palm oil sector to be a compelling ingredient in the global economy, responsible practices must be adopted across the entire supply chain. As a pioneer in Sarawak, we believe that all palm products must be produced sustainably complying to the Malaysian Sustainable Palm Oil (MSPO) standard and prevailing market requirements.

To build a resilient and transparent supply chain, we strongly encouraged all our suppliers to adopt MSPO as a first step towards sustainability accreditation.

Oil Palms Sustainability Policy (OPSP)


SARAWAK OIL PALMS BERHAD
GROUP OF COMPANIES

OIL PALMS SUSTAINABILITY POLICY



The **Environmental Sustainability Policy (2014)** spells out the Group's commitments to protect the environment such as Zero Burning, minimizing environmental pollutions, waste management and compliance to the national laws and regulations.

SUSTAINABILITY REPORT 2019
(CONT'D)

The **Social and Community Policy (2014)** describes the Group's commitments to uphold business ethics, respect the rights of the employees, share benefits with the local communities through Corporate Social Responsibility program, hiring policies to include no child labour, no forced labour, equal opportunity and diversity, sexual harassment policy and proper compensation and work hours.

The **Occupational Safety and Health Policy** was established in 1999 with reference to the Occupational Safety and Health Act 1994 and undergone a third revision in 2017. The OSH policy outlines the Group's commitments to occupation safety and health, compliance with applicable legal requirements and adoption of safety practices.

GRIEVANCES MECHANISM

The **Whistleblowing Policy and Procedure** was updated in January 2019 to support the implementation of the OPSP across our supply chain. It is one of the communication channels for anyone to lodge grievances against any improper act relevant to the Group.

At the Group's operational level, a **Complaint and Grievance Procedure** had been established at all units for anyone to lodge grievances to the respective manager in charge. The employees were briefed on the procedure at least once a year and **"Suggestion / Complaint Forms"** and **"Suggestion Box"** were available at all offices on site.

The Group is committed to create a safe and healthy work environment which is free from sexual harassment. A **Sexual Harassment Policy (2014)** was formulated in 2014 and distributed to all employees. A **"Sexual/Gender Committee"** was established at all operational units which had male and female representation to ensure equal speaking rights.

SUSTAINABILITY COMMITMENTS AND TARGETS

The table below presents our targets and achievements made for the year 2019 based on Planet, People and Prosperity as per the "EES" aspects of GRI Standards.

EES Aspects	Target	Status	Specific Sustainability Matter	Reference Page
PEOPLE	No forced or trafficked labour in our operations.	No record of any violation reported.	Employment	None
	No child labour.	No record of any violation reported.	Employment	None
	Minimal fatalities in all operations.	2 cases of fatalities occurred in 2019 and in 2018. Plantation = 1 case Downstream = 1 case	Occupational Safety and Health	58
	Minimal injuries in all operations.	Total accident decreased by 1.20% for the year of 2019. Year 2019 = 165 cases Year 2018 = 167 cases	Occupational Safety and Health	57
	All land conflicts with surrounding community to be addressed by established procedures.	Ongoing. SOPB had launched the Free, Prior and Informed Consent (FPIC) Procedure as well as Whistle-Blower Procedure in 1st Quarter of 2019.	Right of Indigenous People & Local Communities	65

SUSTAINABILITY REPORT 2019
(CONT'D)

EES Aspects	Target	Status	Specific Sustainability Matter	Reference Page
PLANET	Monitoring of SOPB's conservation areas.	One conservation area had been identified and monitoring ongoing: i) Tinbarap Conservation Area	Biodiversity	45
	Install methane capture facility in Metanik Palm Oil Mill to minimize GHG Emissions.	Installation in progress, expected commissioning by 1st Quarter of 2020.	Emission	49
	Install ESP facilities at all 7 mills and refineries to minimize dust pollution.	Awarded for 4 mills (LPOM, GPOM, SaPOM & MPOM) and SEO. Installation progress for MPOM 95%, GPOM 90%, SaPOM & LPOM 70%. SEO completed.	Emission	49
	No new development on peat regardless of depth.	SOPB Oil Palms Sustainability Policy launched in January 2019, includes commitment to protect the peat swamp areas. SOPB last major peat development was in 2015. Applicable to all suppliers of palm products.	Environmental Compliance	26
PROFIT	To certify all mills and downstream operation with MSPO SCCS by end of 2019.	All 7 mills and refineries were MSPO SCCS certified by December 2019.	Economic Performance / Market Presence	39
	ISCC EU / PLUS certified for all operations.	6 out of 7 mills were ISCC EU/PLUS certified in 2017. The last mill is not eligible due to ISCC time bar.	Economic Performance / Market Presence	39
	SOP Edible Oils & SOP Green Energy Food Safety, Quality & Management System Certifications: 1. ISO 9001:2017 2. ISO22000: 2005 3. HACCP 4. GMP 5. GMP+ B2 6. Halal 7. KOSHER 8. Mesti (MOH) 9. CoP MPOB (Refinery and Kernel Crushing Plant) 10. ISCC EU & PLUS 11. MSPO SCCS 12, 5S 13. GMP (MOH) 14. FDA registered	Annual certification carried out.	Economic Performance / Market Presence	41

MATERIALITY ASSESSMENT

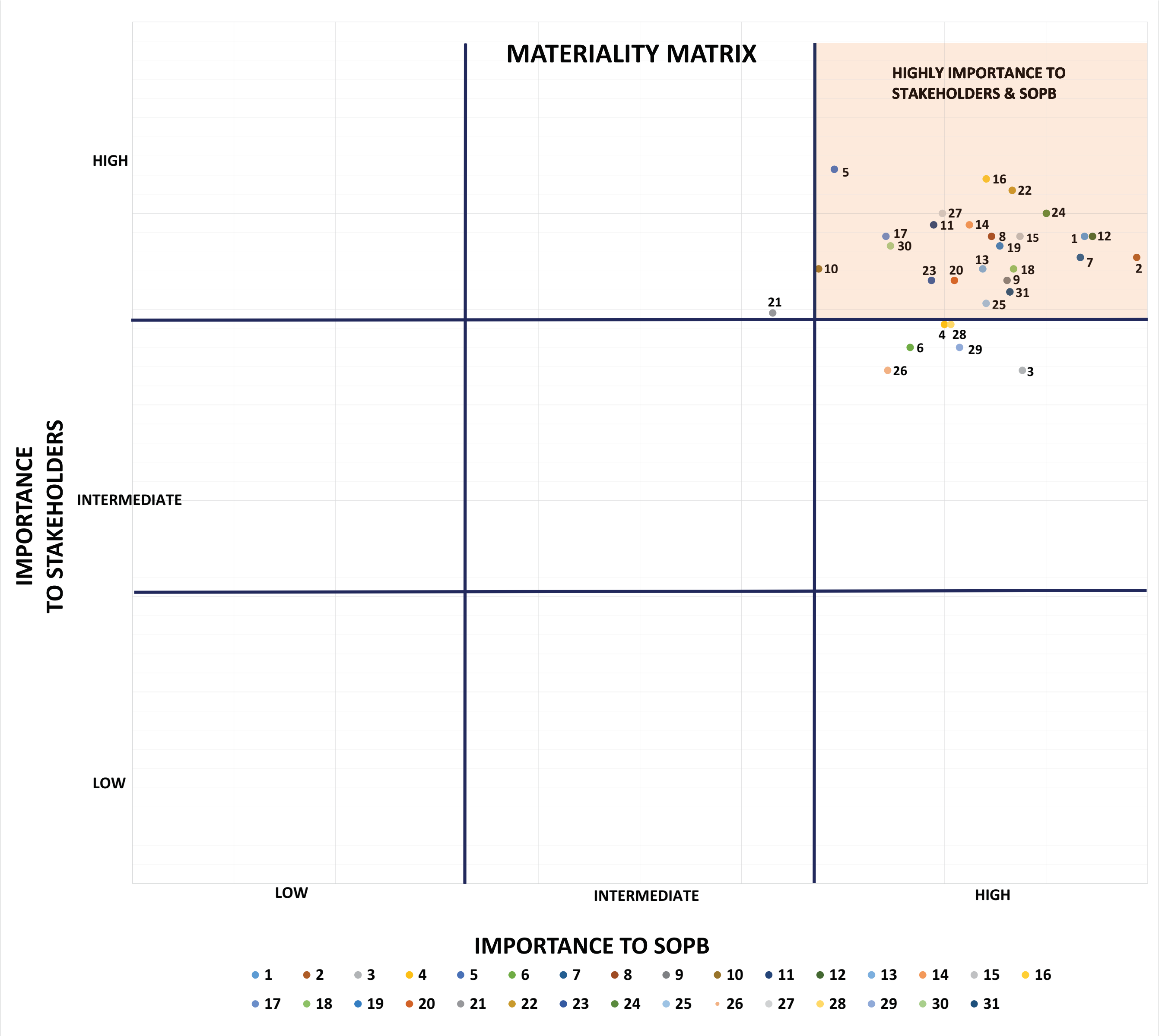
Materiality analysis was conducted to identify the environmental, economic and social aspects which would be crucial for the success and growth of the Group based on the responses given by internal and external stakeholders.

A total of twenty-four (24) key sustainability matters were identified as High Concern for our stakeholders and High Significance for the Group. These were subsequently assessed by our Group Sustainability Committee to ascertain if there were any gaps in the existing policies and procedures so that implementation plans could be presented to the Group Management Committee for approval.

EES TOPIC	SUSTAINABILITY MATTER	MATERIALITY
People	Local Community	25
	Occupational Safety and Health	16
	Security Practices	22
	Human Rights Assessment	24
	Customer Health and Safety	27
	Right of Indigenous People (FPIC)	23
	Social and Education	31
	Diversity and Equality	18
	Labour Management	15
	Non-discrimination	19
	Employment	14
	Freedom of Association	20
	Training and Education	17
	Customer Privacy	30
Planet	Emission	10
	Effluent and Waste	11
	Biodiversity	9
	Water and Effluent	8
	Energy	7
	Environmental Compliance	12
	Supplier Environmental Assessment	13
Profit	Anti-Corruption	5
	Economic Performance	1
	Market Presence	2

SUSTAINABILITY REPORT 2019
(CONT'D)

The matrix below identifies the sustainability matters that were deemed to be of High Importance.



SUSTAINABILITY REPORT 2019
(CONT'D)

The figure below shows that more sustainability matters were identified under People as compared to Profit and Planet.

MARKETPLACE

Overview of SOPB Supply Chain

SOPB is a fully integrated company with approximately 120,000 hectares of landbank of which 88,000 hectares are planted with oil palms, 7 palm oil mills, a refinery and fractionation plant, a kernel crushing plant, a biodiesel plant and a phytonutrient plant within Sarawak and a marketing arm based in Singapore.

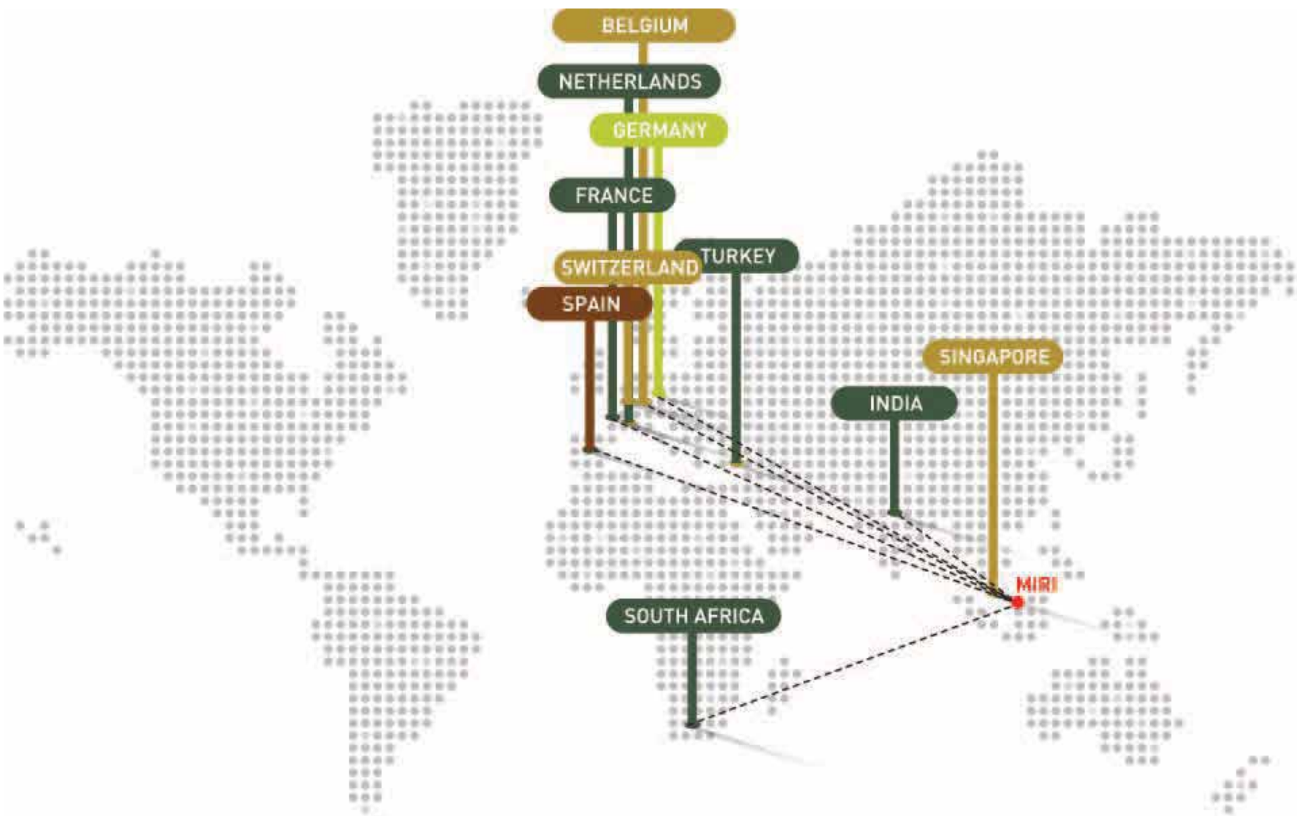
Our palm products are widely used in the local markets for the production of consumer goods such as cooking oils and vitamins and as a biodiesel blend. Since 2015, we had started our own brand of cooking oil in the local market - *Mirico*. Over the years, we had successfully launched other brands namely Merris Cooking Oil (2016), Merris Red Palm Oil Premium (2018), Merris Red Palm Oil Classic (2019) and Saraco Pure Vegetable Oil (2019). To be the preferred choice by consumers, we strive to improve the quality of our products through R&D.

On 30th June 2019, Primary Industries Minister Teresa Kok Suh Sim officiated the SOPB Phytonutrient Plant located at Bintulu Kidurong Industrial Estate which started operating since 2017. SOPB received the National Key Economy Area (NKEA) Grant from Malaysian Palm Oil Board (MPOB) for this project.

SUSTAINABILITY REPORT 2019
(CONT'D)

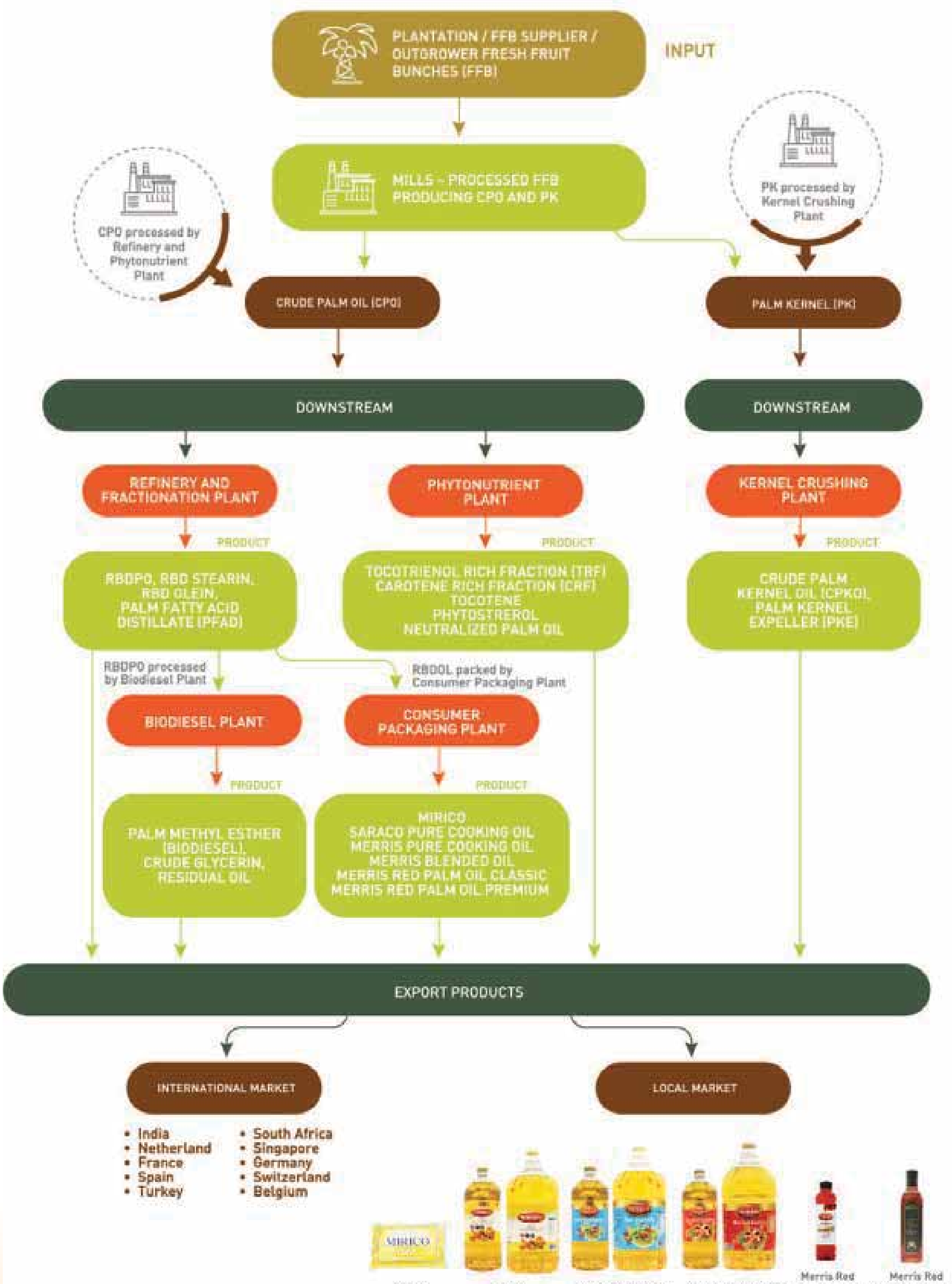
The plant currently manufactures a wide range of intermediate products such as tocotrienols (commonly known as Vitamin E) and carotenes (Vitamin A). Both products are used in animal feeds, functional foods, cosmetics and as a natural food colorant in pharmaceuticals.

We have been exporting palm products to international markets including Asia Pacific, Europe, India, Japan and South Africa. Our strategy for the next phase is to engage in higher value-added activities, boost downstream production and gain access to new markets.

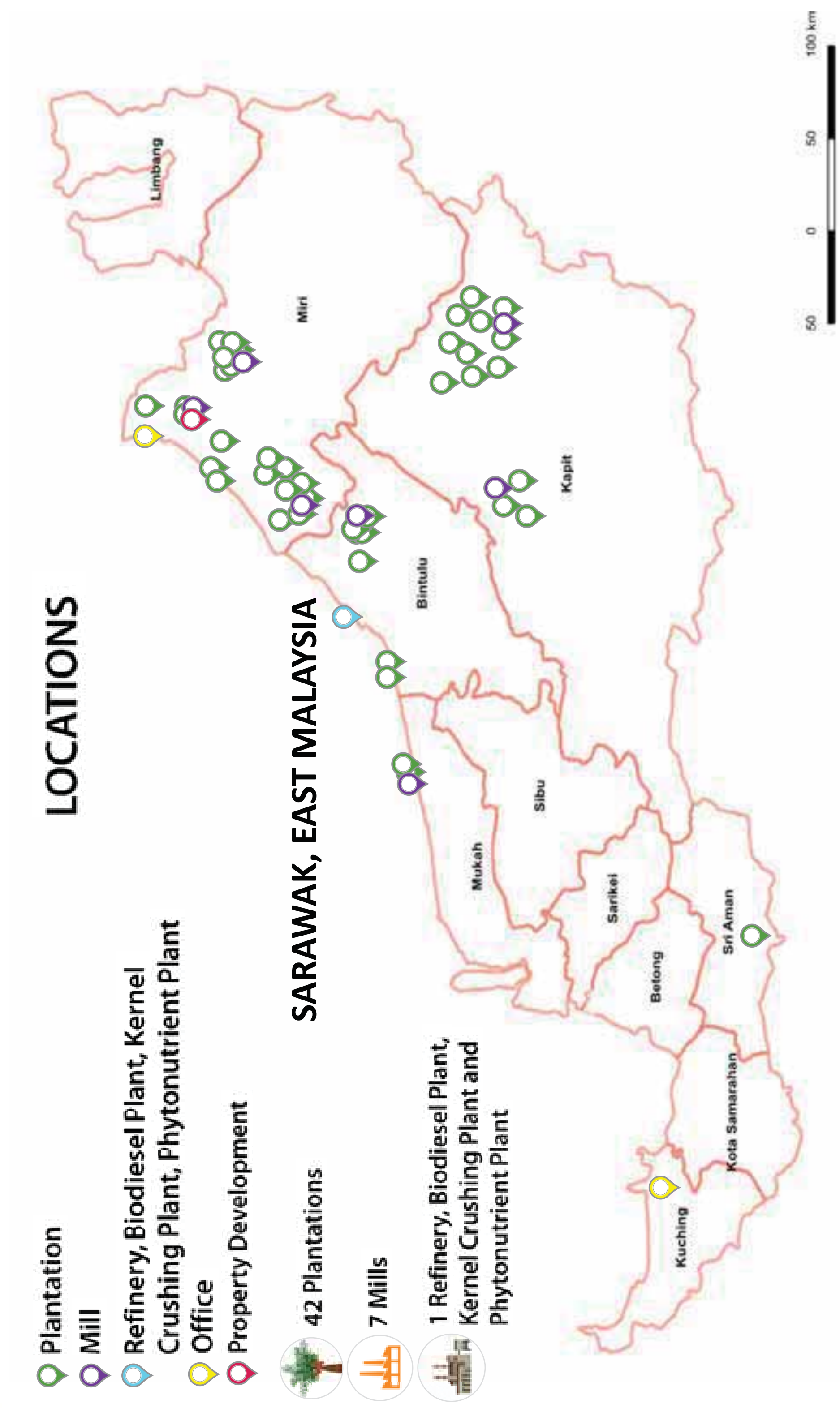


SUSTAINABILITY REPORT 2019 (CONT'D)

OVERVIEW OF SOPB SUPPLY CHAIN



SUSTAINABILITY REPORT 2019
(CONT'D)



SUSTAINABILITY REPORT 2019
(CONT'D)

Investor Relations

The Group seeks to provide investors and the civil societies with timely information regarding its business activities, processes, developments and performance.

In 2019, our Investor Relations team held dialogues with industry analysts, investors and relevant stakeholders.

The Annual General Meeting allowed stakeholders to give feedback and to seek clarifications. The Board of Directors and key members of the management team were present to respond to any queries.

Announcements, disclosures and reports were made available on our website and Bursa Malaysia.

Stakeholder Engagement

Stakeholder	Engagement Modes	Interest Areas	Frequency	Desired Outcomes
Employees	Management Meeting Internal communications such as newsletter and intranet Events and functions Staff meeting and internal training Recreation	Safety & health Environmental compliance Sustainability updates Group's performance updates	Regularly	Understand Company's policies and procedures and Management's targets Awareness and comply with sustainability requirements Safer working environment and work-life balance
Customers	Meetings and seminars Engagement survey Visits to estates, mills and refineries	Product quality & food safety Price competitiveness Development and improvement of sustainable palm products No open burning No cultivation on areas of high conservation value Effluent and waste management	As needed	Understand Company's commitments and progress on sustainability.

SUSTAINABILITY REPORT 2019
(CONT'D)

Stakeholder	Engagement Modes	Interest Areas	Frequency	Desired Outcomes
Government & Regulators	Frequent reporting Field excursion and dialogue Events and seminars	Compliance to related regulatory requirements Compliance to foreign workers' policy Curb the shortage of foreign workers	At least once a year	Understand Group's policies, procedures and progress
Media	Official launches and corporate events Press releases	Group CSR Notable achievements	At least once a year	To gain support for the CSR conducted by the Group.
Smallholders, Out growers & Local Communities	CSR events Workshops and dialogue sessions Seminars	Certification Sustainability Market requirements	Regularly	Support the need for Sustainability in oil palms sector Strengthened relationship with the Group
NGOs	Teleconference Email One-to-one meetings Site visits Policy review	Sustainability practices in all operations Supply chains and human rights assessment	As needed	Understand SOPB's policies and progress on sustainability
Schools & Universities	Career fairs Site visits Internships Events Awards	Developments of oil palms industry Career opportunities and scholarships	Annually	Share benefits with students in need of financial assistance Know opportunities in the palm oil sector.
Certification Bodies	Sustainability certifications	Certification requirements Compliance to related acts and laws	Annually	Full compliance to certification Stakeholder assurance

SUSTAINABILITY REPORT 2019
(CONT'D)

Stakeholder	Engagement Modes	Interest Areas	Frequency	Desired Outcomes
Shareholders, Investors & Banks	Site visits Quarterly updates	Sustainability certifications Implementation of commitments	Quarterly	Understand SOPB's sustainability progress
Suppliers	Surveys/Questionnaires One-to-one meeting Contract bidding and tendering	Business ethics Compliance to relevant laws Market requirements on sustainability	Annually or as needed	Full compliance to the SOPB policies Strengthened relationships

Highlight of Our Stakeholders Engagement in 2019

Highlights of Stakeholders Engagement in 2019	
Visit by Stakeholders	**Purpose**
Study Visit on "Comprehensive Oil Palms Research and Sustainability Awareness Programme" from La Verne University, USA and Malaysian Palm Oil Board (MPOB)	This visit was organized by La Verne University in collaboration with MPOB for their postgraduates students to understand sustainability practices in the oil palms industry such as how plantations are managed, Good Manufacturing Practices at our palm oil mills and downstream complex and ongoing biodiversity conservation projects. The delegates witnessed research activities at the estates.
Inaugural Dialogue on SOPB Oil Palms Sustainability Policy 2019	SOPB launched its "Oil Palms Sustainability Policy (OPSP)" in January 2019. The policy was communicated to our stakeholders at three venues, namely Singapore (22 February), Miri (18 March) and Kuala Lumpur (16 April) to highlight SOPB's unwavering commitment towards 'No deforestation', 'No Peat' and 'No Exploitation'. 134 senior representatives from 71 major plantation companies, refiners, bankers, futures brokers, buyers, suppliers and surveyor companies attended.
MSPO Briefing for FFB Suppliers (Miri Region)	SOPB organised a briefing on Malaysian Sustainable Palm Oil (MSPO) certification for fresh fruit bunches (FFB) suppliers from the Miri region on 2nd March 2019. 11 representatives from various outgrowers participated. SOPB shared insights on the preparation for certification and the benefits of MSPO to encourage uptake of MSPO Part 3 certification.

SUSTAINABILITY REPORT 2019
(CONT'D)

Highlights of Stakeholders Engagement in 2019	
Visit by Stakeholders	**Purpose**
Visits by International Buyers (FR Waring Pty. Ltd. and Siqalo Foods) on SOPB's Sustainability Practices	The visits were initiated by customers who were keen to find out more about sustainable oil palms management in our estates, mills and refinery.
2nd Integrity Audit by Shell International Petroleum Company (SIPC)	SOPB hosted the second Integrity Audit conducted by a third-party auditor appointed by Shell International Petroleum Company (SIPC) from 26th to 28th August 2019 as part of SIPC's Supplier Verification Programme. The auditor introduced RSPO to the outgrowers and smallholders. The auditor also interviewed SOPB's external FFB suppliers on site, including the collection center's operators in the Miri region to verify supply chain documentation and water management practices.
Visit to Sabaju Palm Oil Mill and Downstream Complex by International Buyers (Mitsui & Co. and Eneres Co. Ltd.)	On the 23rd to 24th July 2019 and 12th September 2019, SOPB hosted two visits by international buyers to Sabaju Palm Oil Mill and Bintulu Downstream Complex to understand SOPB's supply chain tracing from plantations to refinery and MSPO implementation.

HIGHLIGHTS OF OUR STAKEHOLDER ENGAGEMENTS - 2019

Study visit by La Verne University, USA and Malaysian Palm Oil Board (MPOB).

Visit to Sabaju Palm Oil Mill and Downstream Complex by Mitsui & Co. and Eneres Co. Ltd.

2nd Integrity Audit by Shell International Petroleum Company (SIPC).

MSPO Briefing for FFB Supplier (Miri Region).

Inaugural Dialogue on SOPB Oil Palms Sustainability Policy 2019.

Visits by Siqalo Foods and FR Waring International Pty. Ltd. on SOPB's Sustainability Practices.

SUSTAINABILITY REPORT 2019
(CONT'D)

Sustainability Certifications

Our Commitment

The Group is committed to build a more traceable, transparent and sustainable palm oil supply chain. We will source and produce high quality palm products with sustainable practices. To achieve these, we have adopted the Malaysian Sustainable Palm Oil (MSPO) as the primary sustainability standard and we encourage all our external suppliers to pursue MSPO certification.

(i) Malaysian Sustainable Palm Oil (MSPO) Certification

SOPB was among the first oil palms companies in Sarawak to be MSPO certified. In 2016, we pledged for all our supply chain to be MSPO certified which was witnessed by Yang Berhormat Mr. Dennis Ngau, Sarawak State Assemblyman for N77 Telang Usan and representatives from the Malaysian Palm Oil Board (MPOB) and Malaysian Certification Council (MPOCC).

In 2019, we achieved **100% MSPO certification** for all SOPB estates, palm oil mills, refinery and fractionation plant, kernel crushing plant, biodiesel plant and phytonutrient plant. The certification covered MSPO Part 3 General Principles for Oil Palms Plantations and Organised Smallholders, MSPO Part 4 General Principles for Palm Oil Mills and MSPO Supply Chain Certification Standard (SCCS).

(ii) International Sustainability & Carbon Certification

International Sustainability & Carbon Certification (ISCC) is an independent multi-stakeholder organization that provides a global certification system for the sustainability of raw materials and products, traceability through the supply chain and the determination of greenhouse gas emissions and savings. ISCC EU demonstrates compliance with the legal requirements of the Renewable Energy Directive 2009/28/EC and Fuel Quality Directive 2009/30/EC.

We started ISCC certification since 2014 and **100% ISCC certification** was achieved in 2018. In 2019, all qualified SOPB plantations, palm oil mills, downstream complex and our Singapore trading office were re-certified.

Malaysian Sustainable Palm Oil (MSPO) Certification

All operations units are 100% certified

- 42 plantations
- 7 Palm Oil Mills
- 1 Refinery
- 1 Biodiesel Plant

International Sustainability & Carbon Certification (ISCC)

All operations units are 100% certified

- 31 plantations
- 6 Palm Oil Mills
- 1 Refinery
- 1 Biodiesel Plant
- 1 Trading Office

Next Step

Preparatory activities for Roundtable on Sustainable Palm Oil (RSPO) membership

SUSTAINABILITY REPORT 2019
(CONT'D)

Sustainability Dashboard & Traceability Status

MSPO requires all growers and processing units to develop a traceability mechanism as stipulated under one of the MSPO Principle and Criteria - Transparency. SOPB had implemented a traceability procedure at all operational units. Our recording system shows full traceability to plantations.

In 2019, a **Sustainability Dashboard** was launched to report on the traceability within our supply chain.

Since 2014, **all SOPB palm oil mills had achieved 100% traceability to the plantation level**. The tracing was based on the Malaysian Palm Oil Board (MPOB) License and SOPB's established system. The next phase would be to map out the Geo-coordinates of all 3rd party FFB suppliers.

In 2019, the crude palm oil (CPO) and palm kernel (PK) receiving bays for our refinery and kernel crushing plant had retained **100% traceability up to the mill level**.

SUSTAINABILITY REPORT 2019
(CONT'D)

Food Safety, Quality & Management System Certifications

SOPB is committed to produce high quality palm oil products. We are certified by international bodies. Certification provides a form of assurance on the safety, sustainability and reliability of our products.

In 2019, SOPB had successfully obtained MSPO SCCS, GMP (MOH) and 5S for our Bintulu downstream complex. We had received a total of 14 recognized standards for our products.

The content and labeling for our packed products complies with the requirements of Malaysia Food Act, 1983.

SUSTAINABILITY REPORT 2019
(CONT'D)

3-MCPD Project

In 2016, the European Food Safety Authority (EFSA) Panel on Contaminants in the Food Chain (CONTAM Panel) published the results of its assessment of the safety of 3-MCPD and its esters with respect to human health.

EFSA proposed a tolerable daily intake (TDI) of 0.8 micrograms of 3-MCPD per kilogram of body weight per day for humans. EFSA had also assessed the risks of glycidyl fatty acid esters (GE), 3-monochloropropanediol (3-MCPD), and 2-monochloropropanediol (2-MCPD) and their fatty acid esters for public health. Based on animal studies, the consumption of 3-MCPD and GE exceeding the TDI would have potential health concerns for consumer of these foods.

We viewed these studies seriously. In 2018, SOPB collaborated with the Malaysian Palm Oil Board (MPOB) to reduce the formation of 3MCPD through research and development in the refining process.

The process involved a unique water washing step at our refinery instead of at the mills. That also resulted in energy and Capex savings at the mills as the washing facilities did not have to be duplicated.

The installation of the washing facilities was completed in July 2019 and the process was refined for quality control. Through these, we had managed to lower the chlorine content and reduce formation of 3MCPD level in refined palm oil. Samples had been sent to MPOB for verification.

To date, the 3MCPD in our Refined, Bleached and Deodorized Palm Oil is consistently at a satisfactory level. SOPB seeks to further reduce the 3MCPD level in our products to meet customer expectations.

Membership of Association

ASSOCIATIONS	MEMBERSHIP / REPRESENTATIVE
Malaysian Palm Oil Association (MPOA)	Member
Sarawak Oil Palms Plantations Owners Association (SOPPOA)	Member and Sub-Committee Chairman of SOPPOA Sustainability and Certifications
Malaysian Palm Oil Certification Council (MPOCC)	Representative for the Expert Working Group for MSPO Supply Chain Certification Scheme (SCCS)
	Representative for the Technical Working Committee for Malaysian Sustainable Palm Oil (MSPO) Certification
	Representative for the National Steering Committee for MSPO Certification
Malaysian Palm Oil Board (MPOB)	Representative for the MPOB National Committee Meeting
International Sustainability & Carbon Certification (ISCC)	Active participation in the ISCC Technical Stakeholder Dialogue for South East Asia (ISCC TC SEA)
Roundtable on Sustainable Palm Oil (RSPO)	Involve in RSPO Peat Working Group (Sibu - 2007 & Miri - 2018)

Customer Privacy

All employed persons of SOPB including the directors are expected to safeguard confidential information obtained during the course of work. They are prohibited to make any disclosure unless with authorisation or mandated by law.

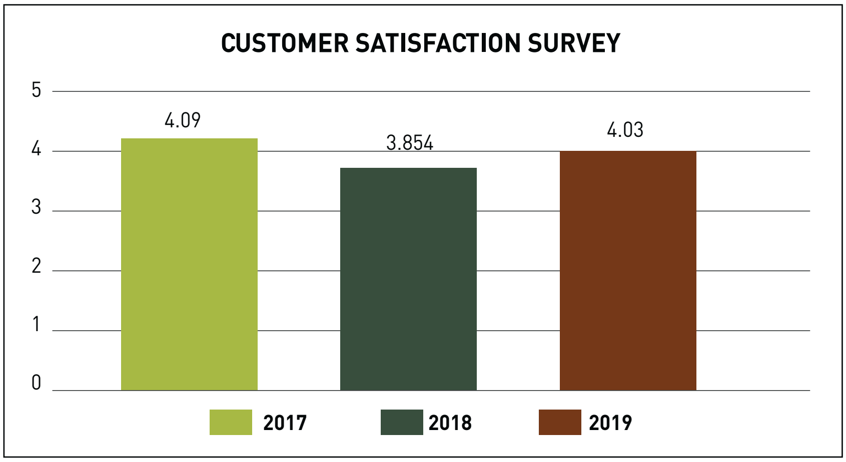
In 2019, SOPB did not receive any complaint in regards to violation of customer privacy.

Customer Satisfaction Survey

In 2019, SOPB conducted the annual customer satisfaction survey which focused on three factors:

1. Communication
2. Quality Product
3. Quantity and Time

The table below shows the results of the survey for 2017, 2018 and 2019.



There was a slight increase in customer satisfaction for 2019 compared to 2018. That was due to better document processing by the operations team. Quality Product had also received higher overall rating compared to 2018. These results were considered during management reviews and certification audits for process improvements.

ENVIRONMENT

SOPB is committed to responsible environmental practices and compliance with applicable environmental laws and regulations.

We believe that economic development and environment preservation can coexist through biodiversity conservation and minimization of negative impacts in all our operations. We seek to produce oil palm products sustainably and to be a good steward of the environment.

SUSTAINABILITY REPORT 2019
(CONT'D)

No Deforestation

The integrated SOPB Oil Palms Sustainability Policy (OPSP) that was launched in 2019 is the manifestation of SOPB's commitment towards **No Deforestation of High Conservation Value (HCV) areas** within our landbank. Any new development would undergo integrated HCV and High Carbon Stock Approach (HCSA) assessment in line with the National and State Agriculture Land Use Policy.

Forest Rehabilitation

SOPB had collaborated with Sarawak Forestry Cooperation (SFC) and Malaysian Palm Oil Board (MPOB) since 2017 to rehabilitate the biodiversity of Tinbarap Conservation Area (TCA). A nursery had been set-up at Tinbarap Estate to nurture the seedlings of native endemic species that was collected from the neighbouring forests. As of 31st December 2019, 3000 seedlings had been planted at the TCA.

Reforestation in Tinbarap Conservation Area.

Sandoricum beccarianum, Kelampu Jaya, is amongst the species planted to reforest the areas.

Soil Conservation & Recycling of Biomass

We applied best management practices of soil conservation through the planting of fast-growing leguminous cover crop - Mucuna bracteata.

This was done at the early stage of planting and especially on any planted slope area less than 25°. Besides, residues such as pruned fronds, empty fruit bunches (EFB) and mill by-products were recycled as top soil enrichment and organic fertilizer to reduce the use of chemicals, fertilizer, greenhouse gaseous (GHG) emissions and to improve soil fertility.

To minimize surface run-off, terraced planting was carried out on mineral soil estates. Water level management by regular desilting and drainage were conducted at peat soil estates as well. The natural ground-cover was maintained using only circle and path spraying technique so as to retain the natural inter-row vegetation.

Mucuna bracteata planted on replanting blocks in Suai 2 Estate

SUSTAINABILITY REPORT 2019
(CONT'D)

Peatland Best Management Practices

In 2019, we ceased all new development on peat regardless of depth as committed in the SOPB Oil Palms Sustainability Policy (2019).

Water management is vital to maintain the conditions of a peat plantation. We are guided by the best practices recommended by Malaysian Palm Oil Board (MPOB) and RSPO Manual for Oil Palms Cultivation on Peat.

Water gates and check gates were installed in the field drains to maintain optimum water level. Subsidence post and piezometers were set up in the field blocks to record subsidence and water level periodically.

Employees checking the water level using piezometer in Sabaju 3 Estate.

Zero Burning Practices

SOPB commits to Zero Burning. During replanting, old palms trunks were felled, chipped, mulched and left in-situ subject to natural decomposition.

BIODIVERSITY AND CONSERVATION

Tinbarap Conservation Area (TCA)

A peat swamp forest of 210 ha located in Tinbarap Estate had been designated for conservation since 2015. SOPB signed a MOU with MPOB and Universiti Malaysia Sarawak (UNIMAS) in 2016. Since then, significant biodiversity work had been carried out.

In 2016, we carried out a biodiversity survey of the trees in TCA and estimated the carbon stock. The work was completed in 2017. The expertise of surveying had since been transferred to the members of our Biodiversity and Conservation Unit. The work was documented under an internationally accepted manual titled "Measuring Tropical Forest Carbon Allocation and Cycling: A RAINFOR-GEM Field Manual for Intensive Census Plots".

The results of the survey are as follows:

	Tinbarap Conservation Area (TCA)	
	2018	2019
Average Tree Density (Individual / ha)	565	565
No. of Species	70	70
Average Carbon Stock (Tonnes / ha)	48.73	60.35

SUSTAINABILITY REPORT 2019
(CONT'D)

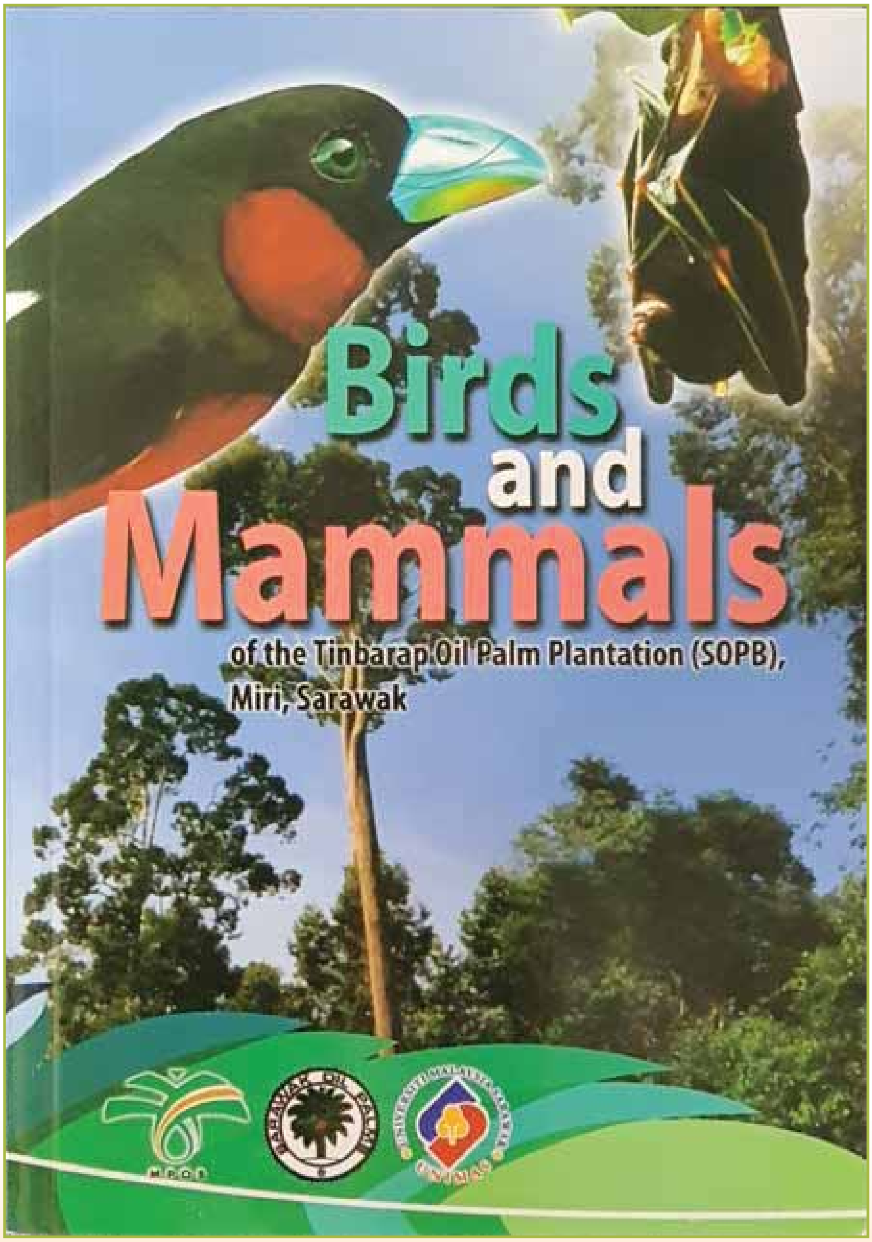
In December 2018, the team led by Prof. Indraneil Das completed the survey of herpetofauna (reptiles and amphibians) in TCA with the following findings:

Species	Common Name	IUCN Redlist	Remarks
Amphibians			
Bufonidae			
Ingerophrynus quadriporcatus (Boulenger, 1887)	Four-ridged toad	LC	A peat-swamp restricted species
Dicroglossidae			
Fejervarya limnocharis (Gravenhorst, 1829)	Cricket frog	LC	A human commensal species
Limnonectes paramacrodon (Inger, 1966)	Masked frog	NT	A peat-swamp restricted species
Ranidae			
Pulchrana baramica (Boettger, 1900)	Brown marsh frog	LC	A swamp restricted species
Rhacophoridae			
Polypedates colletti (Boulenger, 1890)*	Collett's tree frog	LC	A swamp restricted species
Polypedates otilophus (Boulenger, 1893)*	File-eared tree frog	LC	A lowland forest species
Reptiles			
Crocodylidae			
Crocodylus porosus Schneider, 1801	Saltwater crocodile	LC	A river and swamp restricted species
Geoemydidae			
Cuora amboinensis (Daudin, 1801 "1802")	Malayan box turtle	VU	A swamp restricted species
Agamidae			
Bronchocela cristatella (Kuhl, 1820)	Crested green lizard	NE	An edge species from lightly-forested areas
Gekkonidae			
Cyrtodactylus pubisulcus Inger, 1958*	Grooved bent-toed gecko	LC	A lowland forest restricted species
Gekko smithii Gray, 1842	Smith's giant gecko	LC	A lowland forest species
Hemidactylus frenatus Duméril & Bibron, 1836	Asian house gecko	LC	A human commensal species
Scincidae			
Eutropis multifasciatus (Kuhl, 1820)	Common ground skink	LC	A human commensal species
Sphenomorphus cyanolaemus Inger & Hosmer, 1965*	Blue-bellied litter skink	NT	A swamp and lowland forest restricted species
Varanidae			
Varanus salvator (Laurenti, 1768)	Water monitor lizard	LC	An edge species from lightly-forested areas

SUSTAINABILITY REPORT 2019
(CONT'D)

Species	Common Name	IUCN Redlist	Remarks
Crotalidae			
Trimeresurus borneensis (Peters, 1872)*	Bornean flat-nosed pit viper	LC	A lowland forest restricted species
Tropidolaemus subannulatus (Gray, 1842) Adjacent areas	Bornean keeled green pit viper	LC	A lowland forest restricted species
Pythonidae			
Malayopython reticulatus (Schneider, 1801)	Reticulated python	LC	An edge species from lightly-forested areas

SOPB co-published a guide on birds and mammals present in the TCA. A copy of the guide can be downloaded from MPOB webpage.



SUSTAINABILITY REPORT 2019
(CONT'D)

COLLABORATION AND RESEARCH

(i) Collaboration between SOPB and Wageningen University

In April 2018, SOPB signed an agreement with Wageningen University for access to "PALMSIM Model" developed by its Department of Plant Science for two years with an option for extension.

PALMSIM was able to simulate potential yield of oil palm over a wide geography with actual data from Malaysia and Indonesia. A sensitivity analysis confirmed its robustness. Further details could be obtained from the research paper "Simulating potential growth and yield of oil palm (*Elaeis guineensis*) with PALMSIM: Model description, evaluation and application - M.P. Hoffmanna, A. Castaneda Verab, M.T. van Wijkb,c, K.E. Gillerb, T. Oberthürd, C. Donoughd, A.M. Whitbreada".

Combined with detailed soil information, such simulations could be used to select new planting sites and the scope for intensification determined. Production could be scaled up sustainably by considering the effects of water stress on the yield of crops.

We applied the PALMSIM Model to our sites to determine the potential growth of oil palm against factors such as sunlight, rain, water availability and nutrients management.

(ii) Collaborations between SOPB, University of Tokyo, Van Hall Larenstein, University of Applied Sciences and MPOB

Lambir Estate

In 2015, SOPB, MPOB and University of Tokyo signed an agreement to conduct research on the ecosystem dynamics of oil palm plantations. Over the years, postgraduate students had performed research at our Lambir Estate.

The MOU was renewed in 2019 to allow continued participation by more post-graduate students and aspiring young scientist from Tokyo University to conduct research on the use of energy, carbon and water in Lambir 2 Estate which experienced frequent flooding.

Sabaju Estate and Sebungan Estate

SOPB, MPOB and Van Hall Larenstein, University of Applied Sciences (VHL) signed a MOU to research on the biodiversity of birds and its contribution to oil palms plantations. The research was led by Professor Peter van der Meer from VHL and Dr. Kho Lip Khoon from MPOB.

At Sabaju Estate and Sebungan Estate, undergraduate students from VHL carried out the research which would help to prioritise areas to be conserved and boost the population of beneficial birds.

Separately, SOPB and MPOB signed a research agreement in 2015. Under the agreement, MPOB conducted a research on the biodiversity of birds, mammals and fishes in Sabaju Conservation Forest and its adjacent areas. The results were encouraging following our earlier efforts at Tinbarap Conservation Area. We would expand these efforts to protect the biodiversity of these species in Sabaju Conservation Forest.

SUSTAINABILITY REPORT 2019
(CONT'D)

GREENHOUSE GASEOUS EMISSION

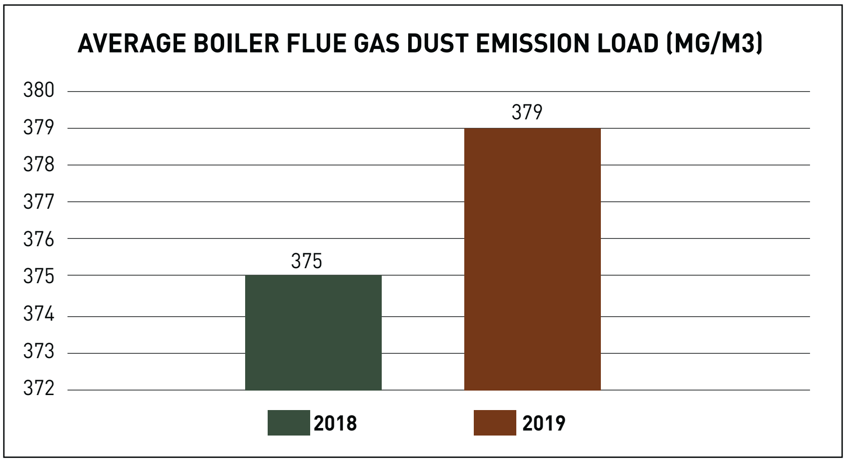
Greenhouse gaseous (GHG) emission was measured using ISCC toolkits based on EU Renewable Energy Directive (RED). The table below compares the emission values measured from 2017 to 2019.

Total Greenhouse Gases (GHG) Emission Values						
Operational Unit	VALUES (in tonnes CO^2 eq)					
	2017		2018		2019	
	Scope 1	Scope 2	Scope 1	Scope 2	Scope 1	Scope 2
Plantation	181,101	-	126,608	-	104,034	-
Mill	129,173	-	120,930	-	134,138	-
Refinery	10,132	9,172	16,640	9,109	18,785	9,146
Biodiesel Plant	10,404	1,271	17,297	2,308	22,015	2,849

Scope 1: Emissions including those generated on site and direct emissions from owned or controlled sources.
Scope 2: Emissions due to indirect CO^2 emissions through the purchase of electricity from utility providers.

Reduction of GHG Emission

(i) Biogas Plant



The Boiler Flue Gas Emission was closely monitored and reported to DOE. The average dust emission load was below 380 mg/m^3.

Electrostatic Precipitators (ESP) at the mills are expected to start operating in 2020 to further reduce the dust emission load so as to comply with the Environmental Quality (Clean Air) Regulations 2014 standard of 150 mg/m^3 which came into effect from September 2019. The previous limit was set at 400 mg/m^3.

(ii) Methane Capture

In 2019, the first methane capture facility had been constructed and is expected to start operating by 1st Quarter of 2020. It is a renewable energy source and would help to reduce the GHG emission.

SUSTAINABILITY REPORT 2019
(CONT'D)

ENERGY MANAGEMENT

(i) Non-renewable Energy

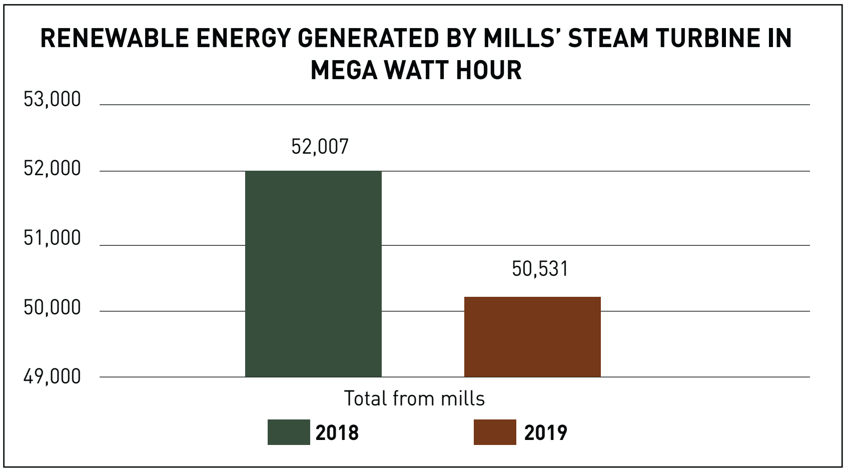
The total diesel usage from 2017 to 2019 for the Group's plantation is summarized as follows:

Diesel Consumption			
Year	2017	2018	2019
Quantity / million litres	13.92	11.38	7.6

In 2019, there was a significant reduction in the diesel usage by machinery and operational vehicles compared to 2018.

(ii) Renewable Energy

(a) Steam Turbines

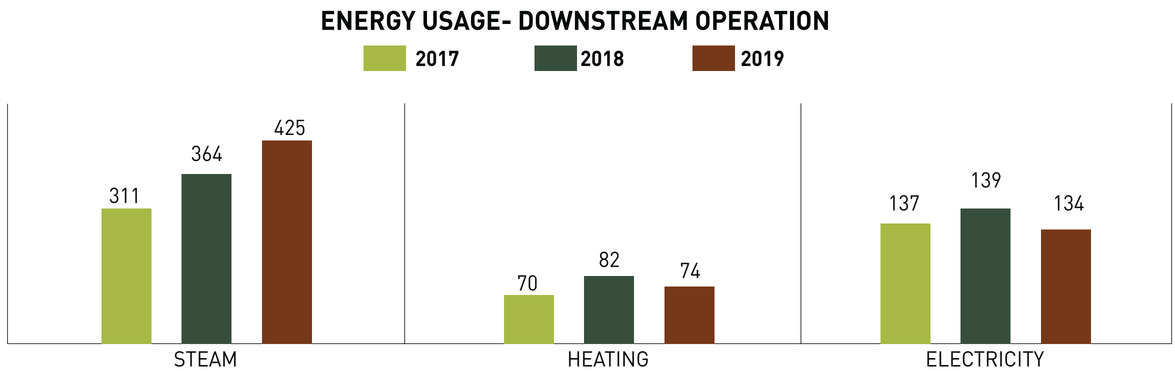


Renewable energy is used to power the steam turbines in palm oil mills by the burning of by-products such as mesocarp fiber, palm kernel shell and empty bunch fiber.

In 2019, there was a decline in the renewable energy generated as there was a reduction of 31,673 metric tons of total FFB processed compared to 2018.

SUSTAINABILITY REPORT 2019
(CONT'D)

(b) Refinery



In 2019, the higher steam consumption was due to increased biodiesel production and more products transferred to Biport. 87% of the energy used by the boilers came from renewable sources such as fibre and palm kernel shell.

Natural gas was used for heating which proved to be more efficient than diesel evident from the decrease of 8 TJ of heating compared to 2018.

WATER MANAGEMENT

Protection of Riparian Buffer Zone and Slope

SOPB had established the **Protection of Riparian Buffer Zone and Slope Policy (2016)** for the plantations to maintain buffer zones along the main rivers. The slopes to be protected were identified. Only harvesting was allowed at the buffer zones. Signboards were displayed as a reminder.

The riparian buffer zones acted as a filter for any surface run-off to minimize water pollution.

Signs were displayed as a reminder.

Riparian buffer zone.

SUSTAINABILITY REPORT 2019
(CONT'D)

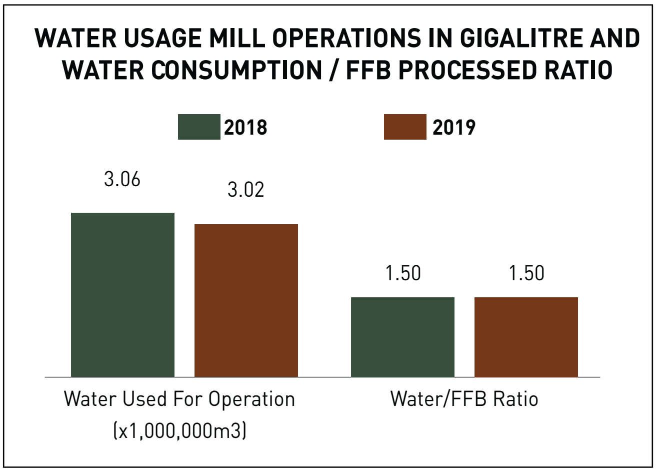
Water Consumption

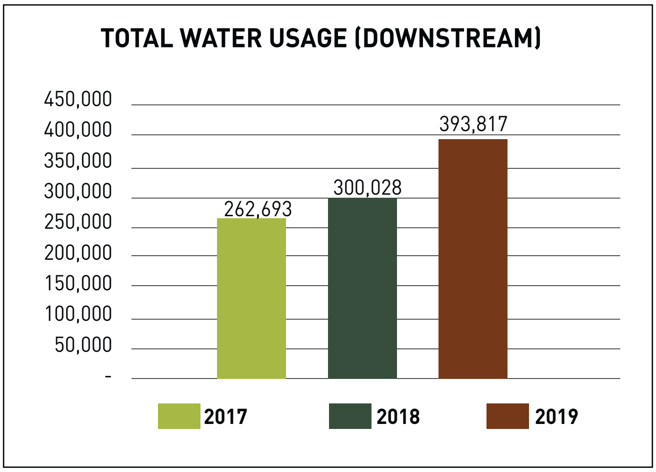
Gutters were installed at all labour quarters to harvest rainwater for domestic usage. At the plantations, rain collected in reservoirs were used for operations.

We provided potable water to our palm oil mills and employees at our operational sites. An annual test was carried out at each location by an external accredited laboratory to ensure that both the natural and treated water met the National Standard for Drinking Water Quality (MOH 2014).

For the Bintulu Downstream Complex, water was supplied by a third party. Compared to 2018, the total water usage had increased to 393,817m3 due to more steam generation.

To reduce the use of supplied water, we recycled treated waste water for the refinery cooling tower system. Rain was also collected for general cleaning.

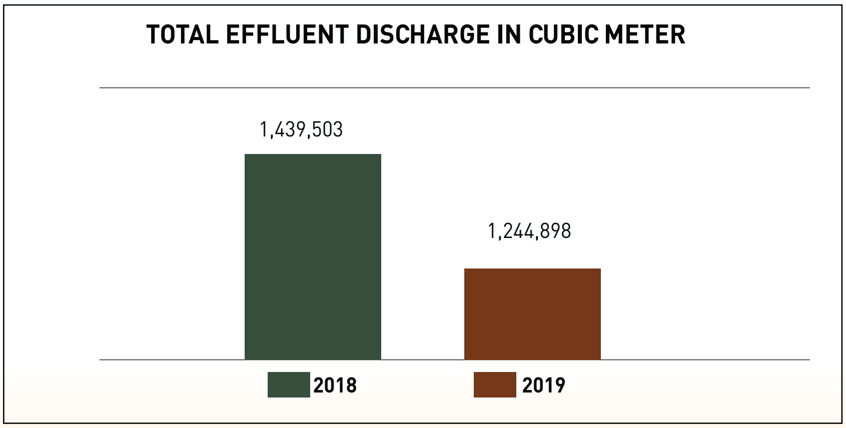




Effluent Discharge

SOPB complied with the Department of Environment's regulation for waste water discharge. The palm oil mill effluent (POME) was treated at the effluent ponds.

(i) Total Water Discharge by Palm Oil Mills (POME)



SUSTAINABILITY REPORT 2019
(CONT'D)

Average BOD Level of Mills

Average BOD Level of Mills	
2018	**2019**
25.6	33.5

BOD Level of Refinery and Biodiesel Plant

BOD Values	Refinery (mg/L)			Biodiesel Plant (mg/L)		
	2017	**2018**	**2019**	**2017**	**2018**	**2019**
Lowest	2	2	1	5.3	3.1	2
Highest	9.7	7.4	13	48	49	20

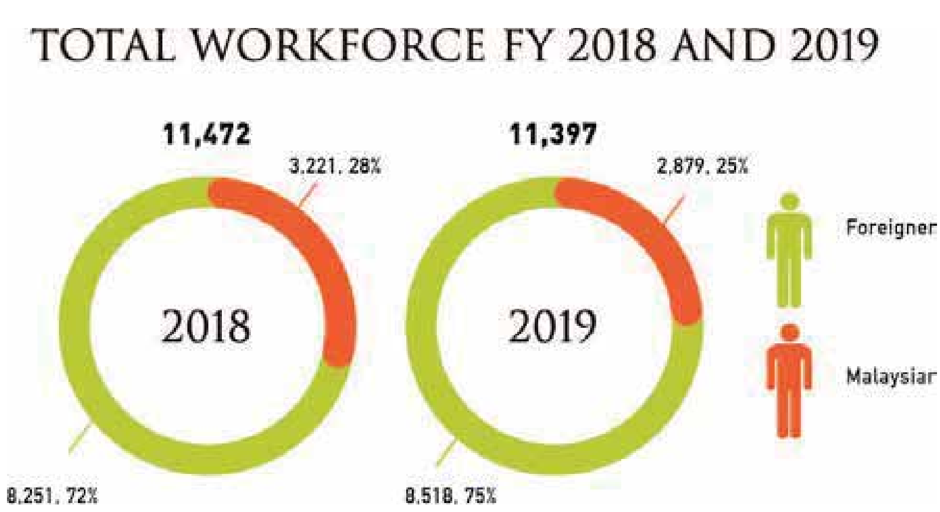
To improve the POME treatment efficiency and to reduce the Biological Oxygen Demand (BOD) level, the palm oil mills were equipped with "de-watering system". One POM had installed a "Belt-Press Facility" to remove the solids from the POME which would then be reused as organic fertilizer at the plantations.

PEOPLE (EMPLOYEES & COMMUNITIES)

Employment

In 2019, there were about 11,000 employees with the following profiles:

(i) Total Workforce 2019



SUSTAINABILITY REPORT 2019
(CONT'D)

(ii) Total Workforce by Gender 2019

Workforce by Gender 2019			
	Male	**Female**	**Total**
Malaysian	2,101	778	**2,879**
Foreigner	5,395	3,123	**8,518**
Total	**7,496**	**3,901**	**11,397**
Percentage (%)	**66%**	**34%**	**100%**

(iii) Management by Gender

	Male	Female
Management	103	24
Executive	231	107
Non-Executive	1,133	316
General Worker	634	331
Total	**2,101**	**778**

(iv) Management by Age Group

Category	Age Group					
	Below 30	Percentage	31 - 50	Percentage	Above 51	Percentage
Management	1	**38%**	88	**52%**	38	**10%**
Executive	115		195		25	
Non-Executive	689		690		70	
General Worker	294		514		160	
Total	**1,099**		**1,487**		**293**	

Whistle-Blowing Policy & Procedure

The Code of Conduct had been established and was made available on our website. The Whistle-Blowing Policy was introduced to allow anyone to lodge grievance against any non-compliance within SOPB.

More details on the Whistle-Blowing Policy & Procedure is available here:
http://www.sop.com.my/sustainability/docs/supplychain/Whistle%20Blowing%20Policy%20&%20Procedure.pdf

SUSTAINABILITY REPORT 2019
(CONT'D)

Benefits provided to full-time employees excluding temporary or part- time employees

Employee benefits were provided to full-time staff as follows:

Social Amenities

SOPB provided housing, recreational facilities, learning centers, places of worship and clinics for its employees.


Homes with electricity and clean water for workers at the plantations.


A surau for the Muslim workers at Suai 1 Estate.

SUSTAINABILITY REPORT 2019
(CONT'D)

Parental leave

Parental leave was provided to all permanent employees. We managed to retain over 90% of employees who returned from parental leave and continued to work in SOPB for another 12 months.

(i) Total number of employees that were entitled to parental leave by gender.

Year	Gender		Total
	Male	Female	
2018	815	227	**1,042**
2019	895	229	**1,124**

Ratio of Standard Entry Level Wage

SOPB adopted the Minimum Wages Order 2018 that mandated RM1,100 per month with effect from 1st January 2019. We applied gender equality on wage and remuneration for all employees.

Percentage (%) of Employees on Minimum Wages		
	Male	Female
Malaysian	100%	100%
Foreign Worker	100%	100%

Labor/Management Relations

Minimum notice period regarding operational changes

SOPB is committed to uphold the human rights of our employees and the communities. We support the Universal Declaration of Human Rights and strive to treat all employees fairly. We recognize the rights of all workers including those on contract, temporary and migrant workers and allow the freedom of association and the right to bargain collectively.

In 2019, the management provided sufficient notice period to employees prior to the implementation of any significant operational changes.

Occupational Safety and Health (OSH)

We took a proactive approach towards the prevention of accidents. Programs were conducted throughout the year to raise awareness on safety and health.

These are the key performance measures for Occupational Safety and Health:

Commitment

- Observe and comply as far as practicable all OSH legal requirements.
- Promote good OSH conduct at the workplace.
- Inculcate a proactive culture by giving instruction, training, supervision and information on OSH.

SUSTAINABILITY REPORT 2019
(CONT'D)

System

- Adopt OSH policy supported by internal safe operating procedure to ensure proactive management.
- Induction program and refresher for employees.
- Reinforce the importance of safety by mandating near-miss reporting.
- Maintain risk management for effective hazard control at all operation units.
- Clinics (which was increased from 3 to 4) to provide medical support.
- OSH Committee to communicate to employees at all operation units on OSH matters.

Governance

- Ensure compliance to Occupational Safety and Health Act and our Code of Conduct.
- Conduct workplace inspection and documentation audit.
- Investigate all incidents related to OSH.

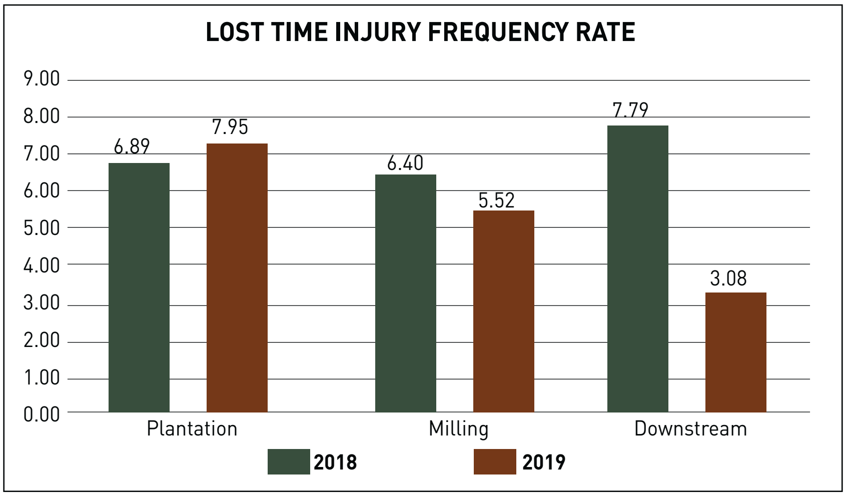
Culture

- Promote OSH programs across all operation units.

Lost Time Injury (LTI)

$$\text{Lost Time Injury Frequency Rate} = \frac{\text{Number of accidents X 1,000,000}}{\text{Total man hours worked}}$$

The formula above is based on Occupational Regulations 2004 guideline for Notification of Accident, Dangerous Occurrence, Occupational Poisoning and Occupational Disease.



The increase in Lost Time Injury (LTI) frequency rate for the plantation sector was due to total manpower reduction of 9.04% in 2019 compared to 2018. Milling and Downstream saw a reduction in LTI.

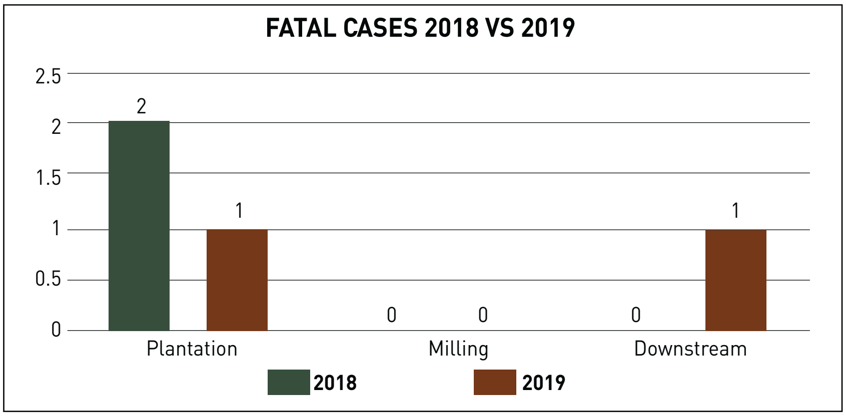
SUSTAINABILITY REPORT 2019
(CONT'D)

Fatal Accident Rate

Fatal Accident Rate is calculated based on the formula specified under Occupational Safety and Health Act 1994, JKKP8:

$$\text{Fatal Accident Rate} = \frac{\text{No. of fatalities x 1,000}}{\text{Annual average no. Of employees}}$$

In 2019, there were two (2) fatalities in the plantation and downstream sectors and zero fatality in the milling sector.



Chemical Risk Management

(i) Chemical Health and Risk Assessment

Chemical Health and Risk Assessment (CHRA) was conducted across 11 estates under SOP Plantations (Murum) Sdn. Bhd. in compliance to the Occupational Safety & Health Act 1994. The report indicated full compliance and the next review would be conducted in 2024.

Closing meeting of CHRA Briefing for SOP Plantations Murum Sdn Bhd. with the respective Estate Managers.

SUSTAINABILITY REPORT 2019
(CONT'D)

(ii) Medical Health Surveillance Program

SOPB had complied with the National Medical Surveillance 2001 Guidelines. The workers who were directly or indirectly exposed to hazardous chemicals listed in Schedule II OSH Act 1994 had undergone Health Surveillance Program to ensure that they were in good health and were fit for work.

In 2019, the total number of workers who were sent for medical screening for organophosphate, manganese, chlorine and N-Hexane had increased by 9.13%.

Training

(i) Internal Training

(a) Internal First Aid Training

First aid training were conducted at the estates to equip employees with the ability to treat any worker injured during an incident.

Participants practised treatment for "cuts" from sharp tools.

Participant treating "hand cuts".

(b) Driving Awareness Training

Since the launch of the Road Safety Campaign in 2018, the Driving Awareness Training (DAT) was conducted in 24 locations in 2018. The remaining 21 locations conducted DAT in 2019.

Estate field machinery drivers with the course trainer and estate manager.

Training conducted by Safety & Health Officer.

SUSTAINABILITY REPORT 2019
(CONT'D)

(c) Fire Fighting Training

Fire Extinguisher Practical Training conducted by Safety & Health Officer at SOPB estate.

Hands-on training with fire extinguishers.

(ii) External Training

Training conducted by Mr Mathew from ANCOM for sprayer personnel at Sg. Liuk Estate.

SUSTAINABILITY REPORT 2019
(CONT'D)

External Programme and Inspection

(i) Department of Occupational Safety and Health, Malaysia

Department of Occupational Safety and Health (DOSH) visited several SOPB estates to ensure that OSH requirements were met. Equipment such as boilers and air compressors registered with DOSH were inspected over a 15 months period.

DOSH officer inspects the sterilizer.

DOSH audits one SOPB estate at Miri.

(ii) BOMBA Inspection and Fire Fighting Training

Fire Fighting practical training.

BOMBA officer inspects the fire alarm system.

(iii) Department of Occupational Safety and Health Outreach Program in Sarawak on 26 September 2019

Plantation Outreach organized by Department of DOSH in Kuching region office.

SUSTAINABILITY REPORT 2019
(CONT'D)

(iv) HSSE Month at SOP Edible Oils and SOP Green Energy from 4th to 27th July 2019 - Blood donation


Blood donation drive.


SOPEO and SOPGE blood donation participants.

(v) HSE Talk


Briefing by CIDB for SOPB participants.


Briefing by PDRM personnel.

(vi) Fire Drill Prevention Training

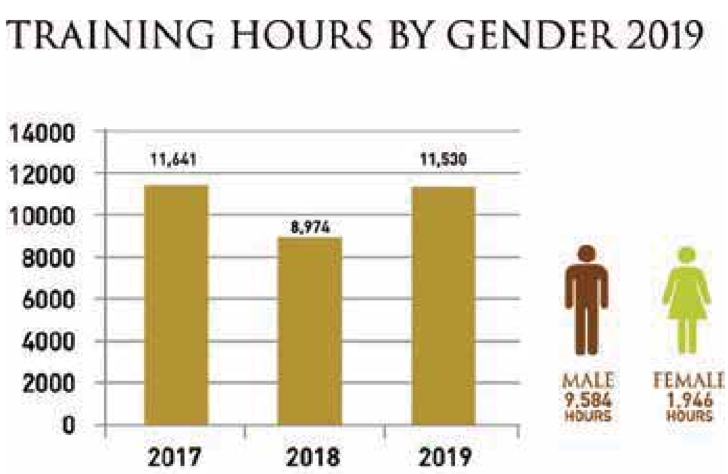

Fire drill conducted by BOMBA officers.

SUSTAINABILITY REPORT 2019
(CONT'D)

TRAINING

In-house training were conducted for workers at all operational units according to job requirements. Training guidelines, handbooks and procedures were made available to ensure that all training conducted were standardized. Training records were maintained by all operational units.

The total training hours undertaken by full-time staff were recorded as follows:



Training Hours by Gender

Year	Male			Female		
	No. of Employees	Training Hours	Average Training Hours	No. of Employees	Training Hours	Average Training Hours
2017	283	3,000	11	404	5,974	15
2018	188	3,425	18	363	8,216	23
2019	506	9,584	19	93	1,946	21

SUSTAINABILITY REPORT 2019
(CONT'D)

EDUCATION

SOP Academy

The SOP Academy was launched in 2010 and has become the main venue for in-house training for SOPB staff. We work with staff on career development, enable the acquisition of new knowledge and skills which is in line with our goal of producing highly skilled planters in the oil palms industry. Various in-house training and refresher courses are organized throughout the year. Through the Plantation Induction Program, new employees are trained before been assigned to their respective locations.

Plantation Induction Program	Executive Level	Supervisory Level	Clerical Level	Total
2017	8	34	15	57
2018	9	23	11	43
2019	12	25	4	41

Early Childhood Education - Community Learning Centre

We continue to make available early childhood education facilities for children in our operational units with fourteen Community Learning Centre (CLC) established to date. The CLC syllabus is taught by competent teachers based on Indonesia National Education to enable the children of foreign workers to integrate seamlessly upon their return to Indonesia in the future.

All employees with children who are eligible for primary education can register with the nearest CLC.

Indonesian students at SOPB CLC located at Lambir estate.

Montessori Kindergarten

Montessori Kindergarten is a project started in 2018 to provide pre-school education that is taught in English. The school is located in the SOP Academy designed specifically to promote holistic developments including character, physical coordination and cognitive skills.

Total Number of Student	Total Number of Teacher
19	3

SUSTAINABILITY REPORT 2019
(CONT'D)

Montessori students performing during a visit by Ministry of Welfare Sarawak.


Montessori class with their teachers.

NON-DISCRIMINATION

We believe in non-discrimination and we offer equal opportunities, fair hiring and compensation, access to training, promotion, termination and retirement without any prejudice to ethnic and national origin, caste, religion, gender, age, sexual orientation, union membership and political affiliation.

No incident of discrimination was registered in 2019.

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

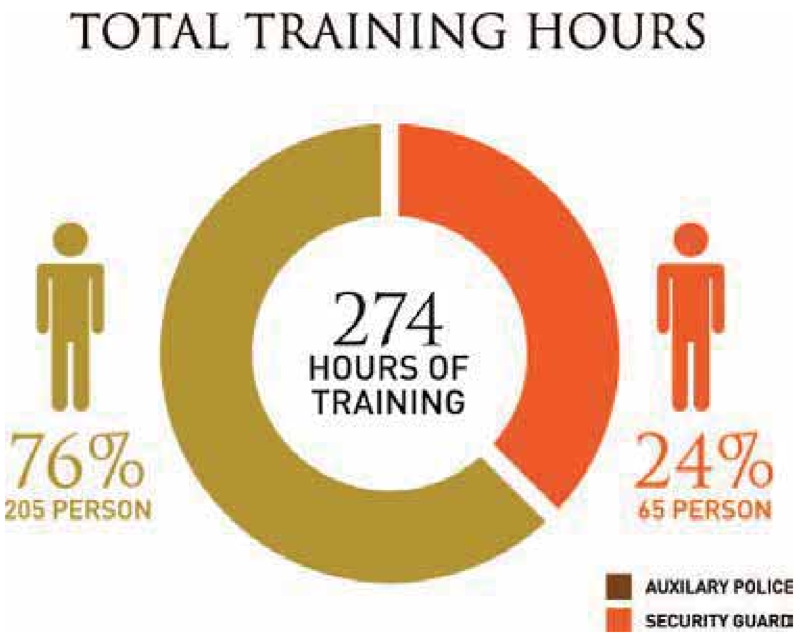
We allow employee to form or join a trade union in accordance to the national laws of each worker's country of origin to protect their rights to freedom of association and collective bargaining.

RIGHTS OF INDIGENOUS PEOPLE

SOPB's Free and Prior Informed Consent (FPIC) procedure was launched with the OPSP. We believe in the protection of the rights of the indigenous people as stated in our Social and Community policy. Our FPIC procedure is available with this link. http://www.sop.com.my/sustainability/grievance_handling.php

SUSTAINABILITY REPORT 2019
(CONT'D)

SECURITY TRAINING



All internal training were conducted by the Security Department. The training materials, procedures and handbooks were made available.

(i) Internal Training

The training included Security Basic Training, Auxiliary Police (AP) Basic Training and Shooting Practices. Additionally, AP and Security Guard (SG) took on foot drill training.

(ii) External Training

Selected staff from the Security Department were sent for Basic Training at the Malaysian Police Training Centre (PUPAPOL).

Foot drill training for Auxiliary Police in SOP Academy.

Shooting practice for Security personnel.

SUSTAINABILITY REPORT 2019
(CONT'D)

COMMITMENT TO OUR COMMUNITY

SOPB conducted community engagement programs including healthcare, education and disaster relief to improve the well-being of the people in our landscape.

COMMUNITY HEALTH & WELL-BEING PROGRAMS

(i) SOPB Vision Care Project

SOPB partnered with government bodies for the SOPB Vision Care Project conducted for villages and longhouses within the proximity of our operations since 2013. The annual exercise helped to detect early stage eye diseases to lower blindness risks.

We travelled to different areas to conduct eye checks for local communities who did not have access to eye care services. From 2016 to 2019, 624 people underwent eye screenings by government clinics and our appointed optometrists. 513 people received prescription spectacles sponsored by SOPB. 50 people were diagnosed with eye diseases and referred to ophthalmologists at government hospitals for treatments.

Details	2016 Batu Lintang	2017 Murum	2018 Kuala Tatau	2019 Balingian	TOTAL
Number of participating longhouses and villages	15	12	9	15	**51**
Number of persons screened	191	132	106	195	**624**
Number of persons underwent further check-up	-	28	15	7	**50**
Number of free spectacles given	182	64	103	164	**513**

A medical officer performing eye screening for a resident.

A resident from Balingian receiving spectacles from our estate managers.

SUSTAINABILITY REPORT 2019
(CONT'D)

(ii) SOPB-Get Equip'd Rehabilitation Program

We started the SOPB-Get Equip'd Rehabilitation Program in 2016 in partnership with Get Equip'd Australia to assist children and adults with special needs to enable them to regain a certain degree of mobility.

The program sought to foster professional development in pediatric disability with the support of voluntary physiotherapists and occupational therapists from Australia. The program provided up-to-date equipment and trainings for the staff from disability community organisations and hospitals.

Since April 2018, SOPB had sponsored the bi-annual clinical placements of Australian students. In 2019, these students were sent to PPDK Miri and Miri General Hospital. A treadmill was donated to PPDK Miri which was modified into a locomotor training equipment by the Get Equip'd team.

Handover of treadmill to PPDK Miri.

Additionally, four custom-made walking frames were donated to PPDK Miri. The walking frames were designed in 3 sizes to assist children with walking. Six specialized seating supports designed by Get-Equip'd were also donated to PPDK to enable children to function independently during the therapy sessions.

Clinical Placement Date	Placement Venue	Volunteers	Students
2018 (Apr-May)	PPDK Miri	3	6
2018 (Oct-Nov)	PPDK Miri	6	4
2019 (Apr-May)	PPDK Miri	7	4
2019 (Oct-Nov)	1. PPDK Miri 2. Occupational Therapy Department of Miri General Hospital	5	6
TOTAL		**21**	**20**

SUSTAINABILITY REPORT 2019
(CONT'D)

(iii) SOPB Blood Donation Drive

SOPB Blood Donation Drive helps the blood bank of Miri General Hospital to overcome shortage of blood supply during festive seasons and school holidays.

It was held twice in collaboration with the Blood Bank of Miri General Hospital and Malaysian Red Crescent Society (Miri Chapter).

A total of **633** pints of blood were collected since 2014.

Year	Pints Collected
2014	32
2015	149
2016	50
2017	133
2018	134
2019	135
TOTAL	**633**

SOPB Blood Donation Drive participants.

SUSTAINABILITY REPORT 2019
(CONT'D)

(iv) Educational Support Programs

(a) Excellent Education Award Program: Young Achievers Awards

In 2019, SOPB Young Achievers Awards (YAA) programme recognized students who had done well in the primary and secondary school public examinations. Each recipient was given cash and a Certificate of Achievement.

Year	Number of Recipients
2016	199
2017	150
2018	190
2019	142

YAA recipients from Miri.

(b) Student Adoption Programme

SOPB Student Adoption Programme (SAP) provided financial support to students from lower income families. The school nominees were each given cash and a stationery set.

Year	Number of Recipients
2016	91
2017	93
2018	113
2019	81

SAP recipients from Miri.

SUSTAINABILITY REPORT 2019
(CONT'D)

(v) Disaster Relief Aid

SOPB Disaster Relief Fund reached out to local communities affected by floods or fires. Financial assistance and relief were given to longhouse and village folks who had lost their homes.

Disaster relief for victims of fires at Uma Bawang in Sg. Asap (left) and Rumah Guntong in Sri Aman (right).

OUR WORKPLACE

(i) 555 TARGET

SOPB launched the "555 TARGET" in 2018 to motivate our operational employees to achieve 5 tons of oil per hectare and to realise RM5 billion market capitalization within 5 years.

(ii) iCARE Campaign

The iCARE campaign was part of the 555 TARGET to cultivate staff responsibility towards SOPB, their jobs and colleagues. The campaign encouraged everyone to take care of their holistic well-being to achieve higher productivity.

It was officially launched on 26th April 2019 during SOPB Annual Dinner at Imperial Hotel Miri by our Executive Chairman Tan Sri Datuk Ling Chiong Ho. The campaign was soft-launched at every estate, mill and downstream complex on 1st April 2019.

Every Friday had been designated as iCARE Red Friday where staff would wear red to work to raise awareness on this campaign.

SUSTAINABILITY REPORT 2019
(CONT'D)

iCare in action:

- iCARE for my well-being
- iCARE for my work
- iCARE for my colleagues
- iCARE for company assets
- iCARE for corporate reputation
- WE CARE because we are SOP Family

To complement iCARE, the "Best Driver and Operator Award" was launched on 1st April 2019 for plantation drivers. The award recognized drivers' dedication to the company and to encourage them to be more responsible for the heavy machinery or vehicle assigned.

The launch of iCARE campaign.


iCARE Best Driver and Operator Award


iCARE Red Friday

SUSTAINABILITY REPORT 2019
(CONT'D)

(iii) Employee Team Building Activities

In 2019, a wide range of activities including SOPB Annual Dinner, festive celebrations and sports were organised to forge team spirit among staff and to promote work-life balance.

Festive celebrations: Chinese New Year, Gawai, Hari Raya Aidilfitri and Deepavali.

SUSTAINABILITY REPORT 2019
(CONT'D)

SOPB Annual Dinner 2019.

Inter-Department Football Cup Competition

Corporate Movie Night

SUSTAINABILITY REPORT 2019
(CONT'D)

Inter-Department Badminton Competition

Inter-Department Futsal Tournament

SUSTAINABILITY REPORT 2019
(CONT'D)

Global Reporting Initiatives (GRI) Context Index

GRI STANDARDS	DISCLOSURE	PAGE	REFERENCE / RESPONSE
GRI 102 - General Disclosure			
Organizational Profile			
102-1	Name of organization	Cover	Cover page
102-2	Activities, brands, products and services	33	Overview of SOPB Supply Chain
102-3	Location of headquarter	7	Sustainability Report - Corporate Information
102-4	Locations of operations	34	Sustainability Report - Overview of SOPB Supply Chain
102-7	Scale of organization	15	Annual Report - Management and Discussion Analysis
102-8	Information on employees and workers	53	Sustainability Report - Employment
102-11	Precautionary Principle or approach	83	Corporate Governance Overview Statement
102-12	External Initiatives	26	Sustainability Report - Company Policies
102-13	Membership of Associations	39 & 42	Sustainability Report - Sustainability Certifications and Membership of Association
Strategy			
102-14	Statement from senior decision-maker	14	Chairman's Statement
102-15	Key impacts, risks and opportunities	14	Chairman's Statement
Ethics and integrity			
102-16	Value, principles, standards and norms of behaviour	Index	Annual Report - Vision, Core Values (Index)
102-17	Mechanisms for advice and concerns about ethics	84	Corporate Governance Overview Statement
Governance			
102-18	Governance Structure	83	Corporate Governance Overview Statement
102-19	Delegating authority	84	Corporate Governance Overview Statement
102-20	Executive-level responsibility for economic, environmental and social topics	85	Corporate Governance Overview Statement
102-21	Consulting stakeholders on economic, environmental and social topics	35	Sustainability Report - Stakeholder Engagement

SUSTAINABILITY REPORT 2019
(CONT'D)

GRI STANDARDS	DISCLOSURE	PAGE	REFERENCE / RESPONSE
102-22	Composition of the highest governance body and its committees	84	Corporate Governance Overview Statement
102-23	Chair of the highest governance body	84	Corporate Governance Overview Statement
102-24	Nominating and selecting the highest governance body	85	Corporate Governance Overview Statement
102-25	Conflict of interests	85	Corporate Governance Overview Statement
102-26	Role of highest governance body in setting purpose, values and strategy	84	Corporate Governance Overview Statement
102-27	Collective knowledge of highest governance body	85	Corporate Governance Overview Statement
102-28	Evaluating the highest governance body's performance	85	Corporate Governance Overview Statement
102-29	Identifying and managing economic, environmental and social impacts	23	Sustainability Report - Sustainability Management Governance Structure
102 - 30	Effectiveness of risk management processes	92	Statement on Risk Management and Internal Control
102-31	Review of economic, environmental and social topics	23	Sustainability Report - Sustainability Management Governance Structure
102-32	Highest governance body's role in sustainability reporting	23	Sustainability Report - Sustainability Management Governance Structure
102-33	Communicating critical concerns	84	Corporate Governance Overview Statement
102-34	Nature and total number of critical concerns	84	Corporate Governance Overview Statement
102-35	Remuneration policies	85	Corporate Governance Overview Statement
102-36	Process for determining remuneration	85	Corporate Governance Overview Statement
Stakeholder Engagement			
102-40	List of stakeholder groups	35-37	Sustainability Report- Stakeholders Engagement
102-43	Approach to stakeholder engagement	35-37	Sustainability Report- Stakeholders Engagement
102-44	Key topics and concerns raised	21	GCEO Statement to stakeholders

SUSTAINABILITY REPORT 2019
(CONT'D)

GRI STANDARDS	DISCLOSURE	PAGE	REFERENCE / RESPONSE
Reporting Practice			
102-45	Entities included in the consolidated financial statements	103-226	Annual Report
102-46	Defining report content and topic boundaries	20	Sustainability Report - About This Report
102-47	List of material topics	29	Sustainability Report - Materiality Assessment
102-49	Changes in reporting	None	
102-50	Reporting period	20	Sustainability Report - About This Report
102-51	Date of most recent report	20	Sustainability Report - About This Report
102-52	Reporting cycle	20	Sustainability Report - About This Report
102-53	Contact point for questions regarding the report	20	Sustainability Report - About This Report
102-54	Claims of reporting in accordance with the GRI Standards	20	Sustainability Report - About This Report
102-55	GRI context index	76-82	Sustainability Report - GRI Context Index
102-56	External assurance	None	
GRI 103 - Management Approach			
103-1	Explanation of the material topic and its Boundary	29	Sustainability Report - Materiality Assessment
103-2	The management approach and its components	83	Corporate Governance Overview Statement
103-3	Evaluation of the management approach	30	Sustainability Report - Materiality Assessment
GRI 201 - Economic Performance			
201-1	Direct economic value generated and distributed	103	Annual Report
201-3	Defined benefit plan obligations and other retirement plan	194	Annual Report
201-4	Financial assistance received from government	42 & 116	Sustainability Report - Marketplace (3MCPD)
GRI 202 - Market Presence			
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	56	Sustainability Report-Employment
202-2	Proportion of senior management hired from the local community	53	Sustainability Report-Employment
GRI 204 - Procurement Practices			
204-1	Proportion of spending on local suppliers	Not disclosed	

SUSTAINABILITY REPORT 2019
(CONT'D)

GRI STANDARDS	DISCLOSURE	PAGE	REFERENCE / RESPONSE
GRI 205 - Anti-corruption			
205-1	Operations assessed for risks related to corruption	Information not available	
205-2	Communication and training about anti-corruption policies and procedures	83	Corporate Governance Overview Statement
205-3	Confirmed incidents of corruption and actions taken	None	
GRI 302 - Energy			
302-1	Energy consumption within the organization	50	Sustainability Report - Energy Management
302-4	Reduction of energy consumption	49	Sustainability Report - Energy Management
GRI 303 - Water and Effluents			
303-4	Water discharge	52	Sustainability Report - Water Management
303-5	Water consumption	52	Sustainability Report - Water Management
GRI 304 - Biodiversity			
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	45	Sustainability Report - Biodiversity and Conservation
304-2	Significant impacts of activities, products and services on biodiversity	45	Sustainability Report - Biodiversity and Conservation
304-3	Habitats protected or restored	44 & 45	Sustainability Report - Biodiversity and Conservation
304-5	IUCN Red List species and national conservation list species with habitats in areas affected by operations	46	Sustainability Report - Biodiversity and Conservation
GRI 305 - Emissions			
305-1	Direct (Scope 1) GHG emissions	49	Sustainability Report - GHG Management
305-2	Energy indirect (Scope 2) GHG emissions	49	Sustainability Report - GHG Management
305-5	Reduction of GHG emissions	49	Sustainability Report - GHG Management
GRI 306 - Effluents and Waste			
306-1	Water discharge by quality and destination	52	Sustainability Report - Water Management
GRI 307 - Environmental Compliance			
307-1	Non-compliance with environmental laws and regulations	No incident were reported	

SUSTAINABILITY REPORT 2019
(CONT'D)

GRI STANDARDS	DISCLOSURE	PAGE	REFERENCE / RESPONSE
GRI 308 - Supplier Environmental Assessment			
308-1	New suppliers that were screened using environmental criteria	Not applicable	
308-2	Negative environmental impacts in the supply chain and actions taken	Not applicable	
GRI 401 - Employment			
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	55	Sustainability Report - Employment
401-3	Parental leave	56	Sustainability Report - Employment
GRI 402 - Labor/Management Relations			
402-1	Minimum notice periods regarding operational changes	56	Sustainability Report - Employment
GRI 403 - Occupational Health and Safety			
403-1	Occupational health and safety management system	56	Sustainability Report - Occupational Safety and Health
403-2	Hazard identifications, risk assessment, and incident investigation	58-62	Sustainability Report - Occupational Safety and Health
403-3	Occupational health services	59	Sustainability Report - Occupational Safety and Health
403-4	Workers participation, consultation, and communication on occupational health and safety	58-62	Sustainability Report - Occupational Safety and Health
403-5	Workers training on occupational health and safety	59-62	Sustainability Report - Occupational Safety and Health
403-6	Promotion of workers health	59-62	Sustainability Report - Occupational Safety and Health
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	56	Sustainability Report - Occupational Safety and Health
403-8	Workers covered by an occupational health and safety management system	56	Sustainability Report - Occupational Safety and Health
403-9	Work-related injuries	57	Sustainability Report - Occupational Safety and Health

SUSTAINABILITY REPORT 2019
(CONT'D)

GRI STANDARDS	DISCLOSURE	PAGE	REFERENCE / RESPONSE
GRI 404 - Training and Education			
404-1	Average hours of training per year per employee	63	Sustainability Report - Training and Education
404-2	Programs for upgrading employee skills and transition assistance programs	64	Sustainability Report - Training and Education
404-3	Percentage of employees receiving regular performance and career development reviews	64	Sustainability Report - Training and Education
GRI 405 - Diversity and Equal Opportunity			
405-1	Diversity of governance bodies and employees	65	Sustainability Report - Employment
GRI 406 - Non-discrimination			
406-1	Incidents of discrimination and corrective actions taken	No incidents were reported	
GRI 407 - Freedom of Association and Collective Bargaining			
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	65	Sustainability Report - Employment
GRI 408 - Child Labor			
408-1	Operations and suppliers at significant risk for incidents of child labor	27	Stated in the Social and Community Policy - no child labour
GRI 410 - Security Practices			
410-1	Security personnel trained in human rights policies or procedures	66	Sustainability Report - Security Practices
GRI 411 - Rights of Indigenous Peoples			
411-1	Incidents of violations involving rights of indigenous peoples	No incident were reported Sustainability Report - Rights of Indigenous Peoples	
GRI 412 - Human Rights Assessment			
412-2	Employee training on human rights policies or procedures	Our employees are frequently updated on the Group's Social and Community Policy	
GRI 413 - Local Communities			
413-1	Operations with local community engagement, impact assessments and development programs	67-71	Sustainability Report - Commitment to Our Community
GRI 414 - Supplier Social Assessment			
414-1	New suppliers that were screened using social criteria	Information not available	
414-2	Negative social impacts in the supply chain and actions taken	Information not available	

SUSTAINABILITY REPORT 2019
(CONT'D)

GRI STANDARDS	DISCLOSURE	PAGE	REFERENCE / RESPONSE
GRI 415 - Public Policy			
415-1	Political contributions		Refer to Code of Business Conduct and Ethics (1.3.3) on Website. SOPB does not make political contributions except if Board approval is obtained
GRI 416 - Customer Health and Safety			
416-1	Assessment of the health and safety impacts of product and service categories		Information not available
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services		No incident were reported
GRI 418 - Customer Privacy			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	43	Sustainability Report - Customer Privacy
GRI 419 - Socioeconomic Compliance			
419-1	Non-compliance with laws and regulations in the social and economic area		No incident were reported

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors recognizes the importance of good corporate governance and continues to be committed to ensure high standards of corporate governance are continually practiced throughout the Group to promote business prosperity, corporate responsibility and sustainable growth for the interests of all its stakeholders.

The Board of Directors is pleased to present an overview of its corporate governance in relation to the three (3) principles set out in Malaysian Code on Corporate Governance ("MCCG") published in April 2017 and also guidance given by Bursa Malaysia through its circular titled 'Amendments to Bursa Malaysia Securities Berhad Main Market Listing Requirements' dated 29 November 2017.

Detailed explanation on the application of the practices of corporate governance as set out in the MCCG are reported under Corporate Governance Report (CG Report) as published in the Company's website.

The three (3) principles of corporate governance as set out in the MCCG are:-

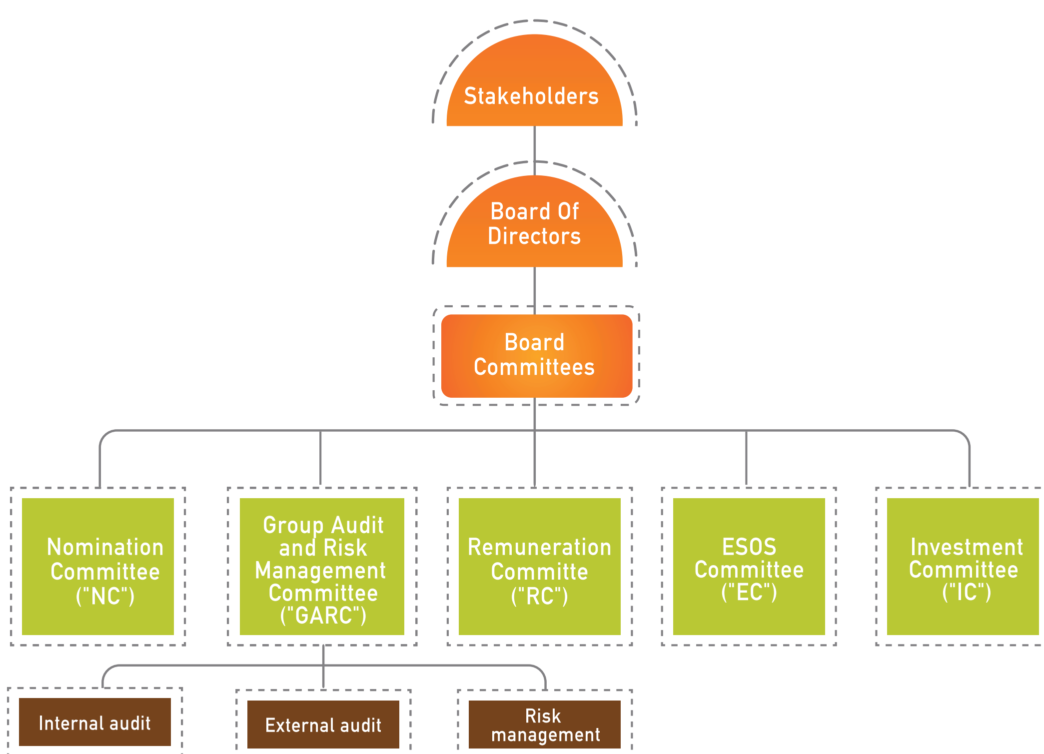
Principle A: Board leadership and effectiveness;
Principle B: Effective audit and risk management; and
Principle C: Integrity in corporate reporting and meaningful relationship with stakeholders.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Governance framework

The diagram below portrays the governance framework of SOPB Group.

GOVERNANCE FRAMEWORK OF SOPB GROUP



CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

Board of Directors

The Group is led by an effective Board of Directors, comprising ten (10) members and headed by the Group Executive Chairman. Collectively, the Group Executive Chairman and all the Directors bring with them a wide range of experience and expertise in areas such as finance, corporate affairs, law, business acumen, management and operations to set the Group's goals, direction and strategies, and also ensure that good corporate governance practices, good systems and all necessary resources are in place for the Group to achieve its goals and objectives.

The ten (10) members of the Board comprising of (i) one Executive Director (the Group Executive Chairman) , (ii) five Non-Independent Non-Executive Directors, and (iii) four Independent Non-Executive Directors. The number of Independent Directors meets Bursa Malaysia Securities Berhad Main Market Listing Requirements which requires at least two (2) Directors or one-third (1/3) of the Board whichever is higher, to be Independent Directors.

The profile of each Director is presented on pages 9 to 12 of the Annual Report.

The Board is aware of the gender diversity agenda promulgated in the MCCG. No specific gender diversity targets have been set by the Group. Nevertheless in year 2019, there were two females (one director and one alternative director) who served as Board members. The Board acknowledges the value of individual Director appointed, regardless of gender difference, who will bring diverse opinions, perspectives, professionalism and integrity, expertise and experiences, and competency and wealth of knowledge to the Board.

None of the Board members holds more than five (5) directorships in public listed companies to ensure they devote sufficient time to carry out their responsibilities.

Roles and Responsibilities of the Board

(i) Board Charter

The Board takes full responsibility for the overall performance of the Company and of the Group.

The duties and responsibilities of the Board of Directors are spelt out in the Board Charter, which is available on the Company's website.

(ii) Summary of the principal duties and responsibilities of the Board include the followings:

a Set overall business strategies, plans and direction of the Group in promoting sustainability with balanced approach to economic, environmental and social aspects.

b Oversee the conduct of Group's business to evaluate whether the business is properly managed.

c. Identify principal risks and ensure the implementation of appropriate risk management systems to mitigate the risks.

d Review the adequacy and integrity of the management information and internal control systems.

e Ensure full compliance with Listing Requirements of Bursa Securities and all other applicable laws, regulations and statutory requirements.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

Board Committees

The Board establishes Committees to assist in carrying out its duties and responsibilities. The Board delegates functions to the following Committees which had been established to assist it in the execution of its responsibilities.

(i) Nomination Committee ("NC")

The NC has been established since 2001. The Committee, among others, is responsible for recommending the right candidate with the necessary skills, knowledge, expertise and experience including his/her professionalism and integrity to fill in the Board.

The Committee assesses the effectiveness of the Board, its Committees and the performance of each individual Director annually.

The members of the Nomination Committee are as follows:

Fong Yoo Kaw @ Fong Yee Kow, Victor	-	Chairman, Independent Non-Executive Director
Dr. Lai Yew Hock, Dominic	-	Independent Non-Executive Director
Tang Tiong Ing	-	Non-Independent Non-Executive Director

The Committee meets when necessary. For the financial year ended 31 December 2019, the Committee held one (1) meeting.

(ii) Group Audit and Risk Management Committee ("GARC")

The GARC had been established since 1992. The composition and terms of reference of this Committee together with its report are presented on page 95 to 97 of the Annual Report.

(iii) Remuneration Committee ("RC")

The RC has been established since 1994. The Committee is responsible for recommending the remuneration framework for Directors, as well as the remuneration package of Executive Director to the Board for approval. The members of the Remuneration Committee are as follows:

Fong Yoo Kaw @ Fong Yee Kow, Victor	-	Chairman, Independent Non-Executive Director
Dr. Lai Yew Hock, Dominic	-	Independent Non-Executive Director
Monaliza Binti Zaidel	-	Non-Independent Non-Executive Director

The Committee meets when necessary. For the financial year ended 31 December 2019, the Committee held one (1) meeting.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

(iv) ESOS Committee ("EC")

On the 9th August 2017, the shareholders had approved a new Employees' Share Option Scheme ("ESOS") and its related ESOS By-Laws. The new ESOS is valid for a duration of 10 years and will expire in year 2027.

The ESOS Committee was established on 9th August 2017 to oversee the allocation of ESOS Options and its administration to ensure full compliance at all times with the By-Laws.

The members of the ESOS Committee are as follows:-

Tan Sri Datuk Ling Chiong Ho	-	Chairman, Group Executive Chairman
Chua Chen San	-	Independent Non-Executive Director
Dr. Lai Yew Hock, Dominic	-	Independent Non-Executive Director
Wong Hee Kwong	-	Group Chief Executive Officer

The Committee meets whenever necessary. For the financial year ended 31 December 2019, the Committee held one (1) meeting.

(v) Investment Committee ("IC")

The IC was established on 29th August 2018. The Committee is responsible for evaluating, assessing, reviewing and recommending to the Board any proposed corporate exercise. Besides that, the IC appoints professional advisors, consultants, valuers, negotiators or undertakes any other necessary duties for the proposed corporate exercise.

The members of the Investment Committee are as follows:-

Fong Yoo Kaw @ Fong Yee Kow, Victor	-	Chairman, Independent Non-Executive Director
Dr. Lai Yew Hock, Dominic	-	Independent Non-Executive Director
Pn Monaliza Binti Zaidel	-	Non-Independent Non-Executive Director
Wong Hee Kwong	-	Group Chief Executive Officer

The Committee meets when necessary. For the financial year ended 31 December 2019, the Committee held two (2) meetings.

Sustainability and Social Corporate Responsibility

The Board is committed to adopt the Malaysian Sustainable Palm Oil (MSPO) as the primary sustainability standard of the group. The Group will work and engage with our partners and all relevant stakeholders to meet the objectives of building a sustainable palm oil supply chain based on MSPO.

The Group's activities to promote sustainability during the financial year under review are disclosed in Sustainability Report set out on page 20 to 82 of the Annual Report.

Supply of Information to Board Members

Board Meetings are structured with a pre-set agenda. Board papers for the Agenda are circulated to Directors five (5) working days before the meeting date to give Directors time to deliberate on the issues to be raised at the meeting. Quarterly reports on the financial performance of the Group are also circulated to the Directors for their views and comments. All proceedings of Board Meetings are minuted and signed by the Chairman of the Meeting.

At other times, Directors have direct access to the Senior Management and the service of the Company Secretary. Directors especially newly appointed ones are encouraged to visit the Group's operating centres to familiarise themselves with the various operations of the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Board Meetings

For the financial year ended 31 December 2019, the Board held five (5) meetings. Directors' profiles and attendance to these meetings could be found in the profiles of Board of Directors on page 9 to 12 and page 233 of Statement Accompanying Notice.

At Board Meetings, strategies and performance of the Group are being reviewed and evaluated in the light of any changing circumstances whether economic, social or political. Although all the Directors have an equal responsibility for the Group operations, the role played by the independent Non-Executive Directors are vital to ensure that strategies formulated or transactions proposed by management are amply discussed in unbiased and independent manner, taking into account the interests not only of the Group but also the shareholders, employees, customers, suppliers, environment and community at large.

The Attendance record of each Director is as follows:

Directors	No. of Meeting
Tan Sri Datuk Ling Chiong Ho	5/5
Fong Yoo Kaw @ Fong Yee Kow, Victor	5/5
Dr Lai Yew Hock, Dominic	5/5
Chua Chen San	5/5
Datuk Amar Haji Ahmad Tarmizi Bin Haji Sulaiman **Hasmawati Binti Sapawi** **(Alternate to Datuk Amar Haji Ahmad Tarmizi Bin Haji Sulaiman)**	4/5
Ling Chiong Sing	4/5
Ling Lu Kuang	5/5
Tang Tiong Ing	5/5
Kamri Bin Ramlee	5/5
Monaliza Binti Zaidel	4/5

Company Secretary

The Company Secretary, Mr. Eric Kiu Kwong Seng (LS No. 0007062) assumed his role in 1998 and thus has about 21 years' experience in corporate secretarial services.

The Board has direct access to the advice and services of Company Secretary, who supports the Board in the discharge of its functions. He plays an advisory role to the Board in relation to the Company's constitution, Board's policies and procedures and compliance with relevant regulatory requirements, codes of guidance and legislations. He supports the Board in managing the Group Governance Model, ensuring that it is effective and relevant. He attends all Board Meetings and ensures that the meetings are properly convened and that proceedings and deliberations at the Board and Board Committee are accurately recorded. He also facilitates the communication of key decisions and policies between the Board, Board Committees and Senior Management and to update the Board on the follow-up or implementation of its decisions / recommendations.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

Good Business Conduct and Healthy Corporate Culture

The Board is committed to promoting good business conduct and maintaining healthy corporate culture. Towards this, the Group has promulgated the followings:

(i) Code of Business Conduct and Ethics

The Group's Code of Business Conduct and Ethics for Directors and employees governs the standards of ethics and good conduct expected of Directors and employees. The details of the Code of Business Conduct and Ethics are available on the Company's website.

(ii) Whistle blowing policy

The Group is committed to achieve and maintain high standard of integrity, transparency and fairness in the conduct of its business and operations. The Group takes a serious view of any improper conduct on the part of any its employees, management, directors and vendors in particular with respect to their obligations to the Group's interests. The policy is established to help the employees and stakeholders to raise concerns without fear of reprisal on any improper conduct that may be observed within the Group.

All reporting or disclosure by a whistleblower who has knowledge or is aware of any improper conduct within the Group is to be directed to any one of the designated persons as follows in accordance with the set procedures:

- Group Executive Chairman
- Group Chief Executive Officer
- Chairman of Group Audit and Risk Management Committee

Whistle blowers may use the in-house Whistle-blowing Disclosure System, located in the Company's staff Portal, which would enable whistle blowers to make disclosures while maintaining their anonymity.

Appointment and Re-election of Directors

The Company Constitution provides that at least one-third (1/3) of the Board is subject to retirement by rotation at each Annual General Meeting. The Directors to retire in each year are the Directors who have been longest in office since their appointment or re-appointment. A retiring Director is eligible for re-appointment. These provide an opportunity for the shareholders to renew their mandates. The election of each Director is voted on separately.

The appointment of new Director by the Board is dependent upon recommendation from the Nomination Committee. In making recommendations, the Nomination Committee has assessed the suitability of candidates by taking into account the required knowledge, professionalism, expertise and experience, integrity, competency and other qualities, which the candidates would bring to the Board. Directors are required to notify the Nomination Committee before accepting any new Directorship and to indicate the time expected to be spent on the new appointment.

Tenure of an Independent director would not exceed a cumulative term of nine years. However, if an Independent director whose service is required beyond nine (9) years but less than twelve (12) years, shareholders' approval is sought in the Annual General Meeting. For an independent director whose service is required beyond a cumulative term of twelve (12) years, shareholders' approval through a two-tier voting process would be sought in the Annual General Meeting.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

Directors' Training and Development

All the Directors have attended and completed the Mandatory Accreditation Programme prescribed by the Bursa Malaysia Training Sdn Bhd. The Board has undertaken an assessment of the training needs of each director and they were nominated to attend Continuing Education Programme organised by accredited organisations as and when necessary to keep abreast with the latest development that are relevant to the Group. During the financial year, the Directors have attended various training programmes, forums, conferences and seminars as follows:-

Title of Training Programmes	Duration of training per programme, day (s)
SSM Seminar 'Disclosure by Directors and Shareholders'	1
LHDNM-MEF Seminar 2019 Voluntary Disclosure	1
MFRS 15: Mastering Revenue Recognition from Contracts with Customers	1
Workshop on the Companies Act, 2016 and Secretarial Practice	1
Essential Skills of An Effective Manager	2
LHDN Seminar Percukaian Kebangsaan 2019	1
Budget 2020 Highlights and Latest Tax Developments	1
CTIM National Tax Conference 2019	2
Key Amendment to Listing Requirements arising from Companies Act 2016 & Dealings in Listed Securities, Closed Period & Insider Trading	1
Third Age & Longevity Economy Forum 2019	1
Budget and Tax Conference 2020	1

Directors' Remuneration

The Group pays its Non-Executive Directors annual fees, which are approved annually by the shareholders. In addition, its Directors and members to the Board Committee are paid a meeting allowance for each meeting they attended. The Directors are also reimbursed reasonable expenses incurred by them in the course of carrying out their duties on behalf of the Group.

The policy practised by the Group is to provide remuneration package necessary to attract, retain and motivate Directors. The structure of remuneration package of Executive Director is also linked to corporate and individual performance. Where applicable, the Board also takes into consideration information provided by independent consultants or survey data on comparable companies in determining the remuneration package. The Directors are entitled to take independent professional advice with the expense borne by the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

The aggregate and range of the Directors' remuneration for the Company for the financial year ended 31 December 2019 are as follows: -

	COMPANY					SUBSIDIARIES		GROUP
	Fees	Salaries and bonus	Benefits in kind	Others	Total	Salaries and bonus	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
EXECUTIVE								
Tan Sri Datuk Ling Chiong Ho	60	1,937	16	233	2,246	-	73	2,319
NON-EXECUTIVE								
Tang Tiong Ing	60	-	-	-	60	-	3	63
Ling Lu Kuang	60	-	-	-	60	879	23	962
Dr. Lai Yew Hock, Dominic	60	-	-	-	60	-	-	60
Chua Chen San	60	-	-	-	60	-	-	60
Fong Yoo Kaw @ Fong Yee Kow, Victor	60	-	-	-	60	-	-	60
Ling Chiong Sing	60	-	-	-	60	-	44	104
Kamri Bin Ramlee	60	-	-	-	60	-	6	66
Datuk Amar Haji Ahmad Tarmizi Bin Haji Sulaiman	60	-	-	-	60	-	-	60
Monaliza Binti Zaidel	60	-	-	-	60	-	49	109
TOTAL	**600**	**1,937**	**16**	**233**	**2,786**	**879**	**198**	**3,863**

There are no contracts of service between any Directors and the Company other than the Group Executive Chairman, Tan Sri Datuk Ling Chiong Ho, whose term is concurrent with the tenure of his directorship.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Group Audit and Risk Management Committee ("GARC")

The GARC was established to assist the Board in overseeing the Group's financial reporting process, internal controls, risk management and governance.

The Group Audit and Risk Management Committee Report is set out on page 95 to 97 of the Annual Report.

Risk Management and Internal Controls

The Statement on Risk Management and Internal Control is set out on page 92 to 94 of the Annual Report.

Relationship with the Auditors

Key features underlying the relationship of the Group Audit and Risk Management Committee with the external auditors are included in the Group Audit and Risk Management Committee's term of reference as detailed on page 95 to 97 of the Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

Integrity in Corporate Reporting

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements, quarterly and half yearly announcement of results to shareholders as well as the Chairman's statement, and Management Discussion and Analysis in the annual report. The Board is assisted by the Group Audit and Risk Management Committee to oversee the Group's financial reporting processes and the quality of its financial reporting. The Company announces its quarterly and full year results within the mandatory period.

Communication with Shareholders and Investors

The Group recognises the importance of communicating with its shareholders and does this through the Annual Report, Annual General Meeting (AGM) and analyst meetings. The policy of the Group is to maintain an active dialogue with its shareholders with the intention of giving shareholders as clear and complete picture of the Group's performance and position as possible. The primary contact with shareholders / stakeholders is through the Investor Relations Team, Company Secretary and Group Chief Executive Officer who attend dialogue sessions with institutional investors and deliver presentations to analysts periodically.

The key elements of the Group's dialogue with its shareholders / stakeholders is the opportunity to gather view of and answer questions from both private and institutional shareholders on all issues relevant to the Group.

At AGM, the Group Executive Chairman, Group Chief Executive Officer and members of the Board are present to address queries during the meeting. It has also been the Group's practice to send the Notice of the Annual General Meeting and related papers to shareholders at least twenty-eight (28) working days before the meeting. The shareholders are encouraged to ask questions about both the resolutions being proposed and the Group's operations in general. Where it is not possible to provide immediate answers, the Board will undertake to furnish the shareholders with a written answer after the AGM. The Group Executive Chairman and Group Chief Executive Officer also addresses to the shareholders on the review of the Group's operations for the financial year and outlines the prospects of the Group for subsequent financial year.

All resolutions put forth for shareholders' approval at AGM are voted by poll. Polling agent and scrutineer are engaged to facilitate counting and independent verification of votes.

The Group's website, www.sop.com.my is also used as a forum to communicate with the shareholders and investors and to provide information on the Group's business activities.

The Group has appointed Mr. Fong Yoo Kaw @ Fong Yee Kow, Victor as the Independent Non-Executive Director to whom investors and shareholders may refer to express their concerns.

At all times, investors and shareholders may contact the Company Secretary for information on the Group.

Corporate Governance Report

Pursuant to Listing Requirements paragraph 15.25(2), the Corporate Governance Report which discloses the application of each Practice of the MCCG by the Group in the format prescribed by Bursa Malaysia is available at the Group's website, www.sop.com.my

This Corporate Governance Overview Statement is made in accordance with a resolution of the Board of Directors dated 28 February 2020.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board is pleased to provide Statement on Risk Management and Internal Control pursuant to Paragraph 15.26(b) of the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements on the Group's compliance with the Principles, Intended Outcomes and Practices relating to risk management and internal controls as stipulated in the MCCG and is guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

Pursuant to paragraph 15.23 of the Main Market Listing Requirements of Bursa Securities, the external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report ("AAPG 3") issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2019, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects: has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Directors and management thereon. The report from the external auditors was made solely for, and directed solely to the Board of Directors in connection with their compliance with the listing requirements of Bursa Malaysia Securities Berhad and for no other purposes or parties. The external auditors do not assume responsibility to any person other than the Board of Directors in respect of any aspect of this report.

The Board is satisfied with adequacy and effectiveness of the Group's risk management and internal control system. The board has received assurance from Group Chief Executive Officer (GCEO), Chief Operating Officer (COO) and Chief Financial Officer (CFO) that the Group's risk management and internal control system, is operating adequately and effectively, in all material aspects.

BOARD RESPONSIBILITY

The Board affirms its responsibility for the Group's system of risk management and internal control which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and effectiveness. The system of risk management and internal control consists of financial controls, operational and compliance controls, cyber security controls and risk management to safeguard shareholders' investments and the Group's assets.

In view of the limitations that are inherent in any system of risk management and internal control, the system is designed to manage, rather than eliminate the risk of failure to achieve corporate objectives. Accordingly, the system could provide only reasonable but not absolute assurance against material misstatement, operational failure, fraud and loss.

KEY COMPONENTS OF INTERNAL CONTROL ENVIRONMENT

Risk Management Framework

The risk management procedure has been established based on the ISO 31000:2009 Risk management – Principles and Guidelines and will be used for guidance by everyone involved in the application of risk management.

A formal and on–going process of identifying, evaluating, managing and monitoring principal risks that affect the achievement of the Group's business objectives in a structured manner has been in place since 2002. The Group has established procedures for reporting and monitoring of risks and controls. Regular reviews are conducted on quarterly basis with additional reviews to be carried out as and when required.

The Group Audit and Risk Management Committee has been entrusted to oversee the risk management activities, and approve appropriate risk management procedures and measurement methodologies across the Group.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

The on-going process is monitored by the Group Risk Management Committee Team, which consists of GCEO and Heads of Department within the Group. The Group Risk Management Team reports to the Group Audit and Risk Management Committee on a quarterly basis.

The Group's risk management framework is set out in the diagram below:

OTHER KEY COMPONENTS OF INTERNAL CONTROL SYSTEM

The other key components of the Group's internal control system are described below:

Board Meetings

The Board meets at least quarterly and has a formal agenda on matters for discussion. The Group Executive Chairman together with GCEO lead the presentation of board papers and provide comprehensive explanation of pertinent issues. In arriving at any decision, on recommendation by the Management, a thorough deliberation and discussion by the Board is a prerequisite. In addition, the Board is kept updated on the Group's activities and operations on a regular basis.

Organisational Structure with Formally Defined Responsibility Lines and Delegation of Authority

There is in place an organisational structure with formally defined responsibility lines and authorities to facilitate quick response to changes in the dynamic business environment and accountability for operation performance. Capital and non-capital expenditures, acquisition and divestment are subject to appropriate approval processes.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
(CONT'D)

Performance Management Framework

Comprehensive management reports are generated on a regular and consistent basis and presented to the Board for its review of the Group's financial and operating performance. The review encompasses areas such as financial and non-financial key performance indicators, variances between budget and operating results and compliance with laws and regulations.

The Group has in place a detailed and well-controlled budgeting process that provides a responsibility accounting framework.

Operational Policies and Procedures

The documented policies and procedures form an integral control system to safeguard the Group assets against material losses and ensure complete and accurate financial information. The documents consist of memoranda, circulars, manuals and handbooks that are continuously being revised and updated to meet operational needs and regulatory requirements.

Group Internal Control

The Internal Audit reports regularly on the internal control system and the effectiveness of risk management system of the Group in its quarterly reports to Group Audit and Risk Management Committee Report.

Continuous management efforts are in place to improve the internal control system. The Board is not aware of any material losses were incurred during the year due to the weaknesses in the internal control system.

This statement is made in accordance with a resolution of the Board dated 28 February 2020.

GROUP AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

TERMS OF REFERENCE

The Committee was established in 1992 and with effect from 2013, it was renamed as the Group Audit and Risk Management Committee, to serve as a Committee of the Board of Directors, with the terms of reference as set out below:

COMPOSITION OF THE COMMITTEE

- The Committee shall comprise not less than three (3) members;
- All members of the Committee must be Non-Executive Directors, with a majority of them being Independent Non-Executives Directors;
- All members of the Committee should be financially literate and at least one member of the Committee must be a member of Malaysian Institute of Accountants ("MIA") or shall fulfill such other requirements as prescribed in the listing requirement;
- No alternate Director shall be appointed as a member of the Committee;
- The Chairman who shall be elected by the members of the Committee must be an Independent Non-Executive Director.
- Any vacancy in the Committee resulting in non-compliance of the said requirements must be filled within three (3) months.
- The terms of office and performance of the Committee and each of its members must be reviewed by the Board at least once every three (3) years.

DUTIES AND RESPONSIBILITIES

The Committee shall:

- Provide assistance to the Board of Directors in fulfilling its fiduciary responsibilities relating to the management of financial risk processes, corporate accounting and reporting practices for the Company and Group.
- Maintain a direct line of communication between the Board and the external and internal auditors.
- Act upon the Board's request to direct and where appropriate supervise any special projects or investigation considered necessary and review investigation reports on any major issues or concerns with regard to the management of the Group.
- Review and monitor to ensure that an adequate system of risk management for the management to safeguard the Group's assets and operations.
- Prepare reports, if the circumstances arise or at least once (1) a year, to the Board summarising the work performed in fulfilling the Committee's primary responsibilities.
- Any other activities, as authorised by the Board.
- Report promptly to Bursa Malaysia on any matter reported to the Board which has not been satisfactorily resolved resulting in a breach of Bursa Malaysia Main Market Listing Requirement.

AUTHORITY

- The Committee is authorised to seek any information it requires from employees, who are required to co-operate with any request made by Committee.
- The Committee shall have full and unlimited access to any information pertaining to the Group as well as direct communication to the internal and external auditors and with senior management of the Group.
- The committee shall have the resources that are required to perform its duties. The committee can obtain at the expense of the Group, outside legal or other independent professional advice it considers necessary.

GROUP AUDIT AND RISK MANAGEMENT COMMITTEE REPORT
(CONT'D)

COMMITTEE MEETINGs

During the financial year ended 31 December 2019, five (5) Committee meetings were held. A record of the attendance to these meetings is as follows:

Directors	No. of Meetings Attended
Fong Yoo Kaw @ Fong Yee Kow, Victor, CA(M)	5/5
Dr Lai Yew Hock, Dominic	4/5
Tang Tiong Ing, CA(M)	5/5
Chua Chen San CA(M)	5/5

The Committee met (5) times in the financial year. The quorum for a meeting of at least (2) members with the majority of members present being independent Directors was adhered to. The Committee also met with the external auditors once (1) in the financial year without the presence of the Management. Other Directors and employees were invited to attend Committee meeting on need basic at the Committee's invitation and specific to the relevant meeting. The Company Secretary is the Secretary of the Committee. Minutes of each meeting are distributed to each Board member and the Chairman of the Committee reports on key issues discussed at each meeting to the Board.

Financial Procedures and Financial Reporting

Review the quarterly results and the year-end financial statements, prior to the approval by the Board, ensure compliance with appropriate accounting policies, accounting standards and disclosure requirements.

Related Party Transaction

Monitor any related party transaction and conflict of interest situation that may arise within the Group, including any transaction, procedure or course of conduct that raises question on management integrity.

Allocation of Share Options

Verification on the allocation of any Employee Share Options Scheme (ESOS) to ensure compliance with the provisions in the ESOS By-Laws and Listing Requirements.

External Audit

- Review with the external auditors, the audit scope and plan.
- Review the independence and objectivity of the external auditors and their services, including non-audit services and the professional fees, so as to ensure a proper balance between objectivity and value for money.
- Review the external audit reports and to evaluate their findings and recommendations for actions to be taken.
- Review the appointment and performance of external auditors, the audit fee and any question of resignation or dismissal before making recommendation to the Board.

GROUP AUDIT AND RISK MANAGEMENT COMMITTEE REPORT (CONT'D)

Internal Audit

- Review and approve the yearly internal audit plan, internal audit charter and audit programmes.
- Review the adequacy of the internal audit scope, functions and resources of the internal audit and that it has the necessary authority to carry out its work.
- Review the results of the internal audit and ensure that appropriate action is taken by the management on the recommendations of the internal audits.
- Review the performance of the internal audit to ensure that they are able to exercise independence in discharging their duties.
- Approve any appointment or termination of the senior staff members of the internal audit function.
- Review movement of the internal audit staff members and provide opportunity for resigning staff member to submit reasons for resigning.

Risk Management

- Review the adequacy and effectiveness of risk management, internal control and governance systems in identify risks and risk mitigation.
- Ensure that the Group's has a widespread understanding of risk management principles.

SUMMARY ACTIVITIES OF THE INTERNAL AUDIT FUNCTION

The Group has Internal Audit ("IA") function to undertake independent regular and systematic reviews of the systems of internal control so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively. During the year the IA function is led by an Internal Audit Manager who has over eight (8) years' experience in finance, accounting and internal audit, and with a team of 15 members, majority of whom are Bachelor Degree holders.

The IA reports directly to the Committee with independent and objective reports on the state of internal control of the various operating units within the Group. In addition, the IA also conducts investigations and special reviews at the request of management. Follow-up audits are then carried out to determine whether corrective actions have been taken by the management.

The IA attends the Committee meeting quarterly to present the internal audit findings and makes appropriate recommendations on areas of concern for the Committee's deliberation.

During the year, the IA carried out a total of sixteen (16) audits and reviews covering the Group's operations in the area of plantation, mill, downstream operation, trading, finance and administration. The costs incurred by the IA for the financial year was RM846,951 (2018: RM841,809).

STATEMENT ON DIRECTORS' RESPONSIBILITY

The Directors are required under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad to issue a statement explaining their responsibility for preparing the financial statements.

The Directors are also required by the Companies Act, 2016 to prepare financial statements and the results and cash flow for that year which give true and fair value of the state of affairs of the Company and the Group.

In preparing the financial statements for the year ended 31 December 2019 set out in pages 115 to 225, the Directors have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, followed the applicable approved accounting standards in Malaysia, the provision of the Companies Act, 2016 and the Listing Requirements of the Bursa Malaysia Securities Berhad. The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy financial information for preparation of the financial statements. The Directors have overall responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

This statement is made in accordance with the resolution of the Board of Directors dated 28 February 2020.

ADDITIONAL COMPLIANCES INFORMATION

1. NON-AUDIT FEES

The non-audit fees paid and payable to the Group's external auditors, KPMG PLT and its affiliates for the financial year ended 31 December 2019 were amounting to RM174,616, which mainly for the tax advisory and professional development services.

2. NO MATERIAL CONTRACTS

There were no material contracts involving the interest of Directors and major shareholders pursuant to paragraph 21, Part A, Appendix 9C of the Listing Requirements of Bursa Malaysia entered into by the Group since the end of the previous financial year up to 31 December 2019 except as disclosed in the following recurrent related party transactions.

3. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("RRPT")

Name of Transacting Party	Nature of Transaction	Related Party #	Year 2019 Actual (RM'000)
1. The Group	Purchase of lubricant, spare parts, tyres and mild steel plate for the tractors and machinery from Shin Yang Trading Sdn. Bhd. ("SY Trading")	(a) SYHSB has more than 15% direct interest in SY Trading.[1] (b) Tan Sri Datuk Ling Chiong Ho[2] (c) Ling Chiong Sing[3] (d) Ling Lu Kuang[4] (e) Tang Tiong Ing[5]	1,399
2. The Group	Purchase of gravel from Hollystone Quarry Sdn. Bhd. ("HQ")	(a) SYHSB has more than 15% indirect interest in HQ.[1] (b) Tan Sri Datuk Ling Chiong Ho[2] (c) Ling Chiong Sing[3] (d) Ling Lu Kuang[4] (e) Tang Tiong Ing[5]	19,040
3. The Group	Provision of maintenance services and supply of lubricants, spare parts and tyres for the tractors and machinery by Dai Lieng Trading Sdn. Bhd. ("DLT")	(a) SYHSB has more than 15% indirect interest in DLT.[1] (b) Tan Sri Datuk Ling Chiong Ho[2] (c) Ling Chiong Sing[3] (d) Ling Lu Kuang[4] (e) Tang Tiong Ing[5]	2,081
4. The Group	Provision of heavy equipment, machinery and related spare parts by Dai Lieng Machinery Sdn. Bhd. ("DLM")	(a) SYHSB has more than 15% indirect interest in DLM.[1] (b) Tan Sri Datuk Ling Chiong Ho[2] (c) Ling Chiong Sing[3] (d) Ling Lu Kuang[4] (e) Tang Tiong Ing[5]	2,772

ADDITIONAL COMPLIANCES INFORMATION
(CONT'D)

3. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("RRPT") (Continued)

Name of Transacting Party	Nature of Transaction	Related Party #	Year 2019 Actual (RM'000)
5. The Company	Purchase of fresh fruit bunches from Linau Mewah Sdn. Bhd. ("LMSB")	(a) Tan Sri Datuk Ling Chiong Ho[2] (b) Ling Chiong Sing[3] (c) Ling Lu Kuang[4] (d) Tang Tiong Ing[5]	52,177
6. The Group	Purchase of fresh fruit bunches from Shin Yang Forestry Sdn. Bhd. ("SYFSB")	(a) SYHSB has more than 15% indirect interest in SYFSB.[1] (b) Tan Sri Datuk Ling Chiong Ho[2] (c) Ling Chiong Sing[3] (d) Ling Lu Kuang[4] (e) Tang Tiong Ing[5]	1,496
7. The Group	Land transport services from Melinau Transport Sdn. Bhd. ("MTSB")	(a) SYHSB has more than 15% direct interest in MTSB.[1] (b) Tan Sri Datuk Ling Chiong Ho[2] (c) Ling Chiong Sing[3] (d) Ling Lu Kuang[4] (e) Tang Tiong Ing[5]	7,420
8. The Group	Purchase of motor vehicles and rental of premises from Boulevard Jaya Sdn. Bhd. ("BJSB")	(a) SYHSB has more than 15% direct interest in BJSB.[1] (b) Tan Sri Datuk Ling Chiong Ho[2] (c) Ling Chiong Sing[3] (d) Ling Lu Kuang[4] (e) Tang Tiong Ing[5]	205
9. The Group	Purchase of fresh fruit bunches, crude palm oil and/or palm kernel from Primaluck (M) Sdn. Bhd. ("PSB")	(a) SYHSB has more than 15% indirect interest in PSB.[1] (b) Tan Sri Datuk Ling Chiong Ho[2] (c) Ling Chiong Sing[3] (d) Ling Lu Kuang[4] (e) Tang Tiong Ing[5]	962
10. The Group	Shipping services from Shin Yang Shipping Sdn. Bhd. ("SYShipping")	(a) SYHSB has more than 15% indirect interest in SYShipping.[1] (b) Tan Sri Datuk Ling Chiong Ho[2] (c) Ling Chiong Sing[3]) (d) Ling Lu Kuang[4]	2,715
11. The Group	Purchase of chemicals from Shin Yang Chemical Sdn. Bhd. ("SYCSB")	(a) SYHSB has more than 15% indirect interest in SYCSB.[1] (b) Tan Sri Datuk Ling Chiong Ho[2] (c) Ling Chiong Sing[3] (d) Ling Lu Kuang[4] (e) Tang Tiong Ing[5]	2,120
12. The Group	Purchase of fresh fruit bunches from Danum Sinar Sdn. Bhd. ("DSSB")	(a) Tan Sri Datuk Ling Chiong Ho[2] (b) Ling Chiong Sing[3]	16,853
13. The Group	Purchase of fresh fruit bunches, crude palm oil and/or palm kernel from Dataran Seping Sdn. Bhd. ("DSeping")	(a) SYHSB has more than 15% direct interest in DSeping.[1] (b) Tan Sri Datuk Ling Chiong Ho[2] (c) Ling Chiong Sing[3] (d) Ling Lu Kuang[4] (e) Tang Tiong Ing[5]	2,453

ADDITIONAL COMPLIANCES INFORMATION
(CONT'D)

3. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("RRPT") (Continued)

Name of Transacting Party	Nature of Transaction	Related Party #	Year 2019 Actual (RM'000)
14. The Group	Purchase of fresh fruit bunches from Selangau Plantation Sdn. Bhd. ("SPSB")	(a) SYHSB has more than 15% indirect interest in SPSB.[1] (b) Tan Sri Datuk Ling Chiong Ho[2] (c) Ling Chiong Sing[3] (d) Ling Lu Kuang[4] (e) Tang Tiong Ing[5]	1,607
15. The Group	Purchase of fresh fruit bunches from Dataran Linau Sdn. Bhd. ("DLSB")	(a) SYHSB has more than 15% direct interest in DLSB.[1] (b) Tan Sri Datuk Ling Chiong Ho[2] (c) Ling Chiong Sing[3] (d) Ling Lu Kuang[4] (e) Tang Tiong Ing[5]	1,517
16. The Group	Supply of motor vehicles and provision of maintenance services for motor vehicles by Boulevard Motor Sdn. Bhd. ("BMSB")	(a) Ling Lu Kuang has 14.985% indirect interest in BMSB. (b) Tan Sri Datuk Ling Chiong Ho[2] (c) Ling Chiong Sing[3]	2,187
17. The Group	Provision of services of heavy machineries and vehicles by Dai Lieng Industry Sdn. Bhd. ("DLI")	(a) SYHSB has more than 15% indirect interest in DLI.[1] (b) Tan Sri Datuk Ling Chiong Ho[2] (c) Ling Chiong Sing[3] (d) Ling Lu Kuang[4] (e) Tang Tiong Ing[5]	1,254

Note #

(1) Shin Yang Holding Sdn. Bhd. ("SYHSB"), a major shareholder of SOPB with indirect interest of 28.51% held through Shin Yang Plantation Sdn. Bhd. ("SYPSB"). SYPSB is wholly owned by Shin Yang Corporation Sdn. Bhd. ("SYCSB") and SYCSB is, in turn, wholly owned by SYHSB.

(2) Tan Sri Datuk Ling Chiong Ho is the Group Executive Chairman and major shareholder of SOPB and is also the Director of SYHSB, SY Trading, HQ, SYFSB, LMSB, BJSB, DSSB, DSeping, SPSB, DLSB and BMSB. He has substantial direct/indirect interest in SYHSB, SY Trading, HQ, LMSB, SYFSB, MTSB, BJSB, PSB, SY Shipping, SYCSB, DLT, DLM, DSSB, DSeping, SPSB, DLSB and DLI.

(3) Ling Chiong Sing is the Non-Executive Director of SOPB and is also the Director of SYHSB, DLT, DLM, MTSB, LMSB, HQ, SYFSB, SY Trading, BJSB, DSeping, SPSB, DLSB, BMSB and DLI. He has substantial direct/indirect interest in SYHSB, DLT, DLM, MTSB, LMSB, HQ, SYFSB, SY Trading, SY Shipping, SYCSB, BJSB, DSSB, DSeping, SPSB, DLSB and DLI.

(4) Ling Lu Kuang is the Non-Executive Director of SOPB. He is a deemed person connected to Tan Sri Datuk Ling Chiong Ho and also authorized representative of Shin Yang Group.

(5) Tang Tiong Ing is the Non-Executive Director, member of the Group Audit and Risk Management Committee and Nomination Committee of SOPB. He is authorized representative and also an employee of Shin Yang Group.

4. ADDITIONAL ESOS INFORMATION

Pursuant to paragraph 27, Part A, Appedix 9C of the Listing Requirements of Bursa Malaysia, the aggregate maximum allocation of ESOS applicable to Directors and Senior Management is up to 50%. Since the commencement of the ESOS up to 31 December 2019, approximately 30% of the options were granted to Directors and Senior Management.

Financial Statements

DIRECTORS' REPORT

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding, cultivation of oil palms and operations of palm oil mills. There has been no significant change in the nature of these activities during the financial year.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 7 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Profit for the financial year attributable to:		
Owners of the Company	89,456	67,709
Non-controlling interests	2,136	-
	91,592	67,709

RESERVES AND PROVISIONS

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

DIVIDEND

Since the end of the previous financial year, the amount of dividend paid by the Company in respect of the financial year ended 31 December 2018 was a first and final single-tier dividend of 5 sen per ordinary share totalling RM28,543,707 paid on 19 July 2019.

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2019, of 5 sen per ordinary share on 570,876,346 ordinary shares, amounting to a dividend payable of RM28,543,817 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial statements for the financial year ending 31 December 2020.

DIRECTORS' REPORT
(CONT'D)

DIRECTORS OF THE COMPANY

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

	Alternate Director
Tan Sri Datuk Ling Chiong Ho*	
Ling Lu Kuang*	
Ling Chiong Sing*	
Tang Tiong Ing*	
Fong Yoo Kaw @ Fong Yee Kow	
Dr. Lai Yew Hock*	
Kamri Bin Ramlee*	
Chua Chen San	
Datuk Amar Haji Ahmad Tarmizi Bin Haji Sulaiman	Hasmawati Binti Sapawi
Monaliza Binti Zaidel*	

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

DIRECTORS OF THE SUBSIDIARIES

The following is the list of directors of the subsidiaries (excluding those who are also directors of the Company as mentioned above) in office during the financial year until the date of this report:

	Alternate Director
Abdul Kadir @ Kadir Bin Zaiduddin	
Azmi Bin Bujang	Mohammad Faisal Bin Jaffar
Chan Kim Hong	
Cheang Chu King	
Chua Chin Wei	
Chua Kian Hong	
Datu Haji Sarudu Bin Haji Hoklai	
Datu Sajeli Bin Kipli (Resigned on 31.12.2019)	
Datuk Tan Thian Siang	
Eric Kiu Kwong Seng	
George Lentton Anak Indang	
Tuan Haji Abdul Hadi Bin Haji Abdul Kadir	
John Wayne Anak Chamberlin Sirau	
Kong Lee Luang	
Mersal Bin Abang Rosli	
Wong Hee Kwong	
Wong Kai Song	

DIRECTORS' REPORT
(CONT'D)

DIRECTORS' INTERESTS IN SHARES

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

	Number of Ordinary Shares			
	At 1 January 2019	Bought	Sold	At 31 December 2019
The Company				
Direct interest				
Tan Sri Datuk Ling Chiong Ho	40,047,600	-	-	40,047,600
Tang Tiong Ing	55,131	-	-	55,131
Dr. Lai Yew Hock	50,657	-	-	50,657
Deemed interest				
Tan Sri Datuk Ling Chiong Ho	162,787,900	-	-	162,787,900
Tang Tiong Ing	169,714	-	-	169,714
Ling Lu Kuang	33,250,000	22,400,000	-	55,650,000
Ling Chiong Sing	162,787,900	-	-	162,787,900

	Number of options over ordinary shares			
	At 1 January 2019	Granted	Exercised	At 31 December 2019
Share options of the Company at RM3.60 per share				
Tan Sri Datuk Ling Chiong Ho	5,707,900	-	-	5,707,900
Ling Lu Kuang	2,853,900	-	-	2,853,900
Ling Chiong Sing	150,000	-	-	150,000
Tang Tiong Ing	150,000	-	-	150,000
Fong Yoo Kaw @ Fong Yee Kow	150,000	-	-	150,000
Dr. Lai Yew Hock	150,000	-	-	150,000
Kamri Bin Ramlee	150,000	-	-	150,000
Chua Chen San	150,000	-	-	150,000

By virtue of their interest in the shares of the Company, Tan Sri Datuk Ling Chiong Ho and Ling Chiong Sing are also deemed interested in the shares of the subsidiaries during the financial year to the extent that the Company has an interest.

The other Directors holding office at 31 December 2019 did not have any interest in the shares and options over shares of the Company and of its related corporations during the financial year.

DIRECTORS' REPORT (CONT'D)

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of its related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business (as disclosed in Note 37 to the financial statements).

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

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased its issued and paid-up ordinary share capital from 570,874,146 to 570,876,346 by way of the issuance of 2,200 ordinary shares for cash pursuant to the Company's Employee Share Options Scheme ("ESOS") at an average exercise price of RM2.21 per ordinary share.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

There were no issuances of debentures by the Company during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year apart from the issue of options pursuant to the ESOS.

At an Extraordinary General Meeting held on 9 August 2017, the Company's shareholders approved the establishment of an ESOS of not more than 10% of the issued share capital of the Company to eligible Directors and employees of the Group.

The salient features and other terms of the ESOS are disclosed in Note 19 to the financial statements.

During the financial year, the Company granted 1,727,500 share options under the scheme. These options expire on 18 September 2027 and are exercisable if the employee remains in service.

The options offered to take up unissued ordinary shares and the exercise prices are as follows:

			Number of options over ordinary shares				
Date of offer	Expiry date	Exercise price	At 1.1.2019	Granted	Exercised	Forfeited	At 31.12.2019
28.09.2017	18.09.2027	3.60	35,046,000	-	-	(1,355,200)	33,690,800
25.05.2018	18.09.2027	3.12	1,373,000	-	-	(172,000)	1,201,000
03.04.2019	18.09.2027	2.21	-	1,727,500	(2,200)	(256,500)	1,468,800
			36,419,000	1,727,500	(2,200)	(1,783,700)	36,360,600

DIRECTORS' REPORT (CONT'D)

INDEMNITY AND INSURANCE COSTS

a. Directors

During the financial year, the Company maintained a Directors' and Officers' Liability Insurance to provide appropriate insurance cover for the Directors and Officers of the Company. The total insured limit for the Directors' and Officers' Liability Insurance effected for the Directors and Officers of the Company and its subsidiaries was RM100,000,000 per occurrence and in the aggregate. The insurance premium for the Group was RM173,430.

b. Auditors

Any indemnity given to or insurance effected for the auditors of the Company is to be made to the extent as permitted under Section 289 of the Companies Act 2016. There is no amount of such indemnity given or insurance effected for its auditors during the year.

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

DIRECTORS' REPORT (CONT'D)

EVENT AFTER REPORTING PERIOD

The event after reporting period is disclosed in Note 39 to the financial statements.

AUDITORS

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

The auditors' remuneration is disclosed in Note 28 to the financial statements.

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

Dr. Lai Yew Hock
Director

Chua Chen San
Director

Miri,

Date:

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

In the opinion of the Directors, the financial statements set out on pages 115 to 226 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2019 and of their financial performance and cash flows for the financial year then ended.

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

Dr. Lai Yew Hock
Director

Chua Chen San
Director

Miri,

Date:

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

I, **Tho Kheng Chiang**, the officer primarily responsible for the financial management of Sarawak Oil Palms Berhad, do solemnly and sincerely declare that the financial statements set out on pages 115 to 226 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
above named, **Tho Kheng Chiang**,
NRIC: 790106-12-5573, MIA CA37095,
at Miri in the State of Sarawak on ....

Tho Kheng Chiang (MIA 37095)

Before me,

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF SARAWAK OIL PALMS BERHAD
REGISTRATION NO. 196801000358 (7949 - M) (INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Sarawak Oil Palms Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 115 to 226.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting 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 auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

1. Valuation of goodwill - Group

Refer to Note 2(f) - Significant accounting policies: Intangible assets and Note 6 – Intangible assets.

The key audit matter

Goodwill on consolidation of the Group arose from acquisition of subsidiaries in the plantations segment in prior years. The Group is required to perform annual goodwill assessment based on estimated future cash flows to support the goodwill amounting to RM168,123,000 as at 31 December 2019.

We determined the impairment assessment of goodwill to be a key audit matter due to the impairment assessment prepared by the Group contained certain degree of judgement and involved assumptions of future events that are inherently uncertain. It required us to exercise a significant level of judgement in evaluating the Group's impairment assessment.

INDEPENDENT AUDITORS' REPORT (CONT'D)
TO THE MEMBERS OF SARAWAK OIL PALMS BERHAD
REGISTRATION NO. 196801000358 (7949 - M) (INCORPORATED IN MALAYSIA)

Key Audit Matters (continued)

1. Valuation of goodwill - Group (continued)

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- we evaluated the design and implementation of the controls over the preparation of the controls model used to determine recoverable amount of the cash generating units ("CGUs");
- we evaluated and challenged the Group's key assumptions such as prices and production of fresh fruit bunches, operational costs in plantations, palm oil prices, sales and production volume and discount rates by making comparisons to actual results, externally derived data and industry norms;
- we performed a retrospective review by comparing the actual results during the current year with those included in the prior year's forecasts in order to assess the accuracy of the Group's budgeting process; and
- we considered the adequacy of the Group's disclosure in respect of key assumptions and assessed the sensitivity of the impairment calculations by factoring changes to variables in the key assumptions.

2. Valuation of other non-financial assets (property, plant and equipment and bearer plants) - Group

Refer to Note 2(d) - Significant accounting policies: Property, plant and equipment and Note 2(g) - Significant accounting policies: Bearer plants and Note 3 – Property, plant and equipment and Note 4 – Bearer plants

The key audit matter

Property, plant and equipment and bearer plants represent the largest category of assets on the statement of financial position of the Group of RM1,043,000,000 and RM1,014,000,000 respectively as at 31 December 2019.

Certain subsidiaries of the Group are continually loss making and this is an indication that the underlying non-financial assets (property, plant and equipment and bearer plants) of those components may be impaired.

We determined impairment assessment on the affected property, plant and equipment and bearer plants to be a key audit matter due to the degree of judgement involved in preparing and considering the prospective financial information based on the assumptions and events which may occur in the next 12 months and beyond by the Group. In view of the inherent uncertainties involved in forecasting and discounting future cash flows, as well as the appropriateness of the key assumptions used to derive the projections, it required us to exercise a significant level of judgement in evaluating the Group's impairment assessment on non-financial assets.

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- we evaluated the design and implementation of the controls over the preparation of the valuation model used to determine the recoverable amount of those affected assets;
- we evaluated and challenged the Group's key assumptions such as prices and production of fresh fruit bunches, operational costs in plantations, palm oil prices, sales and production volume and discount rates by making comparisons to actual results, externally derived data and industry norms; and
- we performed sensitivity analysis to stress test the key assumptions used in impairment assessment.

INDEPENDENT AUDITORS' REPORT (CONT'D)
TO THE MEMBERS OF SARAWAK OIL PALMS BERHAD
REGISTRATION NO. 196801000358 (7949 - M) (INCORPORATED IN MALAYSIA)

Key Audit Matters (continued)

3. Valuation of investment in subsidiaries – Company

Refer to Note 2(a)(i) - Significant accounting policies: Basis of consolidation - Subsidiaries and Note 7 –.Investment in subsidiaries.

The key audit matter

Certain subsidiaries of the Company were loss making for the financial year ended 31 December 2019 which indicated that there may be an impairment on the investment in these subsidiaries. The Company has evaluated the indicator and performed impairment assessment to determine the recoverable amount.

We determined this to be a key audit matter due to the degree of judgement involved in preparing and considering the prospective financial information based on the assumptions and events which may occur in the next 12 months and beyond by the Group. In view of the inherent uncertainties involved in forecasting and discounting future cash flows, as well as the appropriateness of the key assumptions used to derive the projections, it required us to exercise a significant level of judgement in evaluating the Group's assessment on investment in subsidiaries.

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- we obtained an understanding on the process in relation to the Company's assessment on investment in subsidiaries and evaluated the design and implementation of the controls over the preparation of the valuation model used to determine the recoverable amount of those affected subsidiaries;
- we evaluated and challenged the Company's key assumptions such as prices and production of fresh fruit bunches, operational costs in plantations, palm oil prices, sales and production volume, gross profit margin, discount rates by making comparisons to actual results, externally derived data and industry norms; and
- we compared the carrying amount of the investment against its recoverable amount based on value-in-use. Where the recoverable amount was less than carrying amount of the investment, assessed if the impairment loss has been properly recognised in the profit or loss.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT (CONT'D)
TO THE MEMBERS OF SARAWAK OIL PALMS BERHAD
REGISTRATION NO. 196801000358 (7949 - M) (INCORPORATED IN MALAYSIA)

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT (CONT'D)

TO THE MEMBERS OF SARAWAK OIL PALMS BERHAD

REGISTRATION NO. 196801000358 (7949 - M) (INCORPORATED IN MALAYSIA)

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 7 to the financial statements.

OTHER MATTERS

1. The financial statements of the Group and of the Company as at and for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 26 April 2019.

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

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

Nicholas Chia Wei Chit
Approval Number: 03102/03/2022 J
Chartered Accountant

Miri,

Date:

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Assets					
Property, plant and equipment	3	1,043,156	1,559,560	171,400	212,021
Bearer plants	4	1,014,076	1,028,805	134,517	107,048
Right-of-use assets	5	519,487	-	30,666	-
Intangible assets	6	168,255	168,123	-	-
Investment in subsidiaries	7	-	-	1,574,768	1,498,427
Investment in joint venture	8	39,879	-	-	-
Inventories	9	41,109	37,483	-	-
Land use rights	10	-	4,996	-	-
Derivatives	11	-	1,952	-	-
Deferred tax assets	12	53,185	55,880	-	-
Total non-current assets		2,879,147	2,856,799	1,911,351	1,817,496
Agricultural produce	13	18,554	8,745	1,299	687
Inventories	9	234,594	325,228	42,316	68,613
Trade and other receivables	14	194,932	232,693	303,545	317,229
Contract assets	15	1,864	1,719	-	-
Prepayments and other assets		1,595	2,050	334	425
Derivatives	11	11,383	1,593	-	-
Current tax recoverable		10,086	42,676	-	13,769
Other investments	16	74,358	-	67,358	-
Cash and cash equivalents	17	755,808	654,510	239,028	210,536
Total current assets		1,303,174	1,269,214	653,880	611,259
Total assets		4,182,321	4,126,013	2,565,231	2,428,755

STATEMENTS OF FINANCIAL POSITION (CONT'D)
AS AT 31 DECEMBER 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Equity					
Share capital	18	820,091	820,085	820,091	820,085
Other reserves	18	(1,856)	2,894	-	-
Employee share option reserve	19	20,366	15,805	20,366	15,805
Retained earnings		1,364,764	1,303,852	1,275,113	1,235,948
Total equity attributable to owners of the Company		2,203,365	2,142,636	2,115,570	2,071,838
Non-controlling interests	7	111,740	108,194	-	-
Total equity		2,315,105	2,250,830	2,115,570	2,071,838
Liabilities					
Loans and borrowings	20	801,129	756,819	300,409	206,736
Lease liabilities		1,677	-	2,363	-
Government grants	21	16,123	14,170	648	-
Derivatives	11	1,891	-	-	-
Deferred tax liabilities	12	356,328	353,233	48,130	45,776
Total non-current liabilities		1,177,148	1,124,222	351,550	252,512
Loans and borrowings	20	435,143	515,035	427	19,890
Lease liabilities		690	-	524	-
Trade and other payables	22	214,368	232,235	85,676	83,809
Current tax payable		3,800	1,048	2,316	706
Government grants	21	796	796	-	-
Derivatives	11	35,271	1,847	9,168	-
Total current liabilities		690,068	750,961	98,111	104,405
Total liabilities		1,867,216	1,875,183	449,661	356,917
Total equity and liabilities		4,182,321	4,126,013	2,565,231	2,428,755

The notes on pages 128 to 226 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Revenue	23	2,971,870	3,603,898	885,885	914,444
Cost of sales		(2,658,473)	(3,324,807)	(737,574)	(786,103)
Gross profit		313,397	279,091	148,311	128,341
Other income	24	5,559	51,677	16,670	19,985
Administrative expenses		(27,120)	(27,127)	(11,201)	(9,939)
Other operating expenses		(29,779)	(7,440)	(19,806)	(13,540)
Selling and marketing expenses		(108,578)	(138,864)	(54,125)	(51,885)
Changes in fair value of agricultural produce	13	9,809	(7,236)	612	(1,131)
Net loss on impairment of financial instruments		(161)	(458)	-	-
Results from operating activities		163,127	149,643	80,461	71,831
Finance income	25	22,751	21,675	17,975	14,616
Finance costs	26	(54,213)	(62,321)	(11,311)	(11,304)
Net finance (costs)/income		(31,462)	(40,646)	6,664	3,312
Share of loss of equity-accounted joint venture, net of tax	8	(357)	-	-	-
Profit before tax		131,308	108,997	87,125	75,143
Taxation	27	(39,716)	(41,090)	(19,416)	(19,850)
Profit for the financial year	28	91,592	67,907	67,709	55,293

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Other comprehensive (loss)/income, net of tax					
Item that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		(1,113)	(314)	-	-
Cash flow hedge		(4,785)	1,459	-	-
Related tax		1,148	(350)	-	-
Other comprehensive (loss)/income for the financial year, net of tax		(4,750)	795	-	-
Total comprehensive income for the financial year		86,842	68,702	67,709	55,293
Profit attributable to:					
Owners of the Company		89,456	62,502	67,709	55,293
Non-controlling interests	7	2,136	5,405	-	-
Profit for the financial year		91,592	67,907	67,709	55,293
Total comprehensive income attributable to:					
Owners of the Company		84,706	63,297	67,709	55,293
Non-controlling interest	7	2,136	5,405	-	-
Total comprehensive income for the financial year		86,842	68,702	67,709	55,293
Basic earnings per ordinary share (sen)	30	15.67	10.95		
Diluted earnings per ordinary share (sen)	30	15.67	10.95		

The notes on pages 128 to 226 are an integral part of these financial statements.

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

		Attributable to owners of the Company						
		Non-distributable			Distributable			
Group	Note	Share capital RM'000	Other reserves RM'000	Employee share option reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2018		819,860	2,099	10,607	1,275,602	2,108,168	105,663	2,213,831
Foreign currency translation differences for foreign operations		-	(314)	-	-	(314)	-	(314)
Cash flow hedge		-	1,459	-	-	1,459	-	1,459
Related tax		-	(350)	-	-	(350)	-	(350)
Total other comprehensive income for the financial year		-	795	-	-	795	-	795
Profit for the financial year		-	-	-	62,502	62,502	5,405	67,907
Total comprehensive income for the financial year		-	795	-	62,502	63,297	5,405	68,702
Contributions by and distributions to owners of the Company								
Dividends to owners of the Company	31	-	-	-	(34,252)	(34,252)	-	(34,252)
Dividends to non-controlling interests in subsidiaries		-	-	-	-	-	(3,240)	(3,240)
Acquisition of a subsidiary		-	-	-	-	-	366	366
Issue of ordinary shares pursuant to exercise of share options	18	202	-	-	-	202	-	202
Share options granted	19	-	-	5,221	-	5,221	-	5,221
Share options exercised	19	23	-	(23)	-	-	-	-
Total transactions with owners of the Company		225	-	5,198	(34,252)	(28,829)	(2,874)	(31,703)
At 31 December 2018		820,085	2,894	15,805	1,303,852	2,142,636	108,194	2,250,830

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Group	Note	Share capital RM'000	Other reserves RM'000	Employee share option reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		← Attributable to owners of the Company →						
		← Non-distributable →			Distributable			
At 1 January 2019		820,085	2,894	15,805	1,303,852	2,142,636	108,194	2,250,830
Foreign currency translation differences for foreign operations		-	(1,113)	-	-	(1,113)	-	(1,113)
Cash flow hedge		-	(4,785)	-	-	(4,785)	-	(4,785)
Related tax		-	1,148	-	-	1,148	-	1,148
Total other comprehensive expense for the financial year		-	(4,750)	-	-	(4,750)	-	(4,750)
Profit for the financial year		-	-	-	89,456	89,456	2,136	91,592
Total comprehensive income for the financial year		-	(4,750)	-	89,456	84,706	2,136	86,842
Contributions by and distributions to owners of the Company								
Dividends to owners of the Company	31	-	-	-	(28,544)	(28,544)	-	(28,544)
Dividends to non-controlling interests in subsidiaries		-	-	-	-	-	(4,680)	(4,680)
Issue of shares in a subsidiary		-	-	-	-	-	490	490
Reclassification of redeemable preference shares		-	-	-	-	-	5,600	5,600
Issue of ordinary shares pursuant to exercise of share options	18	5	-	-	-	5	-	5
Share options granted	19	-	-	4,562	-	4,562	-	4,562
Share options exercised	19	1	-	(1)	-	-	-	-
Total transaction with owners of the Company		6	-	4,561	(28,544)	(23,977)	1,410	(22,567)
At 31 December 2019		820,091	(1,856)	20,366	1,364,764	2,203,365	111,740	2,315,105

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

		Attributable to owners of the Company			
		Non-distributable		Distributable	
Company	**Note**	**Share capital RM'000**	**Employee share option reserve RM'000**	**Retained earnings RM'000**	**Total RM'000**
At 1 January 2018		819,860	10,607	1,214,907	2,045,374
Profit and total comprehensive income for the financial year		-	-	55,293	55,293
Contributions by and distributions to owners of the Company:					
- Issue of ordinary shares pursuant to exercise of share options	18	202	-	-	202
- Share options granted	19	-	5,221	-	5,221
- Share options exercised	19	23	(23)	-	-
- Dividends to owners of the Company	31	-	-	(34,252)	(34,252)
Total transaction with owners of the Company		225	5,198	(34,252)	(28,829)
At 31 December 2018/1 January 2019		820,085	15,805	1,235,948	2,071,838
Profit and total comprehensive income for the financial year		-	-	67,709	67,709
Contributions by and distributions to owners of the Company:					
- Issue of ordinary shares pursuant to exercise of share options	18	5	-	-	5
- Share options granted	19	-	4,562	-	4,562
- Share options exercised	19	1	(1)	-	-
- Dividends to owners of the Company	31	-	-	(28,544)	(28,544)
Total transaction with owners of the Company		6	4,561	(28,544)	(23,977)
At 31 December 2019		820,091	20,366	1,275,113	2,115,570

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash flows from operating activities					
Profit before tax		131,308	108,997	87,125	75,143
Adjustments for:					
Change in fair value of agricultural produce	13	(9,809)	7,236	(612)	1,131
Amortisation of land use rights	10	-	100	-	-
Amortisation of bearer plants	4	57,922	52,451	3,297	3,610
Amortisation of government grant	21	(795)	(796)	-	-
Amortisation of intangible asset	6	8	-	-	-
Depreciation of property, plant and equipment	3	82,609	89,750	25,690	27,553
Depreciation of right-of-use assets	5	9,491	-	856	-
Allowance for impairment loss on trade receivables		161	458	-	-
Dividend income from:					
- subsidiaries	23	-	-	(20,621)	(11,043)
Loss/(Gain) on disposal of:					
- property, plant and equipment		163	(349)	(1,938)	(817)
- bearer plants		-	(46)	-	-
- right-of-use asset		(165)	-	(165)	-
- an associate		-	-	-	45
Reserve on consolidation		-	(413)	-	-
Finance income	25	(22,751)	(21,675)	(17,975)	(14,616)
Finance costs	26	54,213	62,321	11,311	11,304
Fair value changes on derivatives		22,743	4,426	9,168	2,432
Inventories written down	9	654	554	-	-
Inventories written off	9	3	7	-	-
Bad debts written off		321	289	-	2
Property, plant and equipment written off		350	691	179	21
Bearer plants written off		55	387	55	387
Unrealised (gain)/loss on foreign exchange		(1,037)	2,317	4	(46)
Share options granted under ESOS	19	4,562	5,221	1,644	1,937
Share of loss of equity-accounted joint venture, net of tax		357	-	-	-
Operating profit before changes in working capital		330,363	311,926	98,018	97,043

STATEMENTS OF CASH FLOWS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Cash flows from operating activities (Continued)					
Change in inventories		86,351	50,635	26,297	(6,940)
Change in trade and other receivables, prepayments and other assets		36,265	153,076	10,388	7,961
Change in trade and other payables		(7,058)	(65,705)	(1,195)	(3,695)
Net movement in subsidiaries balances		-	-	5,483	(1,957)
Cash generated from operations		445,921	449,932	138,991	92,412
Net tax refunded/(paid)		3,270	(61,633)	(978)	(23,015)
Interest/Profit paid		(9,777)	(19,540)	(828)	(763)
Interest received		4,757	8,936	-	-
Net cash from operating activities		444,171	377,695	137,185	68,634
Cash flows from investing activities					
Acquisition of property, plant and equipment	(i)	(88,129)	(97,860)	(17,653)	(17,632)
Acquisition of additional shares in subsidiaries		-	-	(76,341)	(300)
Acquisition of subsidiaries, net of cash		-	349	-	-
Acquisition of joint venture		(40,236)	-	-	-
Additions to land use rights		-	(80)	-	-
Additions to intangible assets		(140)	-	-	-
Additions to right-of-use assets		(252)	-	-	-
Dividends received		-	-	20,621	11,043
Interest received		17,994	12,739	17,975	14,616
Addition to bearer plants	(ii)	(37,278)	(46,826)	(27,535)	(31,416)
Increase in land held for property development		-	(1,033)	-	-
Net movement in deposit restricted in use		-	1,000	-	-
Upliftment of fixed deposits with original maturities exceeding three months		(74,358)	-	(67,358)	-
Proceeds from disposal of:					
- property, plant and equipment		1,955	710	6,285	1,763
- bearer plants		-	65	-	-
- right-of-use asset		170	-	170	-
- shares in subsidiaries		-	-	-	350
Net cash used in investing activities		(220,274)	(130,936)	(143,836)	(21,576)

STATEMENTS OF CASH FLOWS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Cash flows from financing activities					
Net movement in trade financing		(71,189)	(73,105)	-	15,000
Repayment of loans and borrowings		(173,158)	(181,374)	(54,479)	(66,583)
Repayment of finance lease liabilities		-	(6,092)	-	(835)
Repayment of hire purchase financing		(8,070)	-	(634)	-
Payment of lease liabilities		(437)	-	(279)	-
ESOS capital contribution from subsidiaries		-	-	2,927	3,276
Proceeds from issue of shares in a subsidiary		490	-	-	-
Proceeds from exercise of ESOS		5	202	5	202
Proceeds from loans and borrowings		209,370	107,132	128,530	73,470
Proceeds from government grants		2,748	530	648	-
Dividends paid		(28,544)	(34,252)	(28,544)	(34,252)
Dividends paid to non-controlling interests		(4,680)	(3,240)	-	-
Interest paid		(48,945)	(44,808)	(13,027)	(10,541)
Net cash (used in)/from financing activities	(iii)	(122,410)	(235,007)	35,147	(20,263)
Net increase in cash and cash equivalents		101,487	11,752	28,496	26,795
Effect of exchange rate changes		(788)	542	(4)	46
Cash and cash equivalents at beginning of financial year		647,358	635,064	210,536	183,695
Cash and cash equivalents at end of financial year	(iv)	748,057	647,358	239,028	210,536

STATEMENTS OF CASH FLOWS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Cash outflows for leases as a lessee				
Included in net cash from operating activities:				
Payment related to short-term leases	2,671	-	588	-
Payment relating to variable lease payments not included in the measurement of lease liabilities	12,529	-	-	-
Interest paid in relation to lease liabilities	140	-	108	-
Included in net cash from financing activities:				
Payment of lease liabilities	437	-	279	-
Total cash outflows for leases	15,777	-	975	-

Notes:

(i) Acquisition of property, plant and equipment

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Amount paid using internal fund	88,129	97,860	17,653	17,632
Acquired as finance lease assets	-	7,317	-	290
Acquired under hire purchase financing	3,079	-	793	-
Finance cost capitalised	187	-	158	-
Aggregate cost of property, plant and equipment acquired during the year	91,395	105,177	18,604	17,922

(ii) Additions to bearer plants

Addition of bearer plants	43,248	50,716	30,821	32,039
Depreciation capitalised	(1,647)	(1,863)	(648)	(623)
Finance cost capitalised	(4,323)	(2,027)	(2,638)	-
	37,278	46,826	27,535	31,416

STATEMENTS OF CASH FLOWS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Notes: (Continued)

(iii) Reconciliation of liabilities arising from financing activities

	At 31.12.2018 RM'000	Adjustment on initial application of MFRS 16 RM'000	At 1.1.2019 RM'000	Net changes from financing cash flows RM'000	Acquisition of new leases RM'000	Additional hire purchase financing RM'000	Foreign exchange movement RM'000	At 31.12.2019 RM'000
Group								
Term loans	857,695	-	857,695	53,712	-	-	16	911,423
Revolving credits	91,000	-	91,000	(17,500)	-	-	-	73,500
Finance lease liabilities	12,561	(12,561)	-	-	-	-	-	-
Hire purchase financing	-	12,561	12,561	(8,070)	-	7,682	-	12,173
Trade banking facilities	303,546	-	303,546	(71,189)	-	-	(832)	231,525
Lease liabilities	-	630	630	(437)	2,174	-	-	2,367
Total liabilities from financing activities	1,264,802	630	1,265,432	(43,484)	2,174	7,682	(816)	1,230,988
Company								
Term loans	210,949	-	210,949	89,051	-	-	-	300,000
Revolving credits	15,000	-	15,000	(15,000)	-	-	-	-
Finance lease liabilities	677	(677)	-	-	-	-	-	-
Hire purchase financing	-	677	677	(634)	-	793	-	836
Lease liabilities	-	-	-	(279)	3,166	-	-	2,887
Total liabilities from financing activities	226,626	-	226,626	73,138	3,166	793	-	303,723

STATEMENTS OF CASH FLOWS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Notes: (Continued)

(iii) Reconciliation of liabilities arising from financing activities (Continued)

	At 1.1.2018 RM'000	Net changes from financing cash flows RM'000	Acquisition of new leases RM'000	Foreign exchange movement RM'000	At 31.12.2018 RM'000
Group					
Term loans	932,436	(73,282)	-	(1,459)	857,695
Revolving credits	66,000	25,000	-	-	91,000
Finance lease liabilities	11,336	(6,092)	7,317	-	12,561
Trade banking facilities	400,096	(99,065)	-	2,515	303,546
Total liabilities from financing activities	1,409,868	(153,439)	7,317	1,056	1,264,802
Company					
Term loans	204,062	6,887	-	-	210,949
Revolving credits	-	15,000	-	-	15,000
Finance lease liabilities	1,222	(835)	290	-	677
Total liabilities from financing activities	205,284	21,052	290	-	226,626

(iv) Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following at the reporting date:

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Cash on hand and at banks	262,179	163,765	106,642	76,472
Fixed deposits with maturities not exceeding three months	493,529	490,645	132,386	134,064
Less: Bank overdraft	(7,651)	(7,052)	-	-
	748,057	647,358	239,028	210,536

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

Sarawak Oil Palms Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the principal place of business and registered office of the Company are No. 124 - 126, Jalan Bendahara, 98000 Miri, Sarawak.

The Company is principally engaged in investment holding, cultivation of oil palms and operations of palm oil mills, while the principal activities of its subsidiaries and joint venture are stated in Note 7 and Note 8 to the financial statements respectively.

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

1. Basis of preparation

(a) Statement of compliance

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

As of 1 January 2019, the Group and the Company have adopted new MFRS, amendments to MFRS and IC Interpretation that have been issued by the Malaysian Accounting Standards Board ("MASB") as described in Note 40 to the financial statements

The following are accounting standards, interpretations and amendments of the MFRSs that have been issued by the MASB but have not been adopted by the Group and the Company.

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

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

- from the annual period beginning on 1 January 2020 for these amendments that are effective for annual periods beginning on or after 1 January 2020.
- from the annual period beginning on 1 January 2021 for these amendments that are effective for annual periods beginning on or after 1 January 2021, which is currently assessed as applicable to the Group.
- from the annual period beginning on 1 January 2022 for the amendment that is effective for annual periods beginning on 1 January 2022.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
(CONT'D)

1. Basis of preparation (Continued)

(a) Statement of compliance (Continued)

The initial application of the above accounting standards, interpretations or amendments are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company.

(b) Basis of measurement

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

(c) Functional and presentation currency

The individual financial statements of each entity in the Group are prepared using the currency of the primary economic environment in which the entity operates, which is the functional currency. The Group's and the Company's financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency and presentation currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

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

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

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

- Note 3 - impairment testing of property, plant and equipment;
- Note 4 - impairment testing of bearer plants;
- Note 6 - impairment testing of goodwill;
- Note 7 - impairment testing of investment in subsidiaries;
- Note 12 - recognition of deferred tax assets;
- Note 13 - measurement of agricultural produce;
- Note 19 - valuation of employee share option scheme; and
- Note 23 - revenue recognition of property developments.

2. Significant accounting policies

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

Arising from the adoption of MFRS 16, *Leases* effective 1 January 2019, there are changes to the accounting policies applied to lease contracts entered into by the Group entities as compared to those applied in previous financial statements.

Effective 1 January 2019, the Group and the Company have also applied the amendments in relation to MFRS 123 *Borrowing Costs arising from the Annual Improvements to MFRS Standards 2015 – 2017 Cycle ("the Annual Improvement").* The Annual Improvement clarifies that general borrowing includes specific borrowings which no longer have a qualifying asset.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
(CONT'D)

2. Significant accounting policies (Continued)

Changes in the accounting policies and the impact arising from the changes are disclosed in Note 40 to the financial statements.

(a) Basis of consolidation

(i) Subsidiaries

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

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

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

(ii) Business combinations

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

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

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

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

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
(CONT'D)

2. Significant accounting policies (Continued)

(a) Basis of consolidation (Continued)

(iii) Acquisitions of non-controlling interests

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

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss.

If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as financial asset depending on the level of influence retained.

(v) Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

Joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as "joint operation" when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.

- A joint arrangement is classified as "joint venture" when the Group or the Company has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method. Investments in joint venture are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(vi) Non-controlling interests

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
(CONT'D)

2. Significant accounting policies (Continued)

(a) Basis of consolidation (Continued)

(vii) Transactions eliminated on consolidation

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

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

(b) Foreign currency

(i) Foreign currency transactions

In preparing the financial statements of individual entities in the Group, transactions other than the entity's functional currency (foreign currencies) are translated to the functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2018 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

The income and expenses of foreign operations in hyperinflationary economies are translated to RM at the exchange rate at the end of the reporting period. Prior to translating the financial statements of foreign operations in hyperinflationary economies, their financial statements for the current period are restated to account for changes in the general purchasing power of the local currency. The restatement is based on relevant price indices at the end of the reporting period.

2. Significant accounting policies (Continued)

(b) Foreign currency (Continued)

(ii) Operations denominated in functional currencies other than Ringgit Malaysia (Continued)

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Financial instruments

(i) Recognition and initial measurement

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

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

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

(ii) Financial instrument categories and subsequent measurement

Financial assets

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

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss.

Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
(CONT'D)

2. Significant accounting policies (Continued)

(c) Financial instruments (Continued)

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

Financial assets (Continued)

(a) Amortised cost (Continued)

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

(b) Fair value through other comprehensive income

(i) Debt investments

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

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

(ii) Equity investments

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

(c) Fair value through profit or loss

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

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

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

2. Significant accounting policies (Continued)

(c) Financial instruments (Continued)

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

Financial liabilities

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

(a) Fair value through profit or loss

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

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

(a) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;

(b) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or

(c) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

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

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

(b) Amortised cost

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
(CONT'D)

2. Significant accounting policies (Continued)

(c) Financial instruments (Continued)

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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

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

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

(iv) Regular way purchase or sale of financial assets

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

Trade date accounting refers to:

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

Settlement date accounting refers to:

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

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

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

(v) Hedge accounting

At inception of a designated hedging relationship, the Group and the Company document the risk management objective and strategy for undertaking the hedge. The Group and the Company also document the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

(a) Fair value hedge

A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
(CONT'D)

2. Significant accounting policies (Continued)

(c) Financial instruments (Continued)

(v) Hedge accounting (Continued)

(a) Fair value hedge (Continued)

In a fair value hedge, the gain or loss on the hedging instrument shall be recognised in profit or loss (or other comprehensive income, if the hedging instrument hedges an equity instrument which the Group or the Company has elected to present the subsequent changes in fair value of the investment in equity in other comprehensive income).

The hedging gain or loss on the hedged item shall adjust the carrying amount of the hedged item and be recognised in profit or loss. If the hedged item is a financial asset (or a component thereof) that is measured at fair value through other comprehensive income, the hedging gain or loss on the hedged item shall be recognised in profit or loss. However, if the hedged item is an equity instrument for which an entity has elected to present changes in fair value in other comprehensive income, those amounts shall remain in other comprehensive income. When a hedged item is an unrecognised firm commitment (or a component thereof), the cumulative change in the fair value of the hedged item subsequent to its designation is recognised as an asset or a liability with a corresponding gain or loss recognised in profit or loss.

(b) Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and accumulated in equity and the ineffective portion is recognised in profit or loss. The effective portion of changes in the fair value of the derivative that is recognised in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the hedge item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss immediately.

The Group designates only the change in fair value of the spot element of forward contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ("forward points") and/or the foreign currency basis spread are separately accounted for as cost of hedging and recognised in a cost of hedging reserve within equity.

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve and the cost of hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
(CONT'D)

2. Significant accounting policies (Continued)

(c) Financial instruments (Continued)

(v) Hedge accounting (Continued)

(b) Cash flow hedge (Continued)

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

(c) Hedge of a net investment

A hedge of a net investment is a hedge in the interest of the net assets of a foreign operation. In a net investment hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss. The cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss on disposal of the foreign operation.

(vi) Derivative financial instruments

The Group and the Company use derivative financial instruments such as interest rate swaps and forward currency contracts to manage certain exposures to fluctuations in interest rates and foreign currency exchange rates.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains and losses arising from changes in fair value on derivatives during the year, other than those accounted for under hedge accounting as described in Note 2(c)(v), are recognised in profit or loss.

In general, contracts to sell or purchase non-financial items to meet expected own use requirements are not accounted for as financial instruments. However, contracts to sell or purchase commodities that can be net settled or which contain written options are required to be measured at fair value, with gains and losses recognised in profit or loss.

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

(vii) Derecognition

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

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
(CONT'D)

2. Significant accounting policies (Continued)

(c) Financial instruments (Continued)

(viii) Offsetting

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Assets under construction are not depreciated until the assets are ready for their intended use.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
(CONT'D)

2. Significant accounting policies (Continued)

(d) Property, plant and equipment (Continued)

(iii) Depreciation (Continued)

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

Infrastructures	47 - 99 years
Buildings	5 - 20 years
Furniture and office equipment	5 - 10 years
Plant, machinery and field equipment	4 - 10 years
Motor vehicles and vessels	5 - 10 years

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

(e) Leases

The Group and the Company have applied MFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment to retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported under MFRS 117, *Leases and related interpretations*.

Current financial year

(i) Definition of a lease

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

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

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

2. Significant accounting policies (Continued)

(e) Leases (Continued)

Current financial year (continued)

(ii) Recognition and initial measurement

(a) As a lessee

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

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

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

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

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

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

(b) As a lessor

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
(CONT'D)

2. Significant accounting policies (Continued)

(e) Leases (Continued)

Current financial year (Continued)

(ii) Recognition and initial measurement (Continued)

(b) As a lessor (Continued)

Where applicable, for finance lease, the Group and the Company recognises assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Group and the Company uses the interest rate implicit in the lease to measure the net investment in the lease.

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, it any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, it there is a revision of in-substance fixed lease payments, or it there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or it the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

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

(b) As a lessor

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

The Company recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the lease. The Group applies the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income. The net investment in the lease is subject to impairment requirements in MFRS 9, *Financial Instruments* (see note 2(m)(i)).

Previous financial year

(i) Leased assets

A lease arrangement was accounted for as finance or operating lease in accordance with the accounting policy as stated below. When the fulfilment of an arrangement was dependent on the use of a specific asset and the arrangement conveys a right to use the asset, it was accounted for as a lease in accordance with the accounting policy below although the arrangement did not take the legal form of a lease.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
(CONT'D)

2. Significant accounting policies (Continued)

(e) Leases (Continued)

Previous financial year (Continued)

(ii) Finance lease

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

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

Leasehold land which in substance was a finance lease was classified as property, plant and equipment.

(iii) Operating lease

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

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

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

(iv) Prepaid lease payments

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

The payments made on entering into a lease arrangement or acquiring a leasehold land were accounted for as prepaid lease payments that were amortised over the lease term in accordance with the pattern of benefits provided.

(f) Intangible assets

(i) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates and joint venture, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates and joint venture.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
(CONT'D)

2. Significant accounting policies (Continued)

(f) Intangible assets (Continued)

(ii) Other intangible assets

Intangible assets, other than goodwill, that are acquired by the Group, which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

(iii) Amortisation

Goodwill and intangible assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

Other intangible assets are amortised from the date that they are available for use. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

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

Trademark	10 years

(g) Bearer plants

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

Bearer plants include mature and immature oil palm plantations. Immature plantations are stated at cost which includes costs incurred for field preparation, planting, fertilising and maintenance, capitalisation of borrowing costs incurred on loans used to finance the developments of immature plantations and an allocation of other indirect costs based on planted areas. Mature plantations are stated at cost less accumulated amortisation and impairment, if any. Mature plantations are amortised on a straight-line basis over 25 years, the expected useful life of the oil palms, calculated from the time when the palms are declared mature, normally 36 months after initial planting. Upon maturity, all subsequent maintenance expenditure is charged to profit or loss.

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

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

(h) Agricultural produce

Agricultural produce comprises produce growing on the bearer plants.

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
(CONT'D)

2. Significant accounting policies (Continued)

(i) 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.

(i) Land held for property development

This comprise land or such portions thereof on which no development activities have been carried out or where development activities are not expected to be completed within normal operating cycle of 2 to 3 years. Such land is classified as non-current portion of inventory.

When development activities have commenced and where it can be demonstrated that the development activities can be completed within normal operating cycle, such land is transferred and included as part of property development costs (i.e. current portion of inventory).

Cost of land includes expenditure that are directly attributable to the acquisition of the land and any other costs directly attributable to bringing the land to working condition for its intended use.

(ii) Properties development costs

Property development costs comprise costs associated with the acquisition of land and all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

Property development costs are initially measured at cost and subsequently recognised as an expense to profit or loss when the control of the inventory is transferred to the customer, either over time or at point in time.

(iii) Completed properties

Cost of completed properties are determined on a specific identification basis and includes land, construction costs and other related development costs attributable to developing the properties to completion.

(iv) Plantation products and produce, stores, spares, raw materials and consumables

Cost of spare parts and consumables is based on the weighted average basis.

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

Cost of crude palm oil and palm kernel includes direct labour, an appropriate share of production overheads and the fair value attributed to agriculture produce at year end in accordance to MFRS 141. The fair value of agricultural produce harvested from the Group's own plantation and sold during the year are recorded as part of the agricultural produce movement (Note 13) and as part of "changes in fair value of agricultural produce" in determining profit.

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
(CONT'D)

2. Significant accounting policies (Continued)

(j) Contract asset/Contract liability

A contract asset is recognised when the Group's or the Company's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, *Financial Instruments* [see Note 2(m)(i)].

A contract liability is stated at cost and represents the obligation of the Group or the Company to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

(k) Contract cost

(i) Incremental cost of obtaining a contract

The Group or the Company recognises incremental costs of obtaining contracts when the Group or the Company expects to recover these costs.

(ii) Cost to fulfill a contract

The Group or the Company recognises 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.

(l) Cash and cash equivalents

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

(m) Impairment

(i) Financial assets

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

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

2. Significant accounting policies (Continued)

(m) Impairment (Continued)

(i) Financial assets (Continued)

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

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

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

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

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

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

(ii) Other assets

The carrying amounts of other assets (except for inventories, contract assets, lease receivables, deferred tax assets and non-current assets (or disposal group) classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"). Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
(CONT'D)

2. Significant accounting policies (Continued)

(m) Impairment (Continued)

(ii) Other assets (Continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

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

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

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

(n) Equity instruments

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

(i) Issue expenses

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

(ii) Ordinary shares

Ordinary shares are classified as equity.

(o) Employee benefits

(i) Short-term employee benefits

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

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

(ii) State plans

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

2. Significant accounting policies (Continued)

(o) Employee benefits (Continued)

(iii) Employee share option plans

Employees of the Group and the Company receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's and the Company's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised at the beginning and end of that period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. The employee share option reserve is transferred to retained earnings upon expiry of the share options. When the options are exercised, the employee share option reserve is transferred to share capital if new shares are issued.

(p) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(q) Revenue and other income

(i) Goods sold

The Group's revenue is derived mainly from its plantation operations. In the plantation operations, the Group sells crude palm oil, fresh fruit bunches, palm kernel, refined palm oil related products, etc.

Revenue from sales of goods are recognised (net of discount and taxes collected on behalf) at the point in time when control of the goods has been transferred to the customer. Depending on the terms of the contract with the customer, control transfers either upon delivery of the goods to a location specified by the customer and acceptance of the goods by the customer, or upon delivery of the goods on board vessels or tankers for onward delivery to the customers.

Contracts where control of goods transfer to the customer upon delivery of the goods on board vessels or tankers are often bundled with freight services. In such contracts, sale of goods and provision of freight are accounted for as separate performance obligations as the customer can benefit from the sale of goods and shipping services on its own or with the use of other resources. The transaction price is allocated to each performance obligation based on the stand-alone selling prices of the goods and services.

The Group has taken advantage of the practical expedients not to account for significant financial components where the time difference between receiving consideration and transferring control of promised goods or services to the customer is one year or less.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
(CONT'D)

2. Significant accounting policies (Continued)

(q) Revenue and other income (continued)

(ii) Sale of properties

Revenue from sales of properties is recognised as and when the controls of the properties is transferred to customer, either over time or at a point in time.

Controls of the assets are transferred over time when the Group is restricted contractually from directing the properties for alternative use as they are being developed and has an enforceable right to payment for performance completed to-date. Revenue is recognised over the contract period based on the progress towards completion of that performance obligation by using cost incurred method. Otherwise, the revenue is recognised at a point in time when the customer obtains control of the properties.

Revenue from sales of properties are measured at the fixed transaction prices under sale contract. The contracts may sometime include multiple promises to customers and therefore accounted for as separate performance obligations. The total consideration in a sale contract is allocated to all identified distinct performance obligations based on their relative stand-alone selling prices. When there is not directly observable price, the Group applies expected cost plus margin to derive stand-along selling price.

The following are descriptions of principal activities from which the Group or the Company generates its other revenue.

(a) Rental income

Rental income from sub-leased property is recognised as other income.

(b) Dividend income

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

(c) Interest income

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

(d) Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant; they are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same period in which the expenses are recognised.

2. Significant accounting policies (Continued)

(r) Borrowing costs

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

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

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

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

(s) Income tax

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

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
(CONT'D)

2. Significant accounting policies (Continued)

(s) Income tax (Continued)

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

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

(t) Contingent liabilities

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

(u) Earnings per ordinary share

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

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

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

(v) Operating segments

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
(CONT'D)

2. Significant accounting policies (Continued)

(w) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

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

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

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

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

Level 3: unobservable inputs for the asset or liability.

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
(CONT'D)

3. Property, plant and equipment

Group	Short term leasehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Furniture and office equipment RM'000	Infra-structures RM'000	Plant, machinery and field equipment RM'000	Motor vehicles and vessels RM'000	Capital work-in-progress RM'000	Total RM'000
Cost									
At 1 January 2018	68,625	513,319	390,642	28,872	400,426	666,275	126,906	18,283	2,213,348
Additions	-	(103)	3,379	2,708	39,912	23,713	10,239	25,329	105,177
Disposals	-	(12)	-	(13)	(11)	(745)	(580)	-	(1,361)
Reclassification	-	-	1,063	9	10,499	4,085	-	(15,656)	-
Write-offs	-	-	(798)	(326)	-	(2,560)	(631)	(328)	(4,643)
Exchange translation differences	-	-	29	3	-	-	-	-	32
Acquisition of a subsidiary (Note 38)	-	-	-	24	-	-	-	-	24
Capitalisation to property development cost	-	-	-	-	-	-	-	(261)	(261)
At 31 December 2018, *as previously reported*	68,625	513,204	394,315	31,277	450,826	690,768	135,934	27,367	2,312,316
Adjustment on initial application of MFRS 16	(68,625)	(513,204)	-	-	-	-	-	-	(581,829)
At 1 January 2019, *as restated*	-	-	394,315	31,277	450,826	690,768	135,934	27,367	1,730,487
Additions	-	-	8,556	1,911	26,699	14,874	3,474	35,881	91,395
Disposals	-	-	(1,766)	(209)	-	(1,655)	(2,439)	(6)	(6,075)
Transfers	-	-	(291)	-	-	(2,454)	-	-	(2,745)
Reclassification	-	-	11,006	(2,048)	6,512	1,271	150	(16,891)	-
Write-offs	-	-	(579)	(308)	-	(5,309)	(828)	-	(7,024)
Exchange translation differences	-	-	27	(1)	-	-	-	-	26
At 31 December 2019	-	-	411,268	30,622	484,037	697,495	136,291	46,351	1,806,064

3. Property, plant and equipment (Continued)

Group (continued)	Short term leasehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Furniture and office equipment RM'000	Infra-structures RM'000	Plant, machinery and field equipment RM'000	Motor vehicles and vessels RM'000	Capital work-in-progress RM'000	Total RM'000
Accumulated depreciation									
At 1 January 2018	21,120	30,938	132,119	15,116	47,459	340,657	78,682	-	666,091
Depreciation for the financial year	2,658	7,323	18,605	2,478	5,452	45,747	9,350	-	91,613
Disposals	-	(2)	-	(3)	(1)	(639)	(355)	-	(1,000)
Write-offs	-	-	(784)	(289)	-	(2,506)	(373)	-	(3,952)
Exchange translation differences	-	-	4	-	-	-	-	-	4
At 31 December 2018, *as previously reported*	23,778	38,259	149,944	17,302	52,910	383,259	87,304	-	752,756
Adjustment on initial application of MFRS 16	(23,778)	(38,259)	-	-	-	-	-	-	(62,037)
At 1 January 2019, *as restated*	-	-	149,944	17,302	52,910	383,259	87,304	-	690,719
Depreciation for the financial year	-	-	18,812	2,635	6,565	45,701	10,543	-	84,256
Disposals	-	-	(616)	(73)	-	(1,303)	(1,795)	-	(3,787)
Transfers	-	-	(1,539)	-	-	(68)	-	-	(1,607)
Reclassification	-	-	5,230	(536)	603	(3,546)	(1,751)	-	-
Write-offs	-	-	(580)	(266)	-	(5,164)	(664)	-	(6,674)
Exchange translation differences	-	-	2	(1)	-	-	-	-	1
At 31 December 2019	-	-	171,253	19,061	60,078	418,879	93,637	-	762,908
Carrying amounts									
At 31 December 2018	44,847	474,945	244,371	13,975	397,916	307,509	48,630	27,367	1,559,560
At 31 December 2019	-	-	240,015	11,561	423,959	278,616	42,654	46,351	1,043,156

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
(CONT'D)

3. Property, plant and equipment (Continued)

Company	Leasehold land RM'000	Buildings RM'000	Furniture and office equipment RM'000	Infra-structures RM'000	Plant, machinery and field equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost								
At 1 January 2018	38,777	145,419	18,670	13,056	283,759	25,148	7,902	532,731
Additions	-	881	1,794	525	6,799	1,999	5,924	17,922
Disposals	(7)	-	(11)	-	(1,450)	(2,046)	-	(3,514)
Write-offs	-	(20)	(210)	-	(1,441)	-	-	(1,671)
Reclassification	-	213	-	4,379	2,211	-	(6,803)	-
At 31 December 2018, *as previously reported*	38,770	146,493	20,243	17,960	289,878	25,101	7,023	545,468
Adjustment on initial application of MFRS 16	(38,770)	-	-	-	-	-	-	(38,770)
At 1 January 2019, *as restated*	-	146,493	20,243	17,960	289,878	25,101	7,023	506,698
Additions	-	2,968	1,327	305	4,671	882	8,451	18,604
Disposals	-	(373)	(20)	-	(6,948)	(6,143)	-	(13,484)
Write-offs	-	(73)	(69)	-	(1,370)	(319)	-	(1,831)
Reclassification	-	31	(2,411)	4,566	367	2,409	(4,962)	-
At 31 December 2019	-	149,046	19,070	22,831	286,598	21,930	10,512	509,987

3. Property, plant and equipment (Continued)

Company (continued)	Leasehold land RM'000	Buildings RM'000	Furniture and office equipment RM'000	Infra-structures RM'000	Plant, machinery and field equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Accumulated depreciation								
At 1 January 2018	9,893	71,632	9,554	1,048	198,061	19,301	-	309,489
Depreciation for the financial year	518	6,205	1,259	333	18,280	1,581	-	28,176
Disposals	(1)	-	(1)	-	(879)	(1,687)	-	(2,568)
Write-offs	-	(20)	(196)	-	(1,434)	-	-	(1,650)
At 31 December 2018, *as previously reported*	10,410	77,817	10,616	1,381	214,028	19,195	-	333,447
Adjustment on initial application of MFRS 16	(10,410)	-	-	-	-	-	-	(10,410)
At 1 January 2019, *as restated*	-	77,817	10,616	1,381	214,028	19,195	-	323,037
Depreciation for the financial year	-	6,306	1,547	380	16,737	1,368	-	26,338
Disposals	-	(373)	(17)	-	(5,203)	(3,543)	-	(9,136)
Write-offs	-	(73)	(47)	-	(1,284)	(248)	-	(1,652)
Reclassification	-	-	(894)	-	(983)	1,877	-	-
At 31 December 2019	-	83,677	11,205	1,761	223,295	18,649	-	338,587
Carrying amounts								
At 31 December 2018	28,360	68,676	9,627	16,579	75,850	5,906	7,023	212,021
At 31 December 2019	-	65,369	7,865	21,070	63,303	3,281	10,512	171,400

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
(CONT'D)

3. Property, plant and equipment (Continued)

3.1 Additions to property, plant and equipment

Additions during the year include:

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Finance costs capitalised	26	187	-	158	-

Included in additions to property, plant and equipment during the year are finance costs capitalised at rates ranging from 4.71% to 5.12% (2018: Nil) per annum.

3.2 Allocation of depreciation

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Recognised in profit or loss	28	82,609	89,750	25,690	27,553
Capitalised into bearer plants	4	1,647	1,863	648	623
		84,256	91,613	26,338	28,176

3.3 Security

Assets under hire purchase financing are charged to secure the hire purchase borrowings of the Group (see Note 20).

The carrying amount of property, plant and equipment of the Group pledged to banks for banking facilities granted to the Group as referred to in Note 20 are as follows:

	2019 RM'000	2018 RM'000
Leasehold land	-	67,736
Buildings	39,876	41,727
	39,876	109,463

3.4 Impairment testing for property, plant and equipment

The Group has performed impairment testing of property, plant and equipment of certain subsidiaries that has not been performing up to the Group's expectation. Management has evaluated whether the assets are stated in excess of their recoverable amounts. The recoverable amounts of the cash-generating unit ("CGU") are based on the value-in-use model using discounted cash flow projections from the financial budgets and forecasts approved by management covering a period of fifteen years, an exercise that entails a high degree of estimation uncertainty These key assumptions include long term average selling price, production volume and budgeted operation cost as well as determining an appropriate pre-tax discount rate of 10%.

The carrying amount of the assets were determined to be lower than its recoverable amount, hence no impairment was provided.

The values assigned to the key assumptions are based on historical data from both external sources and internal sources as well as management's assessment of future trends in the industry.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
(CONT'D)

4. Bearer plants

	Note	Group RM'000	Company RM'000
Cost			
At 1 January 2018		1,296,872	116,829
Additions		50,716	32,039
Disposals		(27)	-
Written off		(10,086)	(10,086)
At 31 December 2018/1 January 2019		1,337,475	138,782
Additions		43,248	30,821
Written off		(9,630)	(8,052)
At 31 December 2019		1,371,093	161,551
Accumulated amortisation			
At 1 January 2018		265,926	37,823
Amortisation for the financial year	28	52,451	3,610
Disposals		(8)	-
Written off		(9,699)	(9,699)
At 31 December 2018/1 January 2019		308,670	31,734
Amortisation for the financial year	28	57,922	3,297
Written off		(9,575)	(7,997)
At 31 December 2019		357,017	27,034
Carrying amounts			
At 31 December 2018/1 January 2019		1,028,805	107,048
At 31 December 2019		1,014,076	134,517

4.1 Additions to bearer plants

Additions to bearer plants during the year comprise:

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Depreciation of property, plant and equipment	3.2	1,647	1,863	648	623
Loan interest	26	4,323	2,027	2,638	-
Personnel expenses - wages, salaries and others		10,692	10,642	7,380	7,516

Included in bearer plants additions during the year are loans interest capitalised at rates ranging from 4.75% to 5.12% (2018: 5.01%) per annum.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
(CONT'D)

4. Bearer plants (Continued)

4.2 Impairment testing to bearer plants

Certain estates within the Group has not been performing up to the Group's expectation. The Group has performed a review of the recoverable amount of those affected estates during the financial year. Following the review, the Group has not recognised any impairment losses during the financial year.

The Group has applied the value-in-use approach on the basis that those estates will continue to be in use up to the expected useful lives and based on similar key assumptions disclosed in Note 3.

The values assigned to the key assumptions are based on historical data from both external sources and internal sources as well as management's assessment of future trends in the industry.

5. Right-of-use assets

	Leasehold land RM'000	Land use rights RM'000	Buildings RM'000	Plant and machinery RM'000	Total RM'000
Group					
Cost					
At 31 December 2018, *as previously reported*	-	-	-	-	-
Adjustment on initial application of MFRS 16	581,829	5,993	171	-	587,993
At 1 January 2019, *as restated*	581,829	5,993	171	-	587,993
Additions	205	47	2,174	-	2,426
Disposals	(6)	-	-	-	(6)
Transfer from property, plant and equipment	291	-	-	2,454	2,745
At 31 December 2019	582,319	6,040	2,345	2,454	593,158
Accumulated depreciation					
At 31 December 2018, *as previously reported*	-	-	-	-	-
Adjustment on initial application of MFRS 16	62,037	538	-	-	62,575
At 1 January 2019, *as restated*	62,037	538	-	-	62,575
Depreciation for the financial year	8,792	120	496	83	9,491
Disposals	(2)	-	-	-	(2)
Transfer from property, plant and equipment	1,539	-	-	68	1,607
At 31 December 2019	72,366	658	496	151	73,671
Carrying amount					
At 31 December 2019	509,953	5,382	1,849	2,303	519,487

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
(CONT'D)

5. Right-of-use assets (Continued)

	Leasehold land RM'000	Land use rights RM'000	Buildings RM'000	Total RM'000
Company				
Cost				
At 1 January 2019	-	-	-	-
Adjustment on initial application of MFRS 16	38,770	-	-	38,770
At 1 January 2019, as restated	38,770	-	-	38,770
Additions	-	993	2,173	3,166
Disposals	(6)	-	-	(6)
At 31 December 2019	38,764	993	2,173	41,930
Accumulated depreciation				
At 1 January 2019	-	-	-	-
Adjustment on initial application of MFRS 16	10,410	-	-	10,410
At 1 January 2019, as restated	10,410	-	-	10,410
Depreciation for the financial year	518	-	338	856
Disposals	(2)	-	-	(2)
At 31 December 2019	10,926	-	338	11,264
Carrying amount				
At 31 December 2019	27,838	993	1,835	30,666

As a lessee

Group

Right-of use assets are mainly in relation to lease of land from state governments, lease of Native Customary Rights land ("land use rights"), lease of land from third party, lease of office building from third party and lease of natural gas pipeline and metering station.

Company

Right-of use assets are mainly in relation to lease of land from state governments and subsidiaries and lease of office building from third party.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
(CONT'D)

5. Right-of-use assets (Continued)

5.1 Security

At 31 December 2019, certain leasehold land of the Group with total carrying amount of RM66,623,000 are pledged to banks for banking facilities granted to the Group (see Note 20).

5.2 Variable lease payments

Fixed and variable rental payments for the period ended 31 December 2019 were as follows:

	Fixed payments* RM'000	Variable payments RM'000	Total payments RM'000	Estimated annual impact on rent of 1% increase in usage RM'000
Leases with lease payments based on usage	2,137	12,529	14,667	125

* The Group applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term as at 1 January 2019.

6. Intangible assets - Group

	Goodwill RM'000	Trademark RM'000	Total RM'000
Cost			
At 31 December 2018/ 1 January 2019	168,123	-	168,123
Addition	-	140	140
At 31 December 2019	168,123	140	168,263
Accumulated amortisation			
At 31 December 2018/ 1 January 2019	-	-	-
Amortisation for the year	-	8	8
At 31 December 2019	-	8	8
Carrying amount			
At 31 December 2018	168,123	-	168,123
At 31 December 2019	168,123	132	168,255

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
(CONT'D)

6. Intangible assets (Continued)

Goodwill

Goodwill has been allocated to the Group's CGUs identified, which is the plantations segment as follows

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the respective cash generating units ("CGU") in respect of the following subsidiaries in the plantations segment, which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes. The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	Group	
	2019	**2018**
	RM'000	**RM'000**
SOP Plantations (Murum) Sdn. Bhd.	162,941	162,941
SOP Plantations (Borneo) Sdn. Bhd.	1,026	1,026
SOP Industries Sdn. Bhd.	696	696
SOP Karabungan Sdn. Bhd.	500	500
SOP Plantations (Sabaju) Sdn. Bhd.	2,960	2,960
	168,123	168,123

The Group performs the impairment testing on an annual basis or more frequently if there is an indication that the goodwill may be impaired. An impairment testing may be performed at any time within an annual reporting period provided the test is performed at the same time annually. This testing involves determining the CGUs' value in use and comparing to the carrying amount of the CGUs. Where the value in use exceeds the carrying value of the CGUs, the asset is not impaired, but where the carrying amount exceeds the value in use, an impairment loss is recognised to reduce the carrying amount of the CGUs to its value in use. Estimates of value in use are key judgemental estimates in the financial statements. A number of key assumptions have been made as a basis for the impairment tests. In each case, these key assumptions have been made by management reflecting past experiences and are consistent with relevant external sources of information.

The recoverable amount of the CGUs has been estimated using the value-in-use method. Value in use was determined by discounting the projected cash flow based on operating results over the expected useful life of the bearer plants on the following key assumptions:

(i) Average selling prices was determined based on long term pricing of crude palm oil, palm kernel and fresh fruit bunch of RM2,300/MT, RM1,330/MT and RM435/MT respectively;

(ii) Yield rates ranging from 16.04MT/HA to 28.43MT/HA depend on the age profile of the bearer plants; and

(iii) Pre-tax discount rates of 10%.

As the estimated recoverable amount exceeds the carrying amount of the CGUs, there is no impairment necessary.

The values assigned to the key assumptions represent management's assessment of future trends in the plantation industry and are based on historical data from both external and inter sources.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
(CONT'D)

6. Intangible assets (Continued)

Sensitivity to changes in assumptions

The estimated value-in-use is most sensitive to the following key assumptions:

(i) An increase of 1 percentage point in the discount rate used would have resulted in a reduction in recoverable amount by RM88,284,000, without any impairment;

(ii) Reduction in the average selling price by 5% would have resulted in a reduction in recoverable amount by RM208,006,000, without any impairment; and

(iii) Reduction in the production volume by 5% would have resulted in a reduction in recoverable amount by RM217,126,000, without any impairment.

7. Investment in subsidiaries - Company

	2019 RM'000	2018 RM'000
Unquoted shares, at cost		
Ordinary shares	1,455,114	1,438,427
Redeemable preference shares	119,654	60,000
	1,574,768	1,498,427

Certain subsidiaries within the Group has not been performing up to the Group's expectation. Management has made estimates about the future results and key assumptions applied to cash flow projections of these subsidiaries in determining their recoverable amounts using the value-in-use model. These key assumptions include long term average selling price and budgeted operation cost as well as determining an appropriate pre-tax discount rate.

During the year, the Company:

(i) subscribed for additional 3,950,000 ordinary shares in a wholly owned subsidiary, Asia Oils Investment Pte. Ltd. for a total consideration of USD3,950,000. In addition, it subscribed for 6,525,000 redeemable preferences shares in Asia Oils Investment Pte. Ltd. for total consideration of USD5,875,000 and SGD650,000 respectively.

(ii) subscribed for 23,000,000 redeemable preference shares in a wholly owned subsidiary, SOP Plantations (Murum) Sdn. Bhd. for a total consideration of RM23,000,000.

(iii) subscribed for 10,000,000 redeemable preference shares in a wholly owned subsidiary, SOP Plantations (Sabaju) Sdn. Bhd. for a total consideration of RM10,000,000.

(iv) subscribed for 100,000 ordinary shares in a wholly owned subsidiary, SOP Mutual Sdn. Bhd. (formerly known as SOP Properties (Mortgage) Sdn. Bhd.) for a total consideration of RM100,000.

(v) subscribed for 2 ordinary shares in a wholly owned subsidiary, SOP Capital Sdn. Bhd. which incorporated on 30 August 2019 for a total consideration of RM2.

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7. Investment in subsidiaries - Company (Continued)

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2019 %	2018 %
Held by the Company:				
SOP Karabungan Sdn. Bhd.	Cultivation of oil palms	Malaysia	70	70
SOP Pelita Batu Lintang Plantation Sdn. Bhd.	Cultivation of oil palms	Malaysia	60	60
SOP Plantations (Balingian) Sdn. Bhd.	Cultivation of oil palms	Malaysia	80	80
SOP Plantations (Beluru) Sdn. Bhd.	Cultivation of oil palms	Malaysia	100	100
SOP Plantations (Borneo) Sdn. Bhd.	Cultivation of oil palms	Malaysia	85	85
SOP Plantations (Kemena) Sdn. Bhd.	Cultivation of oil palms	Malaysia	100	100
SOP Plantations (Niah) Sdn. Bhd.	Cultivation of oil palms	Malaysia	80	80
SOP Plantations (Sarawak) Sdn. Bhd.	Investment holding	Malaysia	100	100
SOP Plantations (Suai) Sdn. Bhd.	Cultivation of oil palms	Malaysia	85	85
SOP Plantations (Sabaju) Sdn. Bhd.	Cultivation of oil palms	Malaysia	60	60
SOP Plantations (Murum) Sdn. Bhd.	Cultivation of oil palms and operation of palm oil mill	Malaysia	100	100
SOP Resources Sdn. Bhd.	Supply of goods	Malaysia	100	100
SOP Services Sdn. Bhd.	Rendering of insurance services	Malaysia	100	100
SOP Industries Sdn. Bhd.	Investment holding	Malaysia	100	100
SOP Properties Sdn. Bhd.	Property development	Malaysia	100	100
SOP-Pelita Developments Sdn. Bhd.	Inactive	Malaysia	65	65
SOP Agro Sdn. Bhd.	Processing oil palm by-products into fertilisers	Malaysia	100	100

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7. Investment in subsidiaries - Company (Continued)

Name of subsidiaries	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2019 %	2018 %
Held by the Company: (Continued)				
SOP Corporate Services Sdn. Bhd.	Corporate support and service	Malaysia	100	100
SOP Transport Sdn. Bhd.	Transportation service	Malaysia	100	100
Asia Oils Investment Pte. Ltd.*	Investment holding	Singapore	100	100
Asia Oils Captive Pte. Ltd.	Rendering of captive reinsurance service	Labuan, Malaysia	100	100
Titian Megamas Sdn. Bhd.	Inactive	Malaysia	100	100
Murum Trading Sdn. Bhd.	Inactive	Malaysia	100	100
SOP Mutual Sdn. Bhd. (formerly known as SOP Properties (Mortgage) Sdn.Bhd.)	Inactive	Malaysia	100	-
SOP Capital Sdn. Bhd.	Inactive	Malaysia	100	-
SOPB Pte. Ltd. #	Sales and marketing agents and trading of palm products	Singapore	-	-
Held through SOP Plantations (Beluru) Sdn. Bhd.:				
Setia Wiramaju Sdn. Bhd.	Management and maintenance of road and barge	Malaysia	62.75^	62.75^
Held through SOP Industries Sdn. Bhd.:				
SOP Green Energy Sdn. Bhd.	Manufacturing of biodiesel and phytonutrient products	Malaysia	100	100
SOP Edible Oils Sdn. Bhd.	Refining and trading of palm products	Malaysia	100	100
SOP Foods Sdn. Bhd.	Manufacturing, trading and distribution of food products and cooking oil	Malaysia	100	100
SOP Nutraceuticals Sdn. Bhd.	Selling and distribution of health and food products	Malaysia	100	100

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7. Investment in subsidiaries - Company (Continued)

Name of subsidiaries	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2019 %	2018 %
Held through SOP Edible Oils Sdn. Bhd.:				
Asia Oils Pte. Ltd.*	Sales and marketing agents and trading of palm products	Singapore	100	100
Held through SOP Foods Sdn. Bhd.:				
Subur Asiamas Sdn. Bhd.	Packaging and distribution of foods products	Malaysia	70	70
TSEA Sdn. Bhd.	Packaging and distribution of cooking oil	Malaysia	70	70
Held through SOP Properties Sdn. Bhd.:				
SOP Mutual Sdn. Bhd. (formerly known as SOP Properties (Mortgage) Sdn.Bhd.)	Inactive	Malaysia	-	100
Wawasan Asiamaju Sdn. Bhd.	Property development	Malaysia	51	51

* *The financial statements of these subsidiaries are audited by a member of KPMG International.*

^ *Included ownership interest held by the Company of 3.83% (2018: 3.83%).*

SOPB Pte. Ltd. was under creditors' voluntary winding up in 2017 and dissolved on 25 January 2020.

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7. Investment in subsidiaries – Company (Continued)

Non-controlling interests in subsidiaries

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

2019	SOP Plantations (Niah) Sdn. Bhd. RM'000	SOP Plantations (Balingian) Sdn. Bhd. RM'000	SOP Plantations (Borneo) Sdn. Bhd. RM'000	Other subsidiaries with immaterial NCI RM'000	Total RM'000
NCI percentage of ownership interest and voting interest	20%	20%	15%		
Carrying amount of NCI	30,146	26,336	39,543	15,715	111,740
Profit allocated to NCI	2,027	1,712	1,021	(2,624)	2,136

Summarised financial information before intra-group elimination

	SOP Plantations (Niah) Sdn. Bhd. RM'000	SOP Plantations (Balingian) Sdn. Bhd. RM'000	SOP Plantations (Borneo) Sdn. Bhd. RM'000
As at 31 December 2019			
Non-current assets	46,108	38,809	97,709
Current assets	116,439	102,174	151,365
Non-current liabilities	(9,716)	(6,848)	(20,962)
Current liabilities	(2,099)	(2,456)	(4,878)
Net assets	150,732	131,679	223,234
Year ended 31 December 2019			
Revenue	35,622	31,217	64,070
Profit for the year, representing total comprehensive income	10,135	8,557	8,523
Cash flows from operating activities	12,555	11,005	5,675
Cash flow (used in)/from investing activities	(1,279)	(8,853)	3,426
Cash flow used in financing activities	(6,000)	(5,954)	(11,039)
Net increase/(decrease) in cash and cash equivalents	5,276	(3,802)	(1,938)
Dividend paid to NCI	1,200	1,200	1,500

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7. Investment in subsidiaries – Company (Continued)

Non-controlling interests in subsidiaries (Continued)

2018	SOP Plantations (Niah) Sdn. Bhd. RM'000	SOP Plantations (Balingian) Sdn. Bhd. RM'000	SOP Plantations (Borneo) Sdn. Bhd. RM'000	Other subsidiaries with immaterial NCI RM'000	Total RM'000
NCI percentage of ownership interest and voting interest	20%	20%	15%		
Carrying amount of NCI	29,319	25,824	33,707	19,344	108,194
Profit allocated to NCI	2,242	2,106	2,480	(1,423)	5,405

Summarised financial information before intra-group elimination

As at 31 December 2018			
Non-current assets	47,905	39,635	103,131
Current assets	112,519	98,239	150,331
Non-current liabilities	(9,680)	(6,709)	(21,943)
Current liabilities	(4,147)	(2,044)	(6,808)
Net assets	146,597	129,121	224,711
Year ended 31 December 2018			
Revenue	40,928	35,272	78,571
Profit for the year, representing total comprehensive income	11,211	10,529	16,535
Cash flows from operating activities	8,803	12,145	15,969
Cash flow (used in)/from investing activities	(398)	(1,365)	2,844
Cash flow used in financing activities	-	(10,200)	-
Net increase in cash and cash equivalents	8,405	580	18,813
Dividend paid to NCI	-	2,040	-

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8. Investment in joint venture – Group

	2019 RM'000	2018 RM'000
Investment in shares	40,236	-
Share of post-acquisition reserves	(357)	-
	39,879	-

Details of the joint venture are as follows:

Name of subsidiaries	Principal place of business/ Country of incorporation	Principal activity	Effective ownership interest and voting interest 2019 %	2018 %
Seaworth Pte. Ltd.	Singapore	Investment holding	50	-

During the year, the Group acquired 4,000,000 ordinary shares and 5,525,000 preference shares in Seaworth Pte. Ltd., representing 50% equity interest in Seaworth Pte. Ltd., for total consideration of USD$9,525,000 (equivalent to RM40.2 million) or USD$1 per share through its wholly-owned subsidiary, Asia Oils Investment Pte. Ltd. The share subscription is to enable the Group to participate in the shipping business and to provide logistical support to the Group's palm oil business.

The following table summarises the financial information of the Group's joint venture, adjusted for any differences in accounting policies and reconciles the summarised financial information to the carrying amount of the Group's interest in the joint venture, which is accounted for using the equity method.

	2019 Seaworth Pte. Ltd. RM'000
Group	
Summarised financial information	
As at 31 December	
Non-current assets	72,087
Current assets	7,351
Cash and cash equivalents	5,960
Current liabilities	(2,172)
Current financial liabilities	(281)
Year ended 31 December	
Loss/Total comprehensive loss for the financial year	(714)
Included in the loss/total comprehensive loss is:	
Revenue	14,111
Depreciation	(3,004)
Finance cost	(21)
Income tax expense	(129)

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8. Investment in joint venture – Group (Continued)

	2019 Seaworth Pte. Ltd. RM'000
Group	
Reconciliation of net assets to carrying amount	
Group's share of net assets	38,633
Goodwill	1,250
Effect of movements in exchange rates	(4)
Carrying amount in the statement of financial position	39,879
Group's share of results for the financial year ended 31 December	
Group's share of loss/total comprehensive loss	(357)

9. Inventories

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-current				
Cost				
Land held for property development (Note 9.1)	41,109	37,483	-	-
Current				
Cost				
Property development costs	11,034	15,729	-	-
Raw materials	59,869	119,859	930	617
Finished goods	70,662	69,300	23,934	46,126
Nursery inventories	4,218	5,505	1,651	2,005
Stores and consumables	54,683	60,344	15,801	19,865
Construction materials	163	278	-	-
Completed properties	24,458	19,945	-	-
Trading goods	148	181	-	-
	225,235	291,141	42,316	68,613
Net realisable value				
Finished goods	6,181	30,909	-	-
Completed properties	3,178	3,178	-	-
	9,359	34,087	-	-
	234,594	325,228	42,316	68,613
	275,703	362,711	42,316	68,613
Recognised in profit or loss:				
Inventories recognised as of sales	2,533,973	3,296,765	736,150	777,672
Written off	3	7	-	-
Write down to net realisable value	654	554	-	-

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
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9. Inventories (Continued)

The Directors apply judgement and consider factors such as the latest selling price, current stock level, whether the product line has been discontinued and future use of the inventory to determine the appropriate allowance or write-off for slow-moving or obsolete inventories.

9.1 Land held for property development - Group

	2019 RM'000	2018 RM'000
Leasehold land	19,422	16,147
Development costs	21,687	21,336
	41,109	37,483

10. Land use rights - Group

	RM'000
Cost	
At 1 January 2018	5,454
Addition	80
At 31 December 2018, *as previously reported*	5,534
Adjustment on initial application of MFRS 16	(5,534)
At 1 January 2019, *as restated*	-
Accumulated amortisation	
At 1 January 2018	438
Amortisation for the year	100
At 31 December 2018, *as previously reported*	538
Adjustment on initial application of MFRS 16	(538)
At 1 January 2019, *as restated*	-
Net carrying amount	
At 31 December 2018	4,996
At 31 December 2019	-

In last financial year, the addition includes the land acquisition related cost for the Native Customary Rights development project.

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11. Derivatives

	2019			2018		
	Nominal Amount RM'000	Assets RM'000	Liabilities RM'000	Nominal Amount RM'000	Assets RM'000	Liabilities RM'000
Group						
Derivatives at fair value through profit or loss						
- Forward commodity contracts	206,814	9,149	25,016	212,944	98	1,699
- Interest rate swap	-	-	-	5,975	-	4
- Commodity swaps	77,915	-	9,168	-	-	-
- Forward currency contracts	153,674	2,234	-	157,082	1,495	-
Derivatives used for hedging						
- Cash flow hedges	200,000	-	2,978	200,000	1,952	144
Total derivatives		11,383	37,162		3,545	1,847
Less: Current portion		(11,383)	(35,271)		(1,593)	(1,847)
Non-current portion		-	1,891		1,952	-
Company						
Current portion						
Derivatives at fair value through profit or loss						
- Commodity swaps	77,915	-	9,168	-	-	-
Total derivatives		-	9,168		-	-

a) Derivatives not designated as hedging instruments

The Group uses forward commodity contracts, forward currency contracts, commodity swaps and interest rate swap to manage some of the transaction exposure. These contracts are not designated as cash flows or fair value hedges and are entered into for period consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not quality for hedge accounting.

Forward currency contracts are used to hedge the Group's sales and purchases denominated in USD and RM for which firm commitments existed at the reporting date.

The interest rate swap is used to hedge cash flow interest rate risk arising from a floating rate bank loan.

b) Cash flow hedges

The interest rate swaps are being used to hedge the exposure to changes in the floating interest rates of its secured loans. The management considers the interest rate swaps as effective hedging instruments as the secured loans and the swaps have identical critical terms.

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12. Deferred tax assets/(liabilities)

12.1 Recognised deferred tax assets and liabilities

Deferred taxation is attributable to the followings:

	Assets		Liabilities		Net	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Group						
Property, plant and equipment	-	-	(171,156)	(263,848)	(171,156)	(263,848)
Bearer plants	-	-	(230,017)	(233,229)	(230,017)	(233,229)
Rights-of-use assets	-	-	(95,714)	-	(95,714)	-
Fair value adjustment on cash flow hedge	714	-	-	(434)	714	(434)
Fair value adjustment on agricultural produce	-	-	(4,453)	(2,099)	(4,453)	(2,099)
Unutilised tax losses	71,857	79,405	-	-	71,857	79,405
Unabsorbed capital allowance and agriculture allowance	119,600	120,953	-	-	119,600	120,953
Others	6,026	1,899	-	-	6,026	1,899
Tax assets/(liabilities)	198,197	202,257	(501,340)	(499,610)	(303,143)	(297,353)
Set off of tax	(145,012)	(146,377)	145,012	146,377	-	-
Net tax assets/(liabilities)	53,185	55,880	(356,328)	(353,233)	(303,143)	(297,353)
Company						
Property, plant and equipment	-	-	(16,413)	(19,968)	(16,413)	(19,968)
Bearer plants	-	-	(32,284)	(25,643)	(32,284)	(25,643)
Fair value adjustment on agricultural produce	-	-	(312)	(165)	(312)	(165)
Others	-	-	879	-	879	-
Tax liabilities	-	-	(48,130)	(45,776)	(48,130)	(45,776)

12. Deferred tax assets/(liabilities) (Continued)

12.2 Recognised deferred tax assets and liabilities – net movement during the year

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

	At 1.1.2018 RM'000	Recognised in profit or loss RM'000	Recognised in other comprehensive income RM'000	At 31.12.2018 RM'000	Adjustment on initial application of MFRS 16 RM'000	At 1.1.2019 RM'000	Recognised in profit or loss RM'000	Recognised in other comprehensive income RM'000	At 31.12.2019 RM'000
Group									
Property, plant and equipment	261,378	2,470	-	263,848	(97,237)	166,611	4,545	-	171,156
Bearer plants	234,960	(1,731)	-	233,229	-	233,229	(3,212)	-	230,017
Rights-of-use assets	-	-	-	-	97,237	97,237	(1,523)	-	95,714
Fair value adjustment on cash flow hedge	84	-	350	434	-	434	-	(1,148)	(714)
Fair value adjustment on agricultural produce	3,836	(1,737)	-	2,099	-	2,099	2,354	-	4,453
Unutilised tax losses	(76,332)	(3,073)	-	(79,405)	-	(79,405)	7,548	-	(71,857)
Unabsorbed capital allowance and agriculture allowance	(126,354)	5,401	-	(120,953)	-	(120,953)	1,353	-	(119,600)
Others	(7,658)	5,759	-	(1,899)	-	(1,899)	(4,127)	-	(6,026)
	289,914	7,089	350	297,353	-	297,353	6,938	(1,148)	303,143
		(Note 27)					(Note 27)		

NOTES TO THE FINANCIAL STATEMENTS
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12. Deferred tax assets/(liabilities) (Continued)

12.2 Recognised deferred tax assets and liabilities – net movement during the year (Continued)

	At 1.1.2018 RM'000	Recognised in profit or loss RM'000	At 31.12.2018/ 1.1.2019 RM'000	Recognised in profit or loss RM'000	At 31.12.2019 RM'000
Company					
Deferred tax liabilities					
Property, plant and equipment	21,299	(1,331)	19,968	(3,555)	16,413
Bearer plants	18,923	6,720	25,643	6,641	32,284
Agricultural produce	436	(271)	165	147	312
Others	-	-	-	(879)	(879)
	40,658	5,118	45,776	2,354	48,130
		(Note 27)		(Note 27)	

12.3 Unrecognised deferred tax assets - Group

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

	2019 RM'000	2018 RM'000
Unabsorbed tax losses carried forward	63,944	58,838
Unutilised capital allowance	5,788	8,249
Others	8,480	7,755
	78,212	74,842

Deferred tax assets of RM16,123,000 (2018: RM14,182,000) have not been recognised in the statement of financial position in respect of the temporary differences because it is not probable that future taxable profits will be available against which the affected group entities can utilise the benefits. Included in the unrecognised tax losses of RM25,124,000 will be expire in 2025.

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

The estimation of future taxable profits requires management to make judgments, estimates and assumptions about future events that are inherently uncertain. Accordingly, the deferred tax assets recognized are subject to estimation uncertainties and may be adjusted in subsequent periods as a result of changes in the accounting estimates.

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13. Agricultural produce

	Group RM'000	Company RM'000
Unharvested fresh fruit bunches		
Fair value		
At 1 January 2018	15,981	1,818
Changes in fair value less costs to sell	(7,236)	(1,131)
At 31 December 2018/1 January 2019	8,745	687
Changes in fair value less costs to sell	9,809	612
At 31 December 2019	18,554	1,299

Agricultural produce of the Group and of the Company is in relation to unharvested fresh fruit bunches ("FFB") in the oil palm plantation.

During the financial year, the Group and the Company harvested approximately 1.3 million metric tonne ("mt") (2018: 1.3 million mt) and 106,000 mt (2018: 110,000 mt) of FFB respectively. The estimated quantity of unharvested FFB of the Group and of the Company as at 31 December 2019 included in the fair valuation was 136,000 mt (2018: 167,000 mt) and 12,000 mt (2018: 13,000 mt) respectively.

The fair value less costs to sell measurement of agricultural produce involves the use of unobservable inputs that are subject to estimation uncertainties that may result in a higher or a lower carrying amounts of agricultural produce in subsequent reporting periods. As described in accounting policy Note 2(h), any gain or loss in fair value less costs to sell of biological assets is recognised in the profit or loss as "changes in fair value of agricultural produce"

13.1 Fair value information

Fair value of the agricultural produce are categorised as Level 3. Level 3 fair value is estimated using unobservable inputs for the agricultural produce.

The following table summarises the valuation method and assumptions used in the determination of fair value less cost to sell within Level 3, as well as the significant unobservable inputs used in the valuation models of the Group and the Company.

Description of valuation technique and inputs used	Significant unobservable inputs of the Group	Significant unobservable inputs of the Company	Inter-relationship between key unobservable inputs and fair value measurement
The fair value measurement is determined by using the market approach, which takes into consideration the market prices of fresh fruits bunches ("FFB"), adjusted for estimated oil content of unharvested FFB, less harvesting, transport and other costs to sell.	• Expected FFB production of 136,000mt • Expected oil content of 53,000mt • Average FFB sales price (RM459/mt – RM584/mt) • Average harvest and collection cost (RM46/mt – RM96/mt)	• Expected FFB production of 12,000mt • Expected oil content of 4,000mt • Average FFB sales price (RM414/mt – RM504/mt) • Average harvest and collection cost (RM52/mt – RM80/mt)	The estimated fair value would increase/ (decrease) if: • Expected FFB production were higher/ (lower); • Expected oil content were higher/ (lower); • Average FFB sales price were higher/ (lower); • Average harvesting and collection cost were lower/(higher);

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13. Agricultural produce (Continued)

13.2 Sensitivity analysis

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

	2019		2018	
	Increase/ (Decrease) in price and volume	Increase/ (Decrease) in fair value of agricultural produce and profit before tax for the year RM'000	Increase/ Decrease) in price and volume	Increase/ (Decrease) in fair value of agricultural produce and profit before tax for the year RM'000
Group				
Selling price	10%	2,395	10%	1,634
	(10%)	(2,384)	(10%)	(1,580)
FFB metric tonnage	10%	1,636	10%	827
	(10%)	(1,636)	(10%)	(827)
Company				
Selling price	10%	197	10%	132
	(10%)	(194)	(10%)	(126)
FFB metric tonnage	10%	130	10%	69
	(10%)	(130)	(10%)	(69)

13.3 Risk management strategy related to agriculture activities

The Group and the Company are primarily exposed to the following risks relating to its oil palm plantations.

i) Regulatory and environmental risk

The Group and the Company have established environmental policies and procedures in an effort to drive towards greater commitments in sustainable palm oil practices while ensuring compliance with local environmental regulations and other applicable laws.

ii) Supply and demand risk

The Group and the Company is exposed to risks arising from fluctuations in the price and production volume of fresh fruit bunches. When possible, the Group and the Company managed the risk by aligning its forward contract against projected production volume to market supply and demand trend. Management performs regular industry trend analysis to formulae the quantum and period of forward contract to mitigate the risk.

iii) Climate and other risk

The Company plantations are exposed to the risk of damages from climatic charges, diseases, forest fires and other natural forces. The Company has underlying best plantation practices and policy in place aimed at monitoring and mitigating those risks.

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14. Trade and other receivables

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade					
Trade receivables		161,057	137,790	-	-
Less: Allowance for impairment losses		(289)	(604)	-	-
		160,768	137,186	-	-
Amount due from subsidiaries		-	-	40,435	39,341
		160,768	137,186	40,435	39,341
Non-trade					
Other receivables		29,573	23,858	6,990	8,040
Amount due from subsidiaries	14.1	-	-	254,917	259,398
		29,573	23,858	261,907	267,438
Refundable deposits		4,494	3,563	1,203	1,852
GST receivables		97	68,086	-	8,598
		34,164	95,507	263,110	277,888
Total trade and other receivables		194,932	232,693	303,545	317,229

14.1 Non-trade amount due from subsidiaries is unsecured and bears interest at 4.75% (2018: 5.00%) per annum.

14.2 Included in trade and other receivables of the Group and of the Company are amounts of RM1,714,000 (2018: RM1,355,000) and RM316,000 (2018: RM324,000) respectively due from companies in which certain Directors of the Company have substantial financial interest.

15. Contract assets – Group

	2019 RM'000	2018 RM'000
Contract assets	1,864	1,718
Cost to fulfill a contract	-	1
	1,864	1,719

The contract assets primarily relate to the Group's rights to consideration for work completed on construction contracts but not yet billed at the reporting date.

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15. Contract assets – Group (Continued)

Significant changes to contract assets balances during the period are as follows:

	2019 RM'000	2018 RM'000
Contract assets at the beginning of the period not transferred to trade receivables due to change in time frame	1,718	3,016
Revenue recognised during the year	10,519	15,407
Progress billing during the year	(10,373)	(16,705)
	1,864	1,718

16. Other investments

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fixed deposits with original maturities exceeding three months	74,358	-	67,358	-

17. Cash and cash equivalents

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash on hand and at banks	262,179	163,765	106,642	76,472
Fixed deposits with original maturities not exceeding three months	493,529	490,645	132,386	134,064
	755,708	654,410	239,028	210,536
Fixed deposit pledged to bank	100	100	-	-
	755,808	654,510	239,028	210,536

18. Capital and reserves – Group and Company

18.1 Share capital

	2019 Amount RM'000	2019 Number of shares '000	2018 Amount RM'000	2018 Number of shares '000
Ordinary shares				
Issued and fully paid shares with no par value classified as equity instruments:				
At 1 January	820,085	570,874	819,860	570,818
Exercise of share options	5	2	202	56
Transfer from employee share option reserve	1	-	23	-
At 31 December	820,091	570,876	820,085	570,874

During the financial year, the Company increased its issued and paid-up ordinary share capital from 570,874,146 to 570,876,346 by way of the issuance of 2,200 ordinary shares for cash pursuant to the Company's Employee Share Options Scheme ("ESOS") at an average exercise price of RM2.21 per ordinary share.

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

Included in share capital is share premium amounting to RM246,877,000 that was not utilised on or before its expiry date of 30 January 2019 (24 months from commencement of Section 74 of Companies Act 2016).

18.2 Other reserves – Group

	Hedge reserve RM'000	Foreign currency translation reserve RM'000	Total RM'000
At 1 January 2018	265	1,834	2,099
Other comprehensive income:			
Exchange differences on translation of the financial statements of foreign entities	-	(314)	(314)
Fair value adjustment on cash flow hedge	1,109	-	1,109
At 31 December 2018 and 1 January 2019	1,374	1,520	2,894
Other comprehensive income:			
Exchange differences on translation of the financial statements of foreign entities	-	(1,113)	(1,113)
Fair value adjustment on cash flow hedge	(3,637)	-	(3,637)
At 31 December 2019	(2,263)	407	(1,856)

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18. Capital and reserves – Group and Company (Continued)

18.2 Other reserves – Group (continued)

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedges related to hedged transactions that have not yet occurred.

Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

19. Employee benefit

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Employee share option reserve				
At 1 January	15,805	10,607	15,805	10,607
Share options granted under ESOS				
Recognised in profit or loss	4,562	5,221	1,644	1,937
Charged to subsidiaries	-	-	2,918	3,284
Transfer to share capital arising from exercise of share options	(1)	(23)	(1)	(23)
At 31 December	20,366	15,805	20,366	15,805

The employee share option reserve represents the value of equity-settled share options granted to eligible Directors and employees.

The Sarawak Oil Palms Berhad Employees' Share Option Scheme ("ESOS") was approved by the shareholders at the Extraordinary General Meeting held on 9 August 2017. The ESOS was implemented on 19 September 2017 and to be in force for a period of 10 years from the date of implementation.

The salient features of the ESOS are as follows:

(i) The ESOS Committee appointed by the Board of Directors to administer the ESOS, may from time to time grant ESOS Option ("Options") to eligible employees of the Group and also Directors of the Company (collectively referred to "eligible person") to subscribe for new shares in the Company in accordance with the by-laws.

(ii) Subject to the discretion of the ESOS Committee, any eligible person who has served for at least one year shall be eligible to participate in the ESOS.

(iii) The maximum number of new shares which may be made available under the ESOS shall be up to 10% of the total number of issued shares of the Company at any point of time during the tenure of the ESOS.

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19. Employee benefit (Continued)

(iv) The aggregate allocation of Options to the Directors of the Company and senior management of the Group shall not exceed 50% of the total number of shares to be issued under the ESOS. In addition, not more than 10% of the shares available under the ESOS are to be allocated to any eligible person who, either singly or collectively through persons connected to the eligible person, holds 20% or more in the issued shares of the Company.

(v) The subscription price for each share under the ESOS shall be based on the 5-day volume weighted average market price of the shares of the Company as quoted on Bursa Securities immediately preceding the date on which the option is granted, subject to a discount of not more than 10% or such other limit in accordance with any prevailing guideline issued by Bursa Securities or any other relevant authorities as may be amended from time to time.

(vi) The new shares of the Company to be allotted and issued upon any exercise of the Options will upon such allocation and issuance, rank pari passu in all respects with the then existing issued shares, save and except that the new shares so issued will not be entitled to any dividends, rights, allocations and/or other form of distributions that may be declared, made or paid to shareholders, the entitlement date (namely the date as at the close of business on which shareholders must be registered on the Register of Depositors in order to be entitled to any dividends, rights, allocations and/or other distributions) of which is prior to the date of allotment of the new shares.

(vii) The Options shall not carry any right to vote any general meeting of the Company.

(viii) Fair value of share options granted during the year:

The fair value of share options granted during the year was estimated using a Black Scholes model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured at granted date and the assumptions are as follows:

	2019	**2018**
Fair value of share options at the following grant dates (RM):		
3 April 2019	0.91	-
25 May 2018	-	0.74
Weighted average share price (RM)	2.44	3.29
Weighted average exercise price (RM)	2.21	3.12
Expected volatility (%) *	52.41	27.50
Expected life (years)	3	3
Risk free rate (%)	3.75	3.25
Expected dividend yield (%)	-	-

* *The expected volatility is based on 2 years average historical volatility.*

19. Employee benefit (Continued)

The expected life of the options is based on historical date and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in share options during the year.

	Outstanding 1 January '000	Granted '000	Exercised '000	Forfeited and other adjustment '000	Expired '000	Outstanding 31 December '000	Exercisable 31 December '000
2019							
2019 options	-	1,728	(2)	(257)	-	1,469	236
2018 options	1,373	-	-	(172)	-	1,201	355
2017 options	35,046	-	-	(1,355)	-	33,691	19,781
WAEP (RM)	3.58	2.21	2.21	3.35	-	3.53	3.58
2018							
2018 options	-	1,529	-	(156)	-	1,373	210
2017 options	36,886	-	(56)	(1,784)	-	35,046	16,838
WAEP (RM)	3.60	3.12	3.60	3.56	-	3.58	3.59

(i) Details of share options outstanding at the end of the year:

Grant date	WAEP RM	Exercisable period
2019	2.21	2.5.2019-18.9.2027
2018	3.12	25.5.2018-18.9.2027
2017	3.60	27.10.2017-18.9.2027

(ii) Share options exercised during the year:

Option exercised during the financial year resulted in the issuance of 2,200 (2018: 55,900) ordinary shares at an average price of RM2.21 (2018: RM3.60) each. The related weighted average share price at the date of exercise was RM3.03 (2018: 3.61).

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20. Loans and borrowings

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Non-current					
Secured:					
Hire purchase financing	20.1	5,647	-	409	-
Finance lease liabilities	20.2	-	6,008	-	266
Term loans		784,718	725,875	300,000	206,470
		790,365	731,883	300,409	206,736
Unsecured:					
Term loans		10,764	24,936	-	-
		801,129	756,819	300,409	206,736
Current					
Secured:					
Bank acceptances/short term loans		-	1,763	-	-
Hire purchase financing	20.1	6,526	-	427	-
Finance lease liabilities	20.2	-	6,553	-	411
Revolving credits		69,500	76,000	-	-
Term loans		101,791	88,904	-	-
		177,817	173,220	427	411
Unsecured:					
Revolving credits		4,000	15,000	-	15,000
Bank overdraft		7,651	7,052	-	-
Bankers acceptances/short term loans		231,525	284,153	-	-
Trust receipts		-	17,630	-	-
Term loans		14,150	17,980	-	4,479
		257,326	341,815	-	19,479
		435,143	515,035	427	19,890
Total loans and borrowings		1,236,272	1,271,854	300,836	226,626

20.1 Hire purchase financing

Hire purchase financing are payable as follows:

	Payment RM'000	Interest/ Profit RM'000	Principal RM'000
2019			
Group			
Less than one year	6,990	464	6,526
Between one and two years	4,197	181	4,016
Between two and five years	1,671	40	1,631
	12,858	685	12,173

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
(CONT'D)

20. Loans and borrowings (Continued)

20.1 Hire purchase financing (Continued)

	Payment RM'000	Interest/ Profit RM'000	Principal RM'000
2019			
Company			
Less than one year	456	29	427
Between one and two years	388	11	377
Between two and five years	32	-	32
	876	40	836

20.2 Finance lease liabilities

Finance lease liabilities were payable as follows:

	Future minimum lease payments RM'000	Interest/ Profit RM'000	Present value of minimum lease payments RM'000
2018			
Group			
Less than one year	7,042	489	6,553
Between one and two years	4,406	190	4,216
Between two and five years	1,828	36	1,792
	13,276	715	12,561
Company			
Less than one year	434	23	411
Between one and two years	173	8	165
Between two and five years	104	3	101
	711	34	677

20.3 Securities

Banker's acceptance and foreign currency trade loans are secured by charges over certain leasehold land and palm oil mill of the Group and corporate guarantee provided by the Company.

Revolving credits are secured by charges over certain leasehold land and palm oil mill of the Group.

Bank overdraft and trust receipts of the subsidiaries are guaranteed by the Company.

The term loans are secured by way of legal charges over certain leasehold land, building and palm oil mill of the Group and fixed deposit pledged to the bank.

Assets under hire purchase/finance lease are charged to secure the hire purchase facilities/finance lease liabilities of the Group (see Note 3).

21. Government grants

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cost:				
At 1 January	16,160	15,630	-	-
Received during the year	2,748	530	648	-
At 31 December	18,908	16,160	648	-
Accumulated amortisation:				
At 1 January	1,194	398	-	-
Amortisation for the year (Note 24)	795	796	-	-
At 31 December	1,989	1,194	-	-
Net carrying amount:				
At 31 December	16,919	14,966	648	-
Current	796	796	-	-
Non-current	16,123	14,170	648	-
	16,919	14,966	648	-

The government grant of RM15,600,000 was received to partly finance the construction of an advanced integrated bio-refinery plant. The construction of bio-refinery plant was completed in 2017, hence the amortisation of government grant is recognised as 'other income" in profit in loss over the useful life of the plant.

The remaining grants were meant to partly finance research projects of the Group and the Company.

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22. Trade and other payables

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current					
Trade					
Trade payables	22.1	92,695	101,525	20,336	21,445
Amount due to subsidiaries		-	-	27,427	25,891
		92,695	101,525	47,763	47,336
Non-trade					
Amount due to subsidiaries		-	-	1,054	494
Retention sums payable to contractors		6,976	1,448	1,356	1,448
Deposits received					
- Others		383	408	99	98
- Subsidiary		-		713	713
Dividend payable		-	33	-	-
Other payables and accrued expenses	22.1	114,314	128,821	34,691	33,720
		121,673	130,710	37,913	36,473
		214,368	232,235	85,676	83,809

22.1 Trade and other payables

Included in trade and other payables of the Group and of the Company are the amounts of RM7,577,000 (2018: RM10,034,000) and RM3,734,000 (2018: RM142,000) respectively due to companies in which certain Directors of the Company have substantial financial interest.

23. Revenue

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue from contracts with customers	2,971,870	3,603,898	865,264	903,401
Other revenue				
- Dividend income from subsidiaries	-	-	20,621	11,043
	2,971,870	3,603,898	885,885	914,444

23. Revenue (Continued)

23.1 Disaggregation of revenue

	Oil palm operation		Property development		Total	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Group						
Major products and service lines						
Sales of oil palm based products and other related income	2,961,352	3,588,490	-	-	2,961,352	3,588,490
Sales of properties under construction	-	-	6,552	11,438	6,552	11,438
Sales of completed properties	-	-	3,966	3,970	3,966	3,970
	2,961,352	3,588,490	10,518	15,408	2,971,870	3,603,898
Geographical markets						
Malaysia	696,146	823,069	10,518	15,408	706,664	838,477
Asia-Pacific	1,794,512	2,093,116	-	-	1,794,512	2,093,116
Others	470,694	672,305	-	-	470,694	672,305
	2,961,352	3,588,490	10,518	15,408	2,971,870	3,603,898
Timing and recognition						
At a point in time	2,961,352	3,588,490	3,966	3,970	2,965,318	3,592,460
Over time	-	-	6,552	11,438	6,552	11,438
	2,961,352	3,588,490	10,518	15,408	2,971,870	3,603,898

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23. Revenue (Continued)

23.1 Disaggregation of revenue (Continued)

	2019 RM'000	2018 RM'000
Company		
Major products and service lines		
Sales of oil palm based products	865,264	903,401
Geographical markets		
Malaysia	865,264	903,401
Timing of recognition		
At a point in time	865,264	903,401
Revenue from contracts with customers	865,264	903,401
Other revenue	20,621	11,043
Total	885,885	914,444

23.2 Nature of goods and services

The following information reflects the typical transactions of the Group and the Company:

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms	Variable element in consideration	Warranty
Oil palm products	Export sales Revenue is recognised at the point in time when goods are shipped on board. Local sales Revenue is recognised at the point in time when goods are delivered and accepted by the customers at their premises or when the goods are transferred to the purchaser.	Export sales By irrevocable letter of credit at sight, advance payment or cash against documents through bank. Local sales Credit period of 14 - 45 days from invoice date or advance payment before delivery payment.	Not applicable.	Not applicable.
Completed properties	Revenue is recognised at a point in time when the control of the property is transferred to the purchaser.	Payment within 14 to 21 days upon signing of sales and purchase agreement.	Discounts or rebates granted during promotional periods.	Defect liability period from 6 up to 18 months as established in contracts.
Properties under construction	Revenue is recognised overtime measured by actual cost incurred to the estimated total contract cost.	Achievement of specified construction milestone.	Liquidated and ascertained damages arising from late completion, as established in contracts.	Not applicable.

23. Revenue (Continued)

23.3 Unsatisfied performance obligations

The unsatisfied performance obligations at the reporting date are expected to be fulfilled in the following periods at the management's best estimations on the assumptions that there are no significant changes to the existing contractual periods and contract considerations.

The following table shows revenue from performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

	2019 RM'000	2018 RM'000
Within one year	-	1,152

23.4 Significant judgements and assumptions arising from revenue recognition

Revenue is measured at the transaction price agreed under the fixed-price contracts. The amount of revenue recognition is also constrained by variable considerations and contract modifications which require a critical judgement will be whether the Group's past experience can be considered predictive. To include variable consideration and contract modification in the estimated transaction price, the Group has to first conclude that the variable consideration is reliably measurable and approval for modification has been obtained, it is 'highly probable' that a significant revenue reversal will not occur when the uncertainties related to the variability are resolved.

The Group identify performance obligations that are distinct and material, which are judgmental in the context of contracts. Transaction prices are determined based on estimated profit margins/observable stand-alone selling price of each distinct goods or service prior to its allocation to the identified performance obligations at contract inception.

However, there could be instances where the stand-alone price is not observable. This often requires the Group to make estimate for items it does not sell on a stand-alone basis and will require significant judgement.

The Group recognise property revenue over time based on input method (i.e. stage of completion of properties sold), measured by reference to the proportion of property development cost incurred to-date to the estimated total contract costs.

Significant judgement is required in determining the stage of completion of the property development activities, extent of development costs incurred includes accrual of costs incurred which claims/billings have yet to be received, estimated total property development revenue and costs, the recoverability of the contract cost as well as the ability to deliver the properties within the contracted time. In making such estimations and judgements, the Group rely, on, inter alia, past experiences and the assessment of its experienced project managers and quantity surveyors. Any resulting increases or decreases in estimated revenues or costs are reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by management.

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24. Other income

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Gain on disposal of bearer plants	-	46	-	-
Gain on disposal of property, plant, and equipment	-	349	1,938	817
Gain on disposal of right-of-use asset	165	-	165	-
Head office charges	-	-	10,486	10,712
Management fee	-	-	200	200
Fair value gain on derivatives	-	-	-	-
Realised gain on derivatives	-	44,583	-	2,748
Rental income	525	402	2,378	3,598
Reserve on consolidation	-	413	-	-
Amortisation of government grant (Note 21)	795	796	-	-
Miscellaneous	3,103	5,088	1,372	1,864
Net gain on foreign exchange	971	-	131	46
	5,559	51,677	16,670	19,985

25. Finance income

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest income of financial assets calculated using the effective interest method that are at amortised cost:				
- Short term deposits	17,994	18,837	4,928	4,930
- Current accounts	4,757	2,838	2,627	1,346
- Advances to subsidiaries	-	-	10,420	8,340
Recognised in profit or loss	22,751	21,675	17,975	14,616

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26. Finance costs

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Interest expense/profit payments of financial liabilities that are not at fair value through profit or loss:				
- Bank loans	42,968	44,052	13,227	10,506
- Bank acceptances	8,807	12,711	83	-
- Finance leases liabilities	-	551	-	35
- Hire purchase facilities	580	-	52	-
- Revolving credits	4,235	4,290	463	482
- Trust receipts	681	1,999	-	-
- Interest rate swap	615	329	-	-
- Others	697	416	174	281
	58,583	64,348	13,999	11,304
Interest expense on lease liabilities	140	-	108	-
	58,723	64,348	14,107	11,304
Recognised in profit or loss	54,213	62,321	11,311	11,304
Interest expense/profit payments of financial liabilities that are not at fair value through profit or loss capitalised into qualifying assets:				
- bearer plants (Note 4)	4,323	2,027	2,638	-
- property, plant and equipment (Note 3)	187	-	158	-
	58,723	64,348	14,107	11,304

27. Taxation

Recognised in profit or loss

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Current tax expense				
Malaysian - current year	31,956	33,878	16,677	14,020
- prior year	822	123	385	712
	32,778	34,001	17,062	14,732
Deferred tax expense (Note 12)				
Origination and reversal of temporary differences	6,880	5,893	2,258	4,932
Under provision in prior year	58	1,196	96	186
	6,938	7,089	2,354	5,118
Total taxation	39,716	41,090	19,416	19,850

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27. Taxation (Continued)

Reconciliation of taxation

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit for the financial year	91,592	67,907	67,709	55,293
Total taxation	39,716	41,090	19,416	19,850
Profit excluding tax	131,308	108,997	87,125	75,143
Income tax calculated using Malaysian tax rate of 24%	31,514	26,159	20,910	18,034
Effect of tax rates in foreign jurisdiction	(1,134)	2,548		
Non-deductible expenses	8,982	7,430	2,648	3,898
Deferred tax not recognised	4,200	-	-	-
Movements in unrecognised deferred tax assets	(6,141)	5,447	-	-
Recognition of deferred tax assets not recognised in previous years	-	(395)	-	-
Effect of lower tax rate*	-	(126)	-	-
Reinvestment allowance utilised	(1,631)	-	-	-
Income not subject to taxation	(1,133)	(1,252)	(4,949)	(2,960)
Others	297	(40)	326	(20)
	38,836	39,771	18,935	18,952
Under provision in prior year	880	1,319	481	898
Total taxation	39,716	41,090	19,416	19,850

** Pursuant to Income Tax (Exemption) (No. 2) Order 2017, income tax rate has been reduced for certain subsidiaries from 1% to 4% on incremental chargeable business income. The exemption order No. 2 is applicable for YA 2017 and YA2018.*

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28. Profit for the financial year

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit for the financial year are arrived at after charging/(crediting):				
Auditors' remuneration:				
- Statutory audit				
- KPMG PLT	377	64	100	-
- Overseas affiliates of KPMG PLT	146	-	-	-
- (Over)/Underprovision in previous years	(8)	5	-	5
- Other auditors	-	520	-	125
- Non-audit fees:				
- KPMG PLT	35	1	35	1
- Local affiliates of KPMG PLT	140	135	49	51
- Other auditors	-	54	-	14
Material expenses/(income)				
Depreciation of property, plant and equipment (Note 3.2)	82,609	89,750	25,690	27,553
Depreciation of right-of-use assets (Note 5)	9,491	-	856	-
Depreciation of land use rights	-	100	-	-
Amortisation of intangible assets	8	-	-	-
Amortisation of bearer plants (Note 4)	57,922	52,451	3,297	3,610
Loss/(Gain) on disposal of				
- property, plant and equipment	163	(349)	(1,938)	(817)
- bearer plants	-	(46)	-	-
- right-of-use asset	(165)	-	(165)	-
- an associate	-	-	-	45
Personnel expenses (including key management personnel):				
- Contributions to the state plans	10,731	11,946	3,604	3,965
- Wages, salaries and others	212,715	213,124	49,365	49,147
- Social security contributions	1,450	1,153	390	332
- Share options granted under ESOS	4,562	5,221	1,644	1,937
Property, plant and equipment written off	350	691	179	21
Bearer plants written off	55	387	55	387
Inventories written down	654	554	-	-
Inventories written off	3	7	-	-
Net (gain)/loss on foreign exchange	(971)	2,681	(131)	(4)
Fair value loss on derivatives	22,743	4,426	9,168	2,432
Bad debts written off	321	289	-	2
Expenses arising from leases:				
Expenses relating to short-term leases	2,671	-	588	-
Expenses relating to variable lease payments not included in the measurement of lease liabilities	12,529	-	-	-
Rental expenses	-	3,858	-	841
Net loss on impairment of financial instruments:				
Financial assets at amortised cost	161	458	-	-

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29. Compensations to key management personnel

Compensations to key management personnel are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Directors:				
- Fees	798	766	600	587
- Short term employee benefits (including estimated benefits-in-kind)	2,805	3,313	1,953	2,266
- Post employment benefits	260	199	233	188
- Other emoluments	47	30	47	30
	3,910	4,308	2,833	3,071
Other key management personnel:				
- Fees	161	161	-	-
- Short term employee benefits (including estimated benefits-in-kind)	9,383	11,752	8,519	9,381
- Post employment benefits	1,115	1,395	1,069	1,290
- Share options granted under ESOS	1,041	1,375	1,041	1,375
	11,700	14,683	10,629	12,046
	15,610	18,991	13,462	15,117

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

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30. Earnings per ordinary share – Group

Basic earnings per share is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is calculated by dividing profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflect the profit and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	2019 RM'000	2018 RM'000
Profit attributable to owners of the Company	89,456	62,502

Weighted average number of ordinary shares

	2019 '000	2018 '000
Weighted average number of ordinary shares at 31 December (basic)	570,874	570,868
Effect of dilution of share options	30	3
Weighted average number of ordinary shares at 31 December (diluted)	570,904	570,871

Basic and diluted earnings per share

	2019 Sen	2018 Sen
Basic earnings per share	15.67	10.95
Diluted earnings per share	15.67	10.95

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31. Dividends

Dividends recognised by the Company:

	Sen per share (tax exempt)	Total RM'000	Date of payment
2019			
Final 2018 ordinary	5	28,544	19 July 2019
2018			
Final 2017 ordinary	6	34,252	20 July 2018

The Directors have proposed the following dividend which is subject to shareholders' approval at the forthcoming Annual General Meeting:

	Per ordinary shares Sen	Total amount RM'000
Final dividend for year ended 31 December 2019	5	28,544

32. Operating segments

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

Plantations - Cultivation, processing, refining and trading of palm products

Property development - Development of residential and commercial properties.

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

Segment assets

The total of segment assets is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer. Segment assets total is used to measure the return of assets of each segment.

Segment liabilities

Information on segment liabilities aggregates the total liabilities, including borrowings, to allow the Group's Chief Executive Officer to review and plan for the liquidity requirements of the Group.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets other than goodwill.

32. Operating segments (continued)

	Plantations		Property development		Elimination		Consolidated	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Segment profit	127,187	105,379	1,582	3,417	2,539	201	131,308	108,997
Included in the measure of segment profit are:								
Revenue from external customers	2,961,352	3,586,936	10,518	16,962	-	-	2,971,870	3,603,898
Finance income	33,000	29,887	171	139	(10,420)	(8,351)	22,751	21,675
Finance costs	(63,124)	(69,231)	(965)	(915)	9,876	7,825	(54,213)	(62,321)
Write-down of inventories	(654)	-	-	(554)	-	-	(654)	(554)
Write-off of inventories	(3)	(2)	-	(5)	-	-	(3)	(7)
Share of loss of equity-accounted joint venture, net of tax	(357)	-	-	-	-	-	(357)	-
Depreciation and amortisation	(149,684)	(141,910)	(346)	(391)	-	-	(150,030)	(142,301)
Fair value loss on derivatives	(22,743)	(4,426)	-	-	-	-	(22,743)	(4,426)
Fair value gain/(loss) on agricultural produce	9,809	(7,236)	-	-	-	-	9,809	(7,236)
Impairment loss on trade receivables	(161)	(458)	-	-	-	-	(161)	(458)
Bad debts written off	(321)	(289)	-	-	-	-	(321)	(289)
Property, plant and equipment written off	(350)	(688)	-	(3)	-	-	(350)	(691)
Bearer plants written off	(55)	(387)	-	-	-	-	(55)	(387)
Other information								
Segment assets	4,132,977	4,080,247	95,994	96,508	(46,650)	(50,742)	4,182,321	4,126,013
Segment liabilities	1,859,662	1,867,193	50,898	53,368	(43,344)	(45,378)	1,867,216	1,875,183
IIncluded in the measure of segment assets are:								
Additions to property, plant and equipment	91,394	105,162	146	82	(145)	(67)	91,395	105,177
Additions to land use rights	-	80	-	-	-	-	-	80
Additions to bearer plants	43,248	50,716	-	-	-	-	43,248	50,716
Additions to right-of-use assets	2,426	-	-	-	-	-	2,426	-

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32. Operating segments (continued)

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets. The amounts of non-current assets do not include financial instruments (including investments in associates) and deferred tax assets.

	2019 RM'000	2018 RM'000
Revenue		
Malaysia	706,664	838,477
Asia-Pacific	1,794,512	2,093,116
Others	470,694	672,305
	2,971,870	3,603,898
Non-current assets		
Malaysia	2,772,345	2,785,140
Singapore	13,738	13,827
	2,786,083	2,798,967

Major customers

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

	Revenue		
	2019 RM'000	2018 RM'000	Segment
Customer A	455,047	467,867	Plantations
Customer B	336,916	-	Plantations
Customer C	330,126	-	Plantations

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33. Financial instruments

33.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Fair value through profit or loss ("FVTPL")
- Mandatorily required by MFRS 9

(b) Amortised cost ("AC")

	Note	Carrying amount RM'000	AC RM'000	Mandatorily at FVTPL RM'000	Derivatives used for hedging RM'000
2019					
Financial assets					
Group					
Trade and other receivables*	14	194,835	194,835	-	-
Derivative financial assets	11	11,383	-	11,383	-
Other investments	16	74,358	74,358	-	-
Cash and cash equivalents	17	755,808	755,808	-	-
		1,036,384	1,025,001	11,383	-
Company					
Trade and other receivables	14	303,545	303,545	-	-
Other investments	16	67,358	67,358	-	-
Cash and cash equivalents	17	239,028	239,028	-	-
		609,931	609,931	-	-

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

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33. Financial instruments (continued)

33.1 Categories of financial instruments (continued)

	Note	Carrying amount RM'000	AC RM'000	Mandatorily at FVTPL RM'000	Derivatives used for hedging RM'000
2019					
Financial liabilities					
Group					
Loans and borrowings	20	(1,236,272)	(1,236,272)	-	-
Trade and other payables	22	(214,368)	(214,368)	-	-
Derivative financial liabilities	11	(37,162)	-	(34,184)	(2,978)
		(1,487,802)	(1,450,640)	(34,184)	(2,978)
Company					
Loans and borrowings	20	(300,836)	(300,836)	-	-
Trade and other payables	22	(85,676)	(85,676)	-	-
Derivative financial liabilities	11	(9,168)	-	(9,168)	-
		(395,680)	(386,512)	(9,168)	-
2018					
Financial assets					
Group					
Trade and other receivables*	14	164,607	164,607	-	-
Derivative financial assets	11	3,545	-	1,593	1,952
Cash and cash equivalents	17	654,510	654,510	-	-
		822,662	819,117	1,593	1,952
Company					
Trade and other receivables*	14	308,631	308,631	-	-
Cash and cash equivalents	17	210,536	210,536	-	-
		519,167	519,167	-	-

* Excluding amount receivable from Royal Malaysian Customs Department.

NOTES TO THE FINANCIAL STATEMENTS
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(CONT'D)

33. Financial instruments (continued)

33.1 Categories of financial instruments (continued)

	Note	Carrying amount RM'000	AC RM'000	Mandatorily at FVTPL RM'000	Derivatives used for hedging RM'000
2018					
Financial liabilities					
Group					
Loans and borrowings	20	(1,271,854)	(1,271,854)	-	-
Trade and other payables	22	(232,235)	(232,235)	-	-
Derivative financial liabilities	11	(1,847)	-	(1,703)	(144)
		(1,505,936)	(1,504,089)	(1,703)	(144)
Company					
Loans and borrowings	20	(226,626)	(226,626)	-	-
Trade and other payables	22	(83,809)	(83,809)	-	-
		(310,435)	(310,435)	-	-

33.2 Net (losses)/gains arising from financial instruments

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Net (losses)/gains on:				
Financial assets at amortised cost				
- impairment loss on on trade receivables	(161)	(458)	-	-
- bad debts written off	(321)	(289)	-	(2)
- interest income	22,751	21,675	17,975	14,616
- net gain on foreign exchange	211	303	131	4
	22,480	21,231	18,106	14,618
Financial assets at fair value through profit or loss				
Mandatorily required by MFRS 9				
- changes in fair value of derivatives	9,790	(7,495)	-	(2,432)
- realised gain on derivatives	165	44,583	-	2,747
	9,955	37,088	-	315

NOTES TO THE FINANCIAL STATEMENTS
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33. Financial instruments (continued)

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Financial liabilities at fair value through profit or loss				
Mandatorily required by MFRS 9				
- changes in fair value of derivatives	(32,533)	3,069	(9,168)	-
- realised loss on derivatives	(6,044)	-	-	-
	(38,577)	3,069	(9,168)	-
Financial liabilities measured at amortised cost				
- interest expense/profit payments	(58,583)	(64,348)	(13,999)	(11,304)
- net gain/(loss) on foreign exchange	760	(2,984)	-	-
	(57,823)	(67,332)	(13,999)	(11,304)
	(63,965)	(5,944)	(5,061)	(3,629)

33.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

33.4 Credit risk

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

Trade receivables

Risk management objectives, policies and processes for managing the risk

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

The Group assess periodically whether any of the trade receivables is credit impaired.

33. Financial instruments (continued)

33.4 Credit risk (continued)

Trade receivables (continued)

Risk management objectives, policies and processes for managing the risk (continued)

The gross carrying amounts of credit impaired trade receivables is written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

Exposure to credit risk, credit quality and collateral

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

Recognition and measurement of impairment losses

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

The Group assessed the risk of loss of each major customer individually based on their financial information, past trend of payments and external credit ratings, where applicable. All of these customers have low risk of default.

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

	Gross carrying amount RM'000	Loss allowances RM'000	Net balance RM'000
2019			
Group			
Current (not past due)	42,193	-	42,193
1 – 30 days past due	117,140	-	117,140
31 – 60 days past due	56	-	56
61 – 90 days past due	36	-	36
More than 90 days past due	1,343	-	1,343
	160,768	-	160,768

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33. Financial instruments (continued)

33.4 Credit risk (continued)

Trade receivables (continued)

Recognition and measurement of impairment losses (continued)

	Gross carrying amount RM'000	Loss allowances RM'000	Net balance RM'000
2019 (continued)			
Group (continued)			
Credit impaired			
Individually impaired	289	(289)	-
Trade receivables	161,057	(289)	160,768
2018			
Group			
Current (not past due)	34,364	-	34,364
1 – 30 days past due	100,515	-	100,515
31 – 60 days past due	678	-	678
61 – 90 days past due	35	-	35
More than 90 days past due	1,594	-	1,594
	137,186	-	137,186
Credit impaired			
Individually impaired	604	(604)	-
Trade receivables	137,790	(604)	137,186

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

	Credit impaired RM'000
Group	
Balance at 1 January 2018	146
Net remeasurement of loss allowance	458
Balance at 31 December 2018/1 January 2019	604
Amount written off	(476)
Net remeasurement of loss allowance	161
Balance at 31 December 2019	289

33. Financial instruments (continued)

33.4 Credit risk (continued)

Trade receivables (continued)

Recognition and measurement of impairment losses (continued)

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

Cash and cash equivalents

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

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

Other receivables

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

Expected credit risk of other receivables is determined individually after considering the financial strength of other receivables. Based on management's assessment, the probability of the default of these receivables is low and hence, no loss allowance has been made.

Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

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

Recognition and measurement of impairment loss

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

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

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

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33. Financial instruments (continued)

33.4 Credit risk (continued)

Inter-company loans and advances (continued)

Recognition and measurement of impairment loss (continued)

The following table provides information about the exposure to credit risk and ECLs for subsidiaries' loans and advances as at the end of the reporting period was:

	Gross carrying amount RM'000	Impairment loss allowance RM'000	Net balance RM'000
2019			
Low credit risk	254,917	-	254,917
2018			
Low credit risk	259,398	-	259,398

Financial guarantees

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM196,082,000 (2018: RM309,248,000) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

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

Recognition and measurement of impairment loss

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

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

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

The financial guarantee is not recognised since the probability of default was low.

33. Financial instruments (continued)

33.5 Liquidity risk

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

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

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

Maturity analysis

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

	Carrying amount RM'000	Contractual interest rate/ discount rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Group							
2019							
Non-derivative financial liabilities							
Trade and other payables	214,368	-	214,368	214,368	-	-	-
Term loans	911,423	3.08 -5.08	1,026,379	156,660	168,475	639,046	62,198
Revolving credits	73,500	4.40 -5.25	73,500	73,500	-	-	-
Hire purchase financing	12,173	4.45 – 5.25	12,858	6,990	4,197	1,671	-
Bank overdraft	7,651	4.30	7,651	7,651	-	-	-
Bank acceptances/short term loans	231,525	2.12 – 3.91	231,525	231,525	-	-	-
Lease liabilities	2,367	5.00	3,026	609	600	1,060	757
	1,453,007		1,569,307	691,303	173,272	641,777	62,955
Derivative financial liabilities							
Forward commodity contracts	25,016	-	25,016	25,016	-	-	-
Commodity swaps	9,168	-	9,168	9,168	-	-	-
Cash flow hedges	2,978	-	2,978	1,087	917	974	-
	37,162		37,162	35,271	917	974	-

33. Financial instruments (continued)

33.5 Liquidity risk (continued)

Maturity analysis (continued)

	Carrying amount RM'000	Contractual interest rate/ discount rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Company							
2019							
Non-derivative financial liabilities							
Trade and other payables	85,676	-	85,676	85,676	-	-	-
Term loan	300,000	4.85	332,701	14,556	14,556	303,589	-
Hire purchase financing	836	4.45 - 4.76	876	456	388	32	-
Lease liabilities	2,887	5.00	3,619	669	671	1,271	1,008
Financial guarantee contracts	-	-	196,082	196,082	-	-	-
	389,399		618,954	297,439	15,615	304,892	1,008
Derivative financial liabilities							
Commodity swaps	9,168	-	9,168	9,168	-	-	-

33. Financial instruments (continued)

33.5 Liquidity risk (continued)

Maturity analysis (continued)

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
Group							
2018							
Non-derivative financial liabilities							
Trade and other payables	232,235	-	232,235	232,235	-	-	-
Term loans	857,695	4.32 - 5.12	1,029,177	147,208	152,093	603,421	126,455
Revolving credits	91,000	4.67 – 4.92	91,000	91,000	-	-	-
Finance lease liabilities	12,561	4.72 – 5.33	13,276	7,042	4,406	1,828	-
Bank overdraft	7,052	4.55	7,052	7,052	-	-	-
Bank acceptances/short term loans	285,916	3.78- 4.57	285,916	285,916	-	-	-
Trust receipts	17,630	2.71 -3.16	17,630	17,630	-	-	-
	1,504,089		1,676,286	788,083	156,499	605,249	126,455
Derivative financial liabilities							
Forward commodity contracts	1,699	-	1,699	1,699	-	-	-
Interest rate swap	4	-	4	4	-	-	-
Cash flow hedges	144	-	144	144	-	-	-
	1,847		1,847	1,847	-	-	-
Company							
2018							
Non-derivative financial liabilities							
Trade and other payables	83,809	-	83,809	83,809	-	-	-
Term loans	210,949	4.62 – 5.12	245,323	15,091	10,577	219,655	-
Revolving credit	15,000	4.92	15,000	15,000	-	-	-
Finance lease liabilities	677	4.72 - 5.22	711	434	173	104	-
Financial guarantee contracts	-	-	309,248	309,248	-	-	-
	310,435		654,091	423,582	10,750	219,759	-

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33. Financial instruments (continued)

33.6 Market risk

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

33.6.1 Currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily U.S. Dollar ("USD").

(i) Risk management objectives, policies and processes for managing the risk

The Group uses forward foreign currency contracts to hedge its foreign currency risk with maturities of less than one year after the end of the reporting period. Where necessary, the forward foreign currency contracts are rolled over maturity.

(ii) Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period are as follows:

	2019		2018	
	USD RM'000	**SGD RM'000**	**USD RM'000**	**JPY RM'000**
Balances recognised in the statement of financial position				
Trade receivables	112,841	-	8,279	-
Borrowings	(91,473)	-	(102,723)	-
Trade and other payables	(252)	(9)	(4,263)	(303)
	21,116	(9)	(98,707)	(303)

(iii) Currency risk sensitivity analysis

A 10% strengthening of RM against the primary foreign currency - USD at the end of the reporting period would have increased post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant.

	2019 RM'000	**2018 RM'000**
USD	(1,605)	7,502

A 10% weakening of RM against the above currency at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

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33. Financial instruments (continued)

33.6 Market risk (continued)

33.6.2 Interest rates risk

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

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

Risk management objectives, policies and processes for managing the risk

The Group managed its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowing. To manage this, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amount calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligation. At 31 December 2019, the swap mature over the next four years following the maturity of a floating rate term loan and has a fixed swap rate of 4.81%.

Exposure to interest rates risk

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

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Fixed rate instruments				
Fixed deposits	567,987	490,745	199,744	134,064
Hire purchase financing	(12,173)	-	(836)	-
Finance lease liabilities	-	(12,561)	-	(677)
Banker acceptances/short term loans	(231,525)	(285,916)	-	-
Revolving credits	(73,500)	(91,000)	-	(15,000)
Trust receipts	-	(17,630)	-	-
Lease liabilities	(2,367)	-	(2,887)	-
	248,422	83,638	196,021	118,387
Floating rate instruments				
Term loans	(911,423)	(857,695)	(300,000)	(210,949)
Bank overdraft	(7,651)	(7,052)	-	-
Amount due from subsidiaries	-	-	254,917	259,398
	(919,074)	(864,747)	(45,083)	48,449

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33. Financial instruments (continued)

33.6 Market risk (continued)

33.6.2 Interest rates risk (continued)

Interest rates risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

	2019 Profit or loss		2018 Profit or loss	
	100 bp increase RM'000	100 bp decrease RM'000	100 bp increase RM'000	100 bp decrease RM'000
Group				
Floating rate instruments	(6,985)	6,985	(6,572)	6,572
Company				
Floating rate instruments	(343)	343	368	(368

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33. Financial instruments (continued)

33.7 Hedging activities

Interest rate swap

The Group has entered into an interest rate swaps to hedge the cash flow risk in relation to the floating interest rate of the term loan of RM200 million. The interest rate swaps have the same nominal value of RM 200 million (2018: RM 200 million) and is settled every quarter, consistent with the interest repayment schedule of the term loan. During the year, a loss of RM1,113,000 (2018: gain of RM1,459,000) was recognised in equity and ineffective portion of RM615,000 (2018: RM329,000) was recognised in profit or loss that arises from cash flow hedge amounts.

The following table indicates the periods in which the cash flows are expected to occur

	Carrying amount RM'000	Expected cash flow RM'000	Under 1 year RM'000	Between 1-2 years RM'000	Between 2-5 years RM'000
2019					
Interest rate risk					
Interest rate swap					
Net exposure	(2,263)	(2,978)	(1,087)	(917)	(974)
Fixed interest rate			4.81%	4.81%	4.81%
2018					
Interest rate risk					
Interest rate swap					
Net exposure	(1,374)	(2,096)	(144)	(111)	(1,841)
Fixed interest rate			4.81%	4.81%	4.81%

33.8 Fair value information

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

33. Financial instruments (continued)

33.8 Fair value information (continued)

The tables below analyses other financial instruments at fair value.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
Group										
2019										
Financial assets										
Forward currency contracts	-	2,234	-	2,234	-	-	-	-	2,234	2,234
Forward commodity contracts	-	9,149	-	9,149	-	-	-	-	9,149	9,149
	-	11,383	-	11,383	-	-	-	-	11,383	11,383
Financial liabilities										
Cash flow hedges	-	(2,978)	-	(2,978)	-	-	-	-	(2,978)	(2,978)
Commodity swaps	-	(9,168)	-	(9,168)	-	-	-	-	(9,168)	(9,168)
Forward commodity contracts	-	(25,016)	-	(25,016)	-	-	-	-	(25,016)	(25,016)
Term loans	-	-	-	-	-	-	(795,482)	(795,482)	(795,482)	(795,482)
Hire purchase financing	-	-	-	-	-	-	(5,277)	(5,277)	(5,277)	(5,647)
	-	(37,162)	-	(37,162)	-	-	(800,759)	(800,759)	(837,921)	(838,291)

33. Financial instruments (continued)

33.8 Fair value information (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000	RM'000
Group										
2018										
Financial assets										
Cash flow hedges	-	1,952	-	1,952	-	-	-	-	1,952	1,952
Forward currency contracts	-	1,495	-	1,495	-	-	-	-	1,495	1,495
Forward commodity contracts	-	98	-	98	-	-	-	-	98	98
	-	3,545	-	3,545	-	-	-	-	3,545	3,545
Financial liabilities										
Cash flow hedges	-	(144)	-	(144)	-	-	-	-	(144)	(144)
Forward commodity contracts	-	(1,699)	-	(1,699)	-	-	-	-	(1,699)	(1,699)
Interest rate swap	-	(4)	-	(4)	-	-	-	-	(4)	(4)
Term loans	-	-	-	-	-	-	(750,811)	(750,811)	(750,811)	(750,811)
Finance lease liabilities	-	-	-	-	-	-	(5,574)	(5,574)	(5,574)	(6,008)
	-	(1,847)	-	(1,847)	-	-	(756,385)	(756,385)	(758,232)	(758,666)

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33. Financial instruments (continued)

33.8 Fair value information (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
Company										
2019										
Financial liabilities										
Commodity swaps	-	(9,168)	-	(9,168)	-	-	-	-	(9,168)	(9,168)
Term loan	-	-	-	-	-	-	(300,000)	(300,000)	(300,000)	(300,000)
Hire purchase financing	-	-	-	-	-	-	-(381)	(381)	(381)	(409)
	-	(9,168)	-	(9,168)	-	-	(300,381)	(300,381)	(309,549)	(309,577)
2018										
Financial liabilities										
Term loans	-	-	-	-	-	-	(206,470)	(206,470)	(206,470)	(206,470)
Finance lease liabilities	-	-	-	-	-	-	(247)	(247)	(247)	(266)
	-	-	-	-	-	-	(206,717)	(206,717)	(206,717)	(206,736)

NOTES TO THE FINANCIAL STATEMENTS
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(CONT'D)

33. Financial instruments (continued)

33.8 Fair value information (continued)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Derivatives

The fair value of forward currency contracts, forward commodity swap and interest rate swap are based on banker quotes.

Non-derivative financial liabilities

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

Transfers between Level 1 and Level 2 fair values

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

Level 3 fair value

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

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models

Financial instruments not carried at fair value

Type	Description of valuation technique and inputs used
Term loans	The fair value of term loans approximate their carrying amounts as these are variable rate borrowings.
Hire purchase financing, finance lease liabilities	Discounted cash flows using a rate based on the current market rate of borrowing of the Group at the reporting date (2019: 4.77%, 2018: 5.02%)

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34. Capital management

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

	Group	
	2019 RM'000	2018 RM'000
Total loans and borrowings (Note 20)	1,236,272	1,271,854
Lease liabilities	2,367	-
Less: Other investments (Note 16)	(74,358)	-
Less: Cash and cash equivalents (Note 17)	(755,808)	(654,510)
Net debt	408,473	617,344
Total equity	2,315,105	2,250,830
Net debt-to-equity ratio	0.18	0.27

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

35. Capital commitments

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Contracted but not provided for				
Property, plant and equipment	19,872	75,470	3,138	10,059
Bearer plants	11,799	2,178	1,488	-
	31,671	77,648	4,626	10,059

36. Contingencies

The Directors are of the opinion that provision is not required in respect of the following as it is not probable that a future sacrifice of economic benefits will be required or the amount is not significant to the Group.

On 30 September 2010, SOP Plantations (Borneo) Sdn. Bhd., a subsidiary of the Company had been served with a Writ of Summons ("the Writ") in the High Court of Sabah and Sarawak at Bintulu under Suit Nom. 21-06-2010(BTU) ("Douglas Ding Suit") wherein it was named as the fifth(5th) defendant along with other defendants which include Government of Sarawak, Director of Forests, Superintendent of Land & Surveys, Kapit and Pusaka KTS Forests Plantation Sdn. Bhd.

The High Court has made a judgement on 8 August 2014, and the area affected is insignificant and has no significant impact to the Company.

On 3 September 2014, the plaintiff appealed against the judgement of the High Court on 8 August 2014 and similarly, the Company had filed a cross appeal against the same judgement on 4 November 2014.

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36. Contingencies (continued)

Subsequently, the native residents of a nearby settlement of Uma Long Bangan, i.e. Uma Kahei, Long Mekero, applied to the Court of Appeal to be added as a party (as respondents) to the same appeal filed by the Plaintiff which was allowed by the Court of Appeal on 20 April 2016. In response, the Plaintiff filed a motion for leave to appeal to the Federal Court against the said Court of Appeal's decision made on 20 April 2016.

The Plaintiff/NCR Claimants of Uma Long Bangan have therafter filed an application to the Court of Appeal, seeking a stay of their appeal against the high Court's decision of 8 August 2014, until the disposal of the above said motion for leave to appeal to the Federal Court (against the Court of Appeals decision of 20 April 2016).

On 18 August 2016, the Court of Appeal had granted Douglas Ding Jangan and the residents of Uma Long Bangan a stayof hearing of their appeal pending the disposal of their motion for leave to appeal to the Federal Court.

The Federal Court has refused the application for leave to appeal to the Federal Court on 13 September 2017. The net effect on this being the residents of Rumah Kahei, Long Mekero are interverners to be parties on the main appeal pending before the Court of Appeal. On 8 February 2018, the Court of Appeal dismissed the appeal made by Plaintiff and allowed the cross appeal of the Company over the judgement made on 8 August 2014. The plaintiff thereafter has on 7 March 2018 applied for leave to the Federal Court to appeal the decision of the Court of Appeal.

On 24 October 2018, the Federal Court has rejected the leave application against the Court of Appeal judgement that the plaintiff has no NCR rights over the area originally claimed by them, except one leave granted on the question arising out the cross appeals in respect of the numbered patches of land. The hearing of the Federal Court which was fixed for hearing on 25 March 2020 was not heard and no hearing date has been fixed.

37. Related parties

Identity of related parties

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

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

The Group has a related party relationship with:
(i) its subsidiaries as disclosed in Note 7;
(ii) its joint venture entity as disclosed in Note 8;
(iii) key management personnel; and
(iv) companies in which certain Directors and their close family members have or not deemed to have substantial interest.

Significant related party transactions

Significant related party transactions of the Group and of the Company, other than compensations to key management personnel (see Note 29) and those disclosed elsewhere in the financial statements, are shown below.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019
(CONT'D)

37. Related parties (continued)

Transaction with its subsidiaries

	Company	
	2019 RM'000	2018 RM'000
Dividend income	(20,621)	(11,043)
Head office charges	(10,686)	(10,912)
Management fee	(200)	(200)
Rental expense	495	618
Corporate service fee	3,284	3,366
Purchase of goods and services	24,588	21,323
Purchase of oil palm fresh fruit bunches	348,987	378,109
Sales of goods and services	(865,891)	(902,521)
Sales of property, plant and equipment	(5,686)	(1,884)
Purchase of property, plant and equipment	1,089	448

Transaction in which certain Directors and their close family members have or deemed to have substantial interest

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Purchase of oil palm fresh fruit bunches	59,245	79,874	52,177	56,517
Sale of goods and services	-	(121)	-	-
Transport services	10,246	6,054	2,627	-
Purchase of property, plant and equipment	3,998	5,321	1,032	-
Purchase of goods and services	31,222	42,173	1,991	6,523

The balances related to the above transactions are shown in Notes 14 and 22. There is no allowance for impairment loss on doubtful receivables provided against the outstanding balances of related parties.

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

38. Acquisition of subsidiary and non-controlling interest

38.1 Acquisition of subsidiaries – TSEA Sdn. Bhd.

On 21 November 2018, SOP Foods Sdn. Bhd. completed the acquisition of 350,000 shares in TSEA Sdn. Bhd. for a cash consideration of RM440,000.

The fair values of the identifiable assets and liabilities of subsidiary as at the date of acquisition were:

	TSEA Sdn. Bhd. RM'000	Total RM'000
Property, plant and equipment	24	24
Inventories	165	165
Trade and other receivables	917	917
Tax recoverable	121	121
Cash and bank balances	789	789
Trade and other payables	(797)	(797)
Net identifiable assets	1,219	1,219
Less: Non-controlling interest	(366)	(366)
Net identifiable assets acquired	853	853

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38. Acquisition of subsidiary and non-controlling interest (continued)

38.1 Acquisition of subsidiaries – TSEA Sdn. Bhd. (continued)

The effect of the acquisition on cash flows is as follows:

Total cost of the business combination	440	440
Less: Cash and cash equivalents of subsidiary acquired	(789)	(789)
Net cash outflow on acquisition	(349)	(349)

Reserve arising on acquisition

Fair value of net identifiable assets	1,219	1,219
Less: Non-controlling interest	(366)	(366)
Group's interest in fair value of net identifiable assets	853	853
reserve on acquisition	(413)	(413)
Cost of business combination	440	440

38.2 *Acquisition of non-controlling interest – Setia Wiramaju Sdn. Bhd.*

On 29 October 2018, the Group acquired an additional 7.56% equity interest in Setia Wiramaju Sdn. Bhd. for a total cash consideration of RM4.00.

38.3 *Increase in investment in Asia Oils Pte. Ltd.*

On 13 April 2018, SOP Edible Oils Sdn. Bhd., a subsidiary subscribed for additional 3,000,000 ordinary shares in Asia Oils Pte. Ltd. for cash consideration of USD3,000,000.

On 15 May 2019, it has further subscribed for 5,000,000 ordinary shares and 2,000,000 preference shares in Asia Oils Pte. Ltd., for a consideration of USD5,000,000 and USD2,000,000 respectively at USD 1 per share.

38.4 *Increase in investment in Asia Oils Captive Pte. Ltd.*

On 25 June 2018, the Company subscribed for additional 49,850 ordinary shares in Asia Oils Captive Pte. Ltd. for cash consideration of RM200,000.

38.5 *Increase in investment in Titian Megamas Sdn. Bhd.*

On 8 October 2018, the Company subscribed for additional 99,998 ordinary shares in Titian Megamas Sdn. Bhd. for a total consideration of RM99,998.

38.6 *Increase in investment in Wawasan Asiamaju Sdn. Bhd.*

On 18 June 2019, SOP Properties Sdn. Bhd., a subsidiary subscribed for additional 510,000 ordinary shares in Wawasan Asiamaju Sdn. Bhd. for a total consideration of RM510,000.

38.7 *Incorporation of SOP Capital Sdn. Bhd.*

Details of the subsidiary incorporated during the financial year are as follows:

Subsidiary	Equity interest acquired %	Date of incorporation	Purchase consideration RM
SOP Capital Sdn. Bhd.	100	30 August 2019	2.00

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31 DECEMBER 2019
(CONT'D)

39. Event after reporting period

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

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

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

(b) The Group has subscribed 200,000 non-cumulative and non-convertible preference shares of USD1.00 each in joint venture, Seaworth Pte. Ltd. via wholly owned subsidiary, Asia Oils Investment Pte. Ltd. on 13 March 2020.

40. Significant changes in accounting policies

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

During the year, the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application at 1 January 2019 and amendments to MFRS 123 prospectively, there are no adjustments made to the prior period presented.

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

(i) MFRS 16 *Leases*

MFRS 16 Leases replaces MFRS 117 Leases and shall be applicable for annual periods beginning on or after 1 January 2019.

Definition of a lease

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

As a lessee

MFRS 16 introduces a single, on balance sheet lease accounting for lessees. A lessee recognises a-right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments

Where the Group and the Company are a lessee, the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1 January 2019.

40. Significant changes in accounting policies (continued)

(i) MFRS 16 *Leases* (continued)

At 1 January 2019, for leases that were classified as operating lease under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group entities' incremental borrowing rate as at 1 January 2019. The weighted-average rate applied is 5%. Right-of-use assets are measured at either:
- their carrying amount as if MFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at 1 January 2019; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group entities used the following practical expedients when applying MFRS 16 to leases previously classified as operating lease under MFRS 117:
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term as at 1 January 2019;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

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

As a lessor

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

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

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

Following the amendments, borrowing costs incurred after the completion of the specific qualifying asset are regarded as general borrowings. Capitalisation rate is determined as the weighted average of the borrowing costs applicable to all borrowings of the Group and the Company outstanding during the period.

The change in this accounting policy is applied prospectively

The Group have performed an assessment on the impact of adopting the revised pronouncement and concluded that there was no material impact to the financial statements of the Group.

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(CONT'D)

40. Significant changes in accounting policies (continued)

40.1 Impact on financial statements

Since the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application at 1 January 2019 and amendments to MFRS 123 prospectively, there are no adjustments made to the prior period presented.

Impact of the adoption of MFRS 16 *Leases*

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

	Group RM'000	Company RM'000
Operating lease commitments at 31 December 2018 as disclosed in the financial statements	-	-
Discounted using the incremental borrowing rate at 1 January 2019	-	-
Lease liabilities recognised upon initial adoption of lease definition under MFRS 16	630	-
Lease liabilities recognised at 1 January 2019	630	-

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

Impact of adoption of MFRS 16 to opening balance at 1 January 2019

	Group RM'000	Company RM'000
Asset and Liabilities		
Decrease in property, plant and equipment	(519,792)	(28,360)
Decrease in land use rights	(4,996)	-
Increase in right-of-use	525,418	28,360
Increase in lease liabilities	630	-

Impact of the adoption of MFRS 123 *Borrowing Costs (Annual Improvements 2015-2017 Cycle*

The Annual Improvement to MFRS 123 requires borrowings obtained specifically for the construction of a qualifying asset to be designated as general borrowings when the qualifying asset is ready for its intended use or sale. Hence, instead of charging to profit and loss, such borrowing costs are capitalised as part of other qualifying assets. This has resulted in the capitalisation of additional finance costs of RM2.7 million into bearer plants for the Company.

PROPERTIES OF THE GROUP
AS AT 31 DECEMBER 2019

Location of Properties	Year of Acquisition/ Revaluation	Tenure	Year of Expiry	Area in Hectares	Description	Age of Building (Years)	Net Book Value As at 31 Dec 2019 (RM'000)	Net Book Value As at 31 Dec 2018 (RM'000)
Lambir 1, 2 Estate KM 41, Miri – Bintulu Road, Miri Sarawak	1971-1981	Leasehold 87 to 97 years	2067	4,590	Oil Palm Estate Palm Oil Mill	13	228,338	194,705
Suai 1 Estate KM 120, Miri – Bintulu Road, Miri Sarawak	1989-1991	Leasehold 99 years	2084 -2090	3,183	Oil Palm Estate Palm Oil Mill	18		
Suai 2 Estate KM 115, Miri – Bintulu Road, plus further 9KM	1989-2019	Leasehold 99 years	2085-2118	2,877	Oil Palm Estate			
Tinbarap 9 Estate KM 22, Miri – Bintulu Road, Off KM 45, From BLD Junction	2010-2011	Leasehold 60 years	2068-2070	1,194	Oil Palm Estate			
Miri Office No. 124-126, Jalan Bendahara, 98000 Miri	2004	Leasehold 60 years	2042	-	Registered Office - 445 sq.m.	35		
Kuala Lumpur Office 183 Level 26 Building M1, Lot 70 Section 70, Bandar Kuala Lumpur	2019	Freehold	-	-	Office Unit - 172 sq.m.			
Balingian Estate KM 8, Balingian – Mukah Road, Balingian	1997-1999	Leasehold 60 years	2057-2059	3,978	Oil Palm Estate Palm Oill Mill	13	45,431	45,706
Tibus Estate Lot 157, Suai	2003	Leasehold 60 years	2063	1,499	Oil Palm Estate		66,109	66,503
Lamaus Estate KM 3, Jalan Ulu Niah, Off KM 110, Miri – Bintulu Road, Miri	2003	Leasehold 60 years	2063	3,814	Oil Palm Estate			
Suai Estate, Niah Lot 157, Suai	2004	Leasehold 60 years	2064	3,337	Oil Palm Estate			
Niah Estate KM 3, Kubur Road, Off Sepupok, Niah	1999	Leasehold 60 years	2059	4,995	Oil Palm Estate		44,551	46,130
Taniku Estate Jalan Pujut 7, Permyjaya KM 9 East of Miri	2003	Leasehold 60 years	2058	4,858	Oil Palm Estate		106,282	114,180
Sepakau Estate KM 81, Jalan Bakun off KM 53, Jalan Bintulu – Miri	2003	Leasehold 60 years	2057-2059	9,030	Oil Palm Estate Oil Palm Mill	11		

PROPERTIES OF THE GROUP (CONT'D)
AS AT 31 DECEMBER 2019

Location of Properties	Year of Acquisition/ Revaluation	Tenure	Year of Expiry	Area in Hectares	Description	Age of Building (Years)	Net Book Value As at 31 Dec 2019 (RM'000)	Net Book Value As at 31 Dec 2018 (RM'000)
Karabungan Estate KM 48, Miri – Bintulu Road, Miri	2005	Leasehold 60 years	2058	2,023	Oil Palm Estate		24,465	25,730
Tatau Estate KM 40, Bintulu – Sibu Road, Off KM 13, Tatau	2008	Leasehold 99 years	2103	3,840	Oil Palm Estate		190,346	198,700
Sebungan Estate KM 25, Bintulu – Miri Road, KM 19 To Sebauh	2006	Leasehold 99 years	2103	1,646	Oil Palm Estate			
Sabaju 1, 2 Estate KM 53, Bintulu – Miri, KM 31 Bakun Road	2006	Leasehold 99 years	2104	4,880	Oil Palm Estate Palm Oil Mill	8		
Tinbarap Estate KM 22, Miri – Bintulu Road, Off KM 45, From BLD Junction	2007	Leasehold 99 years	2106	12,905	Oil Palm Estate Palm Oill Mill	6	257,244	271,668
Batu Lintang Estate Ulu Undop NCR, Sri Aman District	2008	NCR Native Land 60 years	NA	2,334	Oil Palm Estate		49,639	49,158
Sabaju Estate KM 53, Bintulu – Miri, KM 31 Bakun Road	2010	Leasehold 99 years	2114	4,011	Oil Palm Estate		69,971	71,195
POIC, Bintulu Lot 4270, 4277, 4278, Block 26, Kemena LD	2012	Leasehold 60 years	2074	40	Palm Oil Refinery Plant, Palm Kernel Crushing Plant, Biodiesel Plant, Phytonutrient Plant, Consumer Packaging Plant & Other Amenities	5 to 8	275,641	289,287
Land - Kuching/Miri Lot 6918, Lambir LD Lot 76, Block 233, Kuching North LD	2007-2012	Leasehold 60 to 99 years	2038-2069	21	Land Held for Future Development		27,022	26,872
Murum Estate Sungai Maleh, Belaga Blk 89 & Blk 90 Murum LD 96950 Murum Sarawak	2016	Leasehold 60 years	2076	47,000	Oil Palm Estate Palm Oil Mill Land under Oil Palm Development	8	672,289	663,244
Singapore Office 133 New Bridge Road, #20-09/10 Chinatown Point, Singapore 059413	2016	Leasehold 99 years	2079	-	Office Unit - 223 sq.m.	28	13,425	13,703

ANALYSIS OF SHAREHOLDINGS
AS AT 19 MAY 2020

SHARE CAPITAL

Authorised	:	5,000,000,000 Ordinary Shares
Issued and Fully Paid	:	570,911,946 Ordinary Shares
Voting Rights	:	One Vote Per Share

DISTRIBUTION OF SHAREHOLDERS

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issue Capital
Less than 100	188	4.59	3,102	0.00
100 – 1,000	902	22.04	512,947	0.09
1,001 – 10,000	2,170	53.03	8,862,077	1.55
10,001 – 100,000	698	17.06	19,872,069	3.48
100,001 to less than 5% of issued shares	129	3.15	152,329,381	26.68
5% and above of issued shares	5	0.13	389,332,370	68.20
TOTAL	**4,092**	**100.00**	**570,911,946**	**100.00**

SUBSTANTIAL SHAREHOLDERS

		No. of Shares Held	% of Issued Capital
1.	PELITA HOLDINGS SDN BHD	115,626,600	20.25
2.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT – AMBANK (M) BERHAD FOR SHIN YANG PLANTATION SDN BHD	103,064,478	18.05
3.	CIMB GROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR DBS BANK LTD (SFS-PB)	65,948,870	11.55
4.	SHIN YANG PLANTATION SDN BHD	59,723,422	10.46
5.	STATE FINANCIAL SECRETARY SARAWAK	44,969,000	7.88
6.	TAN SRI DATUK LING CHIONG HO	40,047,600	7.01

DIRECTORS' INTERESTS IN SHARES

Size of Holdings	Direct Interest No. of Shares	Direct Interest % of Issued Capital	Deemed Interest No. of Shares	Deemed Interest % of Issued Capital
In the company				
Tan Sri Datuk Ling Chiong Ho	40,047,600	7.01	162,787,900 [1]	28.51
Ling Chiong Sing	-	-	162,787,900 [1]	28.51
Ling Lu Kuang	-	-	55,650,000 [2]	9.75
Tang Tiong Ing	55,131	0.01	169,714 [3]	0.03
Fong Yoo Kaw @ Fong Yee Kow	-	-	-	-
Dr. Lai Yew Hock, Dominic	50,657	0.01	-	-
Kamri Bin Ramlee	-	-	-	-
Chua Chen San	-	-	-	-
Datuk Amar Haji Ahmad Tarmizi Bin Haji Sulaiman	-	-	-	-
Hasmawati Binti Sapawi	-	-	-	-
Monaliza Binti Zaidel	-	-	-	-

Note
1) *Indirect interest held through Shin Yang Plantation Sdn. Bhd.*
2) *Indirect interest held through Agape International Pte. Ltd.*
3) *Indirect interest held through his spouse.*

THIRTY LARGEST SHAREHOLDERS
AS AT 19 MAY 2020

NO.	NAME	NO OF SHARES	SHARES %
1	PELITA HOLDINGS SDN BHD	115,626,600	20.25
2	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT – AMBANK (M) BERHAD FOR SHIN YANG PLANTATION SDN BHD	103,064,478	18.05
3	CIMB GROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR DBS BANK LTD (SFS-PB)	65,948,870	11.55
4	SHIN YANG PLANTATION SDN BHD	59,723,422	10.46
5	STATE FINANCIAL SECRETARY SARAWAK	44,969,000	7.88
6	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT – AMBANK (M) BERHAD FOR LING CHIONG HO	20,500,000	3.59
7	LING CHIONG HO	19,547,600	3.42
8	UOBM NOMINEES (ASING) SDN BHD UNITED OVERSEAS BANK NOMINEES (PTE) LTD FOR PERRA GROUP LIMITED	18,057,085	3.16
9	PEKAN MEGAH SDN BHD	7,477,176	1.31
10	TEOH GUAN KOK & CO. SDN. BERHAD	6,479,088	1.13
11	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KONG GOON KHING (E-SRK)	5,623,000	0.98
12	AMANAHRAYA TRUSTEES BERHAD PUBLIC STRATEGIC SMALLCAP FUND	4,483,100	0.79
13	AMANAHRAYA TRUSTEES BERHAD PUBLIC SMALLCAP FUND	4,185,400	0.73
14	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAW KIONG HOLDINGS SDN. BHD.	4,057,900	0.71
15	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR WONG ING YUNG (PB)	3,653,300	0.64
16	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR BANK OF SINGAPORE LIMITED (FOREIGN)	3,480,000	0.61
17	AMANAHRAYA TRUSTEES BERHAD PB SMALLCAP GROWTH FUND	2,897,400	0.51
18	CIMB COMMERCE TRUSTEE BERHAD PUBLIC FOCUS SELECT FUND	2,667,414	0.47
19	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	2,479,036	0.43
20	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTS ISLAMIC SMALL-CAP FUND	2,464,400	0.43
21	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC TREASURES GROWTH FUND	2,313,257	0.41
22	WONG HEE KWONG	2,245,600	0.39
23	NEOH CHOO EE & COMPANY, SDN. BERHAD	1,750,000	0.31
24	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHONG YIEW ON (6000006)	1,565,100	0.27
25	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (PHEIM)	1,532,000	0.27
26	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ERIC KIU KWONG SENG	1,496,457	0.26
27	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR MAYBANK MALAYSIA VALUE FUND	1,356,500	0.24
28	ADINAMAJU SDN BHD	1,307,420	0.23
29	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD AIIMAN ASSET MANAGEMENT SDN BHD FOR LEMBAGA TABUNG HAJI	1,266,757	0.22
30	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAW KIU KIONG	1,110,000	0.19


DOWNSTREAM


TAMAN
Lambir Jaya
PROPERTY

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