SARAWAK OIL PALMS BERHAD
Registration No. 196801000358 (7949-M)

BUILDING A SUSTAINABLE FUTURE
ANNUAL REPORT 2020

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

BUILDING A SUSTAINABLE FUTURE

TEN YEARS
FINANCIAL RECORD

RESULTS	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	2020 RM'000
Turnover	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	**2,778,603**
Profit before taxation	361,984	213,935	139,631	160,136	123,762	195,960	351,458	108,997	131,308	**302,199**
Profit after taxation	266,202	163,602	100,636	123,399	91,903	142,288	252,290	67,907	91,592	**220,158**
Total shareholders' fund	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	**2,378,623**
Total assets	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	**4,258,087**
Total borrowings	418,783	644,554	825,636	931,424	1,101,849	1,188,332	1,412,881	1,271,854	1,236,272	**1,109,012**
Issued & paid-up capital	434,477	436,548	438,253	439,498	441,307	570,111	819,860	820,085	820,091	**820,982**
Dividend (Net of tax)	13,005	16,360	19,693	21,963	21,997	22,090	28,540	34,252	28,544	**28,546**
FINANCIAL STATISTICS										
Profit before taxation / turnover (%)	31.0	16.3	8.2	5.6	3.4	4.4	7.2	3.0	4.4	**10.88**
Gross dividend (sen / share)	5.0	6.0	6.0	5.0	5.0	5.0	5.0	6.0	5.0	**5.0**
Net earnings per share (sen) - Basic	55.9	36.0	21.0	26.3	20.1	28.1	40.8	10.9	15.7	**35.75**
Net earnings per share (sen) - Diluted	54.7	35.5	20.7	26.0	20.0	28.0	40.8	10.9	15.7	**35.74**
Net tangible assets per share (RM)	2.80	3.12	2.80	3.03	3.17	3.29	3.40	3.46	3.56	**3.56**

	2016 RM / Mt	2017 RM / Mt	2018 RM / Mt	2019 RM / Mt	2020 RM / Mt
Refined palm products	2,693	2,913	2,316	2,215	**2,809**
Crude palm oil	2,665	2,939	2,287	2,122	**2,729**
Palm kernel oil	4,986	5,072	3,686	2,517	**3,223**
Palm kernel cake	387	408	475	402	**540**
Palm kernel	2,372	2,332	1,657	1,137	**1,950**

TEN YEARS CROP RECORD

Planted Hectarage, Production and Yield

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	Ha	Ha	Ha	Ha	Ha	Ha	Ha	Ha	Ha	Ha
OIL PALMS										
Mature	43,339	45,107	55,426	59,997	61,049	77,115	78,607	80,772	79,872	**81,198**
Immature	19,416	18,154	8,104	3,380	2,468	10,629	9,380	7,614	7,699	**6,766**
Total	62,755	63,261	63,530	63,377	63,517	87,744	87,987	88,386	87,571	**87,964**
Area Under Development, Reserves, Unplanted, Building Sites, etc	9,898	9,392	9,123	9,276	9,136	32,553	32,311	33,575	34,423	**34,030**
Total Area Under Lease	72,653	72,653	72,653	72,653	72,653	120,297	120,298	121,961	121,994	**121,994**

	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes
FFB CROP										
Estate Crop	839,785	887,425	959,499	1,049,076	1,133,961	1,010,836	1,374,712	1,340,474	1,341,979	**1,358,049**
Outside Crop	665,514	798,106	853,066	770,991	692,580	603,405	669,525	756,692	727,410	**688,210**
	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	**2,046,259**
Crude Palm Oil (Produced)	310,760	347,548	364,600	367,015	355,468	315,221	411,930	419,356	416,682	**390,481**
Palm Kernels (Produced)	63,834	73,871	78,712	79,606	76,406	66,288	84,490	87,492	88,344	**84,414**
	374,594	421,419	443,312	446,621	431,874	381,509	496,420	506,848	505,026	**474,895**

YIELD PER HECTARE										
Tonnes FFB/ Mature palms	21.25	18.21	17.09	17.50	18.55	16.79	17.07	16.40	16.57	**16.58**
Crude Palm Oil/FFB	21.57%	20.67%	20.14%	20.26%	19.88%	19.97%	20.65%	20.53%	20.72%	**19.70%**
Palm Kernels/ FFB	4.37%	4.39%	4.35%	4.39%	4.27%	4.20%	4.23%	4.28%	4.39%	**4.26%**

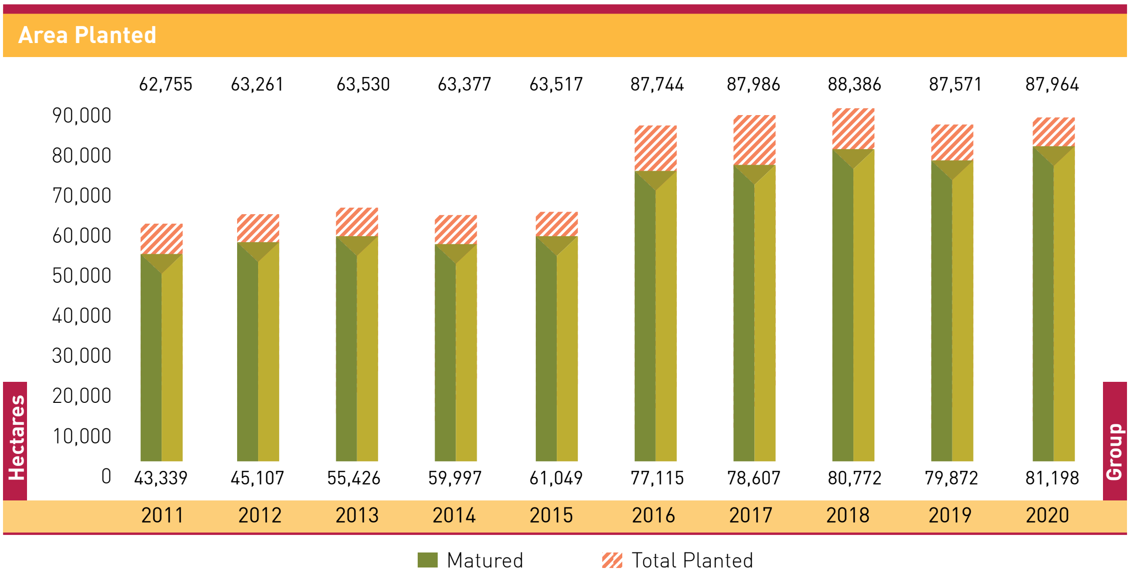
TEN YEARS CROP RECORD
(Cont'd)

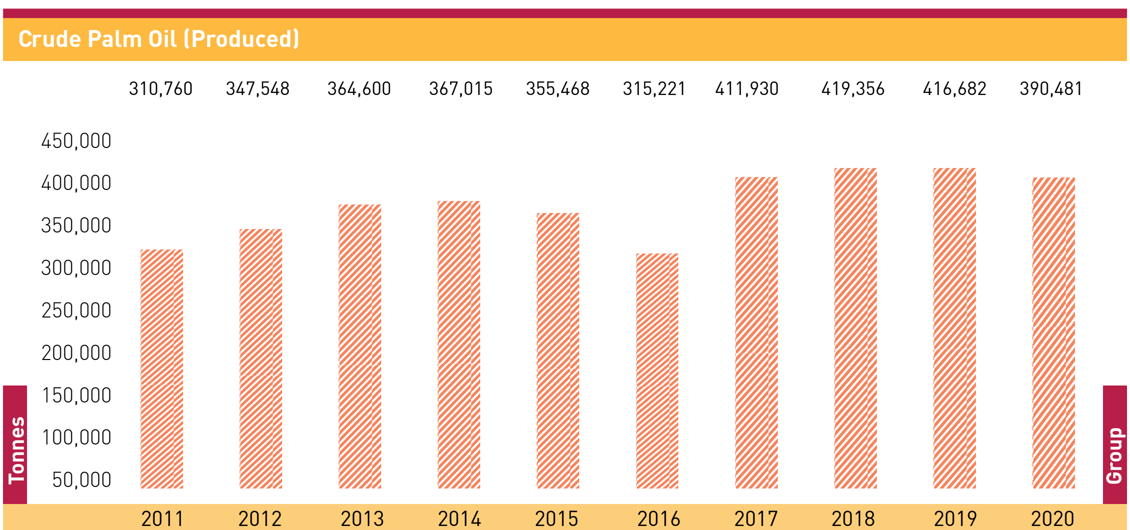
PLANTED AREA STATISTICS

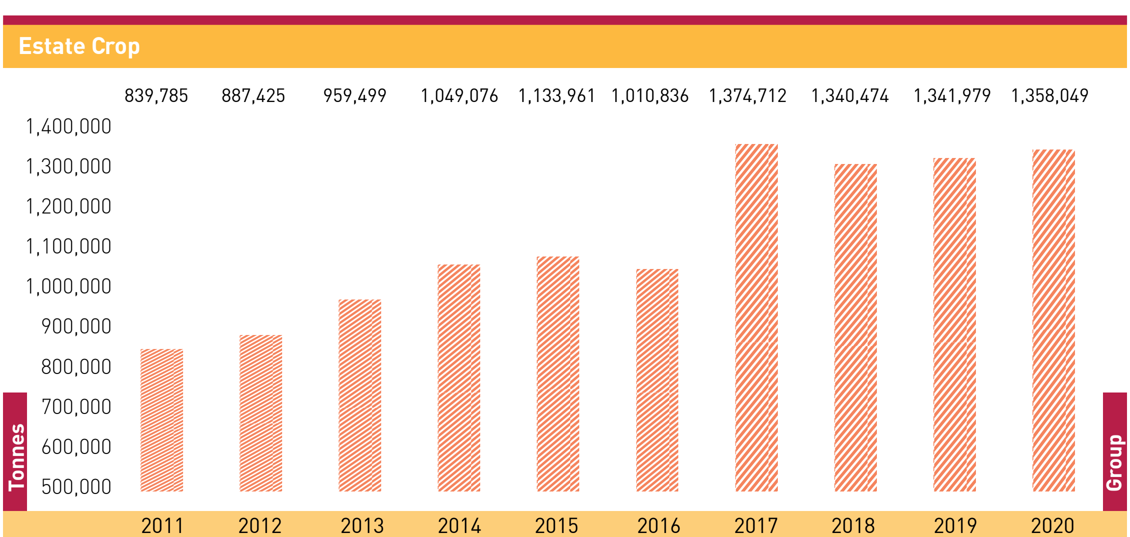
	As at 31/12/2020	As at 31/12/2019
Palm Age (Yrs)	**Area (Ha)**	**Area (Ha)**
Immature (Below 4 yrs)	6,766	7,699
Young (4-10 yrs)	23,005	30,585
Prime (11-20 yrs)	53,956	46,652
Old (21 yrs & above)	4,237	2,635

FFB Production and Extraction Rates	2020	2019
Group FFB production (mt)	1,358,049	1,341,979
Total FFB processed (mt)	1,981,880	2,010,560
Group CPO Production (mt)	390,481	416,682
Group Palm Kernel Production (mt)	84,414	88,344
Group FFB average yield (mt/ha)	16.58	16.57
Group average oil extraction rate (OER) (%)	19.70%	20.72%
Group average kernel extraction rate (KER) (%)	4.26%	4.39%

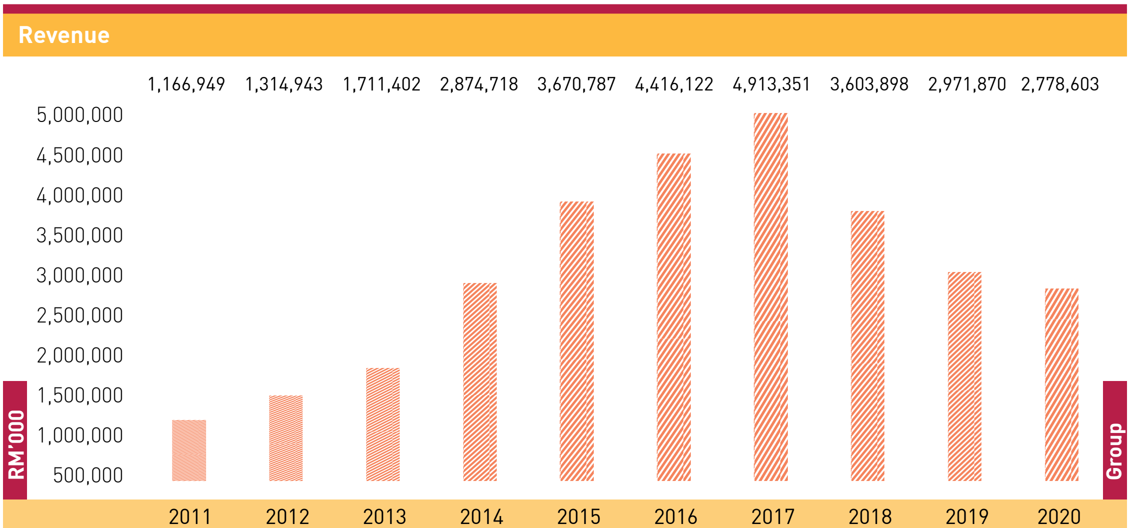
TEN YEARS
STATISTICAL HIGHLIGHTS

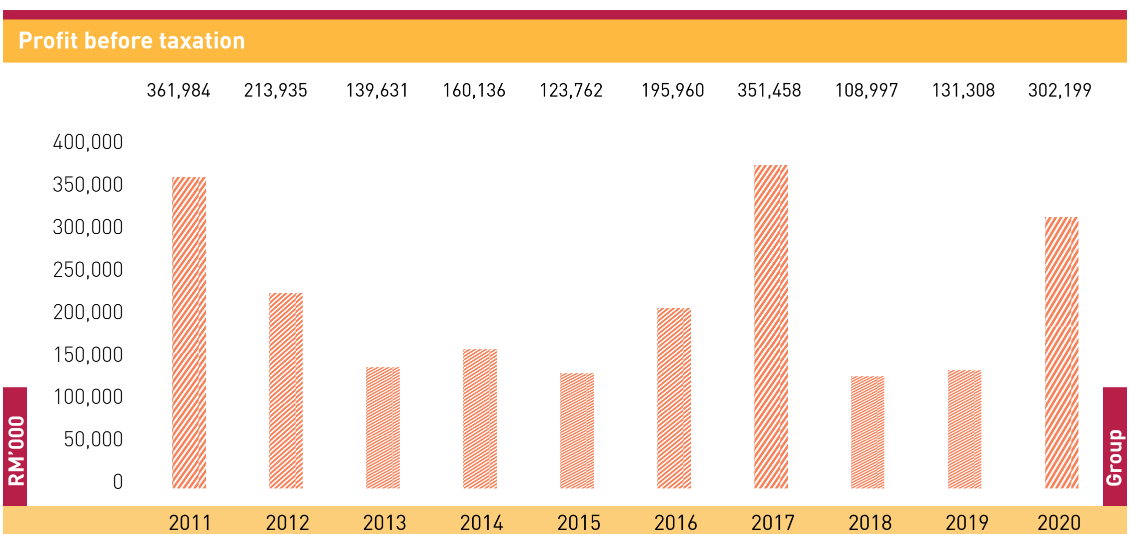


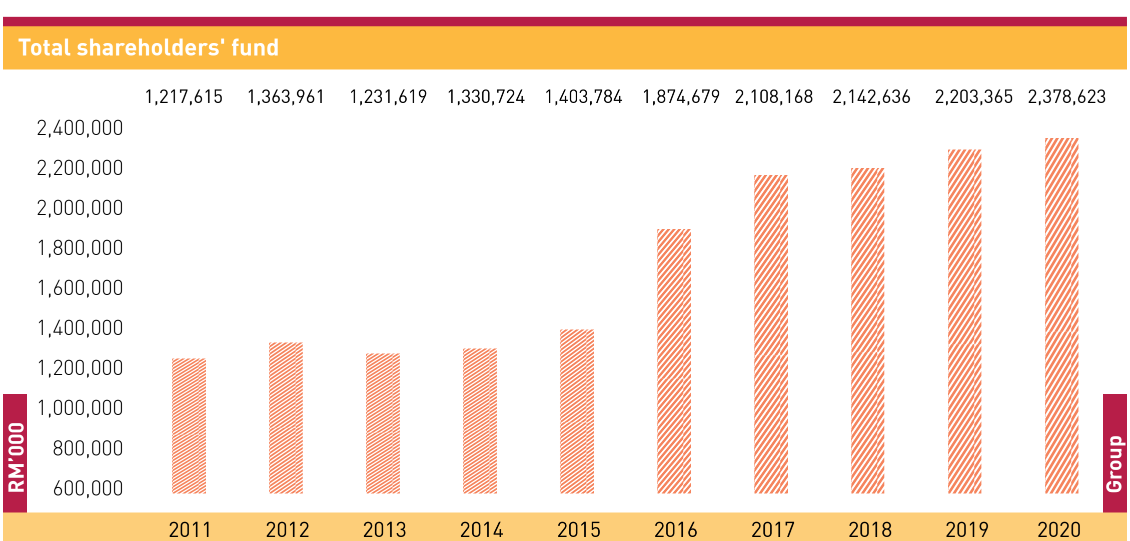




TEN YEARS STATISTICAL HIGHLIGHTS
(Cont'd)







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

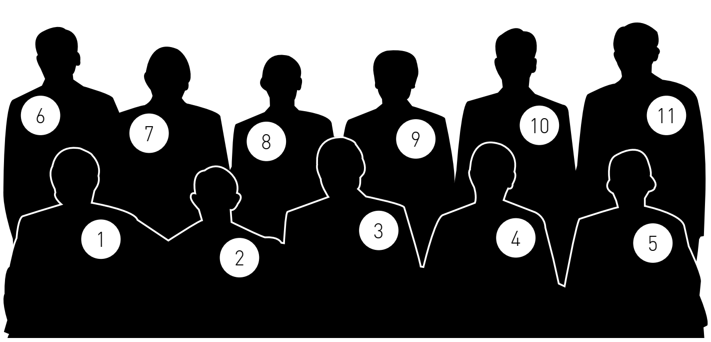
DOMICILE

MALAYSIA

BOARD OF DIRECTORS

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)

Not pictured

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

BOARD OF DIRECTORS
(Cont'd)

TAN SRI DATUK LING CHIONG HO

A Malaysian citizen, aged 69, 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 four Board Meetings held during the financial year ended 31 December 2020. 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 64, 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 all four Board Meetings held during the financial year ended 31 December 2020. 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 44, 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 four Board Meetings held during the financial year ended 31 December 2020. 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.

TANG TIONG ING

A Malaysian citizen, aged 62, 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 four Board Meetings held during the financial year ended 31 December 2020. 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)

DR. LAI YEW HOCK, DOMINIC

A Malaysian citizen, aged 62, 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 four Board Meetings held during the financial year ended 31 December 2020. 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 61, 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 four Board Meetings held during the financial year ended 31 December 2020. 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.

FONG YOO KAW @ FONG YEE KOW, VICTOR

A Malaysian citizen, aged 68, 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 four Board Meetings held during the financial year ended 31 December 2020. 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 60, 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 four Board Meetings held during the financial year ended 31 December 2020. 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)

DATUK AMAR HAJI AHMAD TARMIZI BIN HAJI SULAIMAN

A Malaysian citizen, aged 58, was appointed as the Non-Independent Non-Executive Director on 10 August 2017 and was subsequently redesignated as a 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 three out of the four Board Meetings held during the financial year ended 31 December 2020. 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.

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

A Malaysian citizen, aged 53, 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 57, was appointed to the Board of SOPB as a 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 1st 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 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 all four Board Meetings held during the financial year ended 31 December 2020. 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 58, 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).

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 49, appointed as the Company Secretary in 1998 and has about 22 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.

PROFILE OF KEY SENIOR MANAGEMENT
(Cont'd)

CHUA KIAN HONG

A Malaysian citizen, aged 67, 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 42, was appointed as the Chief Financial Officer of the Group in 2019 and redesignated as Chief Financial Officer cum General Manager (Special Assignment in Plantation) in 2021. 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

SOPB Group's profit after tax for year 2020 was RM220 million when compared to RM92 million achieved in year 2019. The higher profit achieved was primarily due to higher palm products prices realized in year 2020. The average realized price for crude palm oil in year 2020 was RM2,729 per tonne compared to RM2,122 per tonne in year 2019.

The outbreak of global COVID-19 pandemic since early 2020 till to-date has led to lockdown, travel restrictions, and other precautionary measures imposed by various countries. These measures had resulted in acute labour shortage that adversely affected the plantation operations. The total fresh fruit bunches ("FFB") production in year 2020 for the Group was 1.36 million tonnes, a marginal increase of 1.5% when compared to 1.34 million tonnes achieved in year 2019. The Group has re-organized and intensified its ongoing training programs for all its workers so as to improve their productivity and efficiency, and also intensified its mechanization program in its plantation operations to lessen labour dependency.

Further details on our operational and financial review can be found in the Management Discussion and Analysis on page 19 to 23.

Dividend

To cater for future development projects of the Group, and to meet business challenges posed by volatile commodity prices and prolonged COVID-19 outbreak, the Group has set aside a large portion of reserve funds for capital expenditure of future development and as cushion against any unfavourable market conditions.

The Board of Directors has proposed a first and final tax-exempt dividend of 6 sen per ordinary share amounting to RM34,267,311 for the financial year ended 31st December 2020.

Sustainability

We will continue to adopt a proactive and prudent approach in furtherance our sustainability agendas of balancing the needs of People, Planet and Profit. We remained committed to sustainable agricultural practices, good corporate governance, high standards of occupational safety, health and welfare of our workforce, and fulfilment of our corporate social responsibility to the local communities.

Our conservation and biodiversity projects are ongoing with the collaboration of both local and foreign research bodies and universities. More details on our sustainability agendas, milestones and attainments could be found in the Sustainability Report from page 24 to 82

Prospect

Challenges which the oil palm industry always encounter include commodity price swings, labour shortages, and tariff and non-tariff trade restrictions. To minimize adverse impacts brought about by these challenges, we will continue to undertake measures to raise workforce competency and efficiency, adopt mechanization to reduce labour intensiveness, to diversify markets for our products, and to harness full potential of our assets so as to stay resilient against any external shocks.

Appreciation

On behalf of the Board, I would like to take this opportunity to extend my sincere appreciation to all our employees, customers, business associates and other stakeholders for your unwavering support and trust that helped us to weather through and emerge stronger in this challenging year.

TAN SRI DATUK LING CHIONG HO
GROUP EXECUTIVE CHAIRMAN

MANAGEMENT DISCUSSION AND ANALYSIS

This review highlights details on financial and operation information of the Group for the year 2020.

1. Overview of Group's business

The Group's core businesses are upstream operations - plantation and milling operations, and downstream operations which comprised of refining, trading and marketing of palm products.

On plantation operations, the fresh fruit bunches production in 2020 was 1,358,049 metric tonnes in comparison with 1,341,979 metric tonnes achieved in 2019. The yield improved slightly to 16.58 metric tonnes per hectare compared to 16.57 metric tonnes in 2019.

For the milling operations, the Group recorded a lower oil and kernel extraction rate of 19.70% and 4.26% respectively, compared to 20.72% and 4.39% in preceding year.

The realised palm oil prices in 2020 was higher with the average crude palm oil (CPO) of RM2,729 per metric tonne compared to RM2,122 per metric tonne in 2019.

2. Financial Results

(i) Abridged Group Income Statement

The total revenue of the Group in 2020 was RM2.7 billion compared to RM2.9 billion in 2019. The reduction was mainly due to lower transacted volume for palm products.

Nevertheless, the Group had registered a higher profit after tax of RM220 million compared to RM92 million achieved in year 2019. The improvement was attributed mainly to better operational efficiency and palm products margin as a result of more favorable palm oil price.

Abridged Group income statement:

	Year 2020	Year 2019
	RM'million	RM'million
Revenue	2,778	2,972
Profit before tax	302	131
Profit after tax	220	92
Earnings before interest, tax, depreciation and amortisation	498	336
Earnings per share		
Basic	35.75 sen	15.67 sen
Dilluted	35.74 sen	15.67 sen

Average Realised Prices for Palm Products:-

	2020	2019
	RM/mt	RM/mt
Crude Palm Oil	2,729	2,122
Palm Kernel Oil	3,223	2,517

(ii) Abridged Group Cash Flow Statement

	2020	2019
	RM'million	RM'million
Operating activities		
(i) Cash generated before changes in working capital	510	330
(ii) Cash (outflow)/inflow from changes in working capital and payment of tax & interest	(105)	114
Net cash flows from operating activities	405	444
Financing activities		
(i) Net payment for trade financing, loans & borrowings	(174)	(252)
(ii) Proceeds from loans & borrowings	49	209
(iii) Dividend & interest payment	(73)	(82)
(iv) Cash inflow from other financing activities	1	3
Net cash flows used in financing activities	(197)	(122)
Investing activities		
(i) Capital expenditure on property, plant & equipment & bearer plants	(103)	(125)
(ii) Acquisiton of joint venture	(1)	(40)
(iii) Cash outflow from other investing activities	(210)	(55)
Net cash flows used in investing activities	(314)	(220)
Net (decrease)/ increase in cash and cash equivalents	(106)	102
Cash and cash equivalents at 1 January	748	647
Effect of exchange rate changes	-	(1)
Cash and cash equivalents at 31 December	642	748

For the year 2020, the Group generated net cash inflow of RM405 million from operating activities comprising cash generated before working capital changes of RM510 million, cash outflow from changes in working capital and net payment of tax and interest of RM105 million.

For financing activities, the proceeds from loans and borrowings was RM49 million. The changes in trade financing and repayment of loans were RM174 million. Dividend and interest payments were RM32 million and RM41 million respectively. With these, the overall cash outflow in financing activities was RM197 million.

For investing activities, the Group had incurred a capital expenditure of RM103 million in the replanting, upkeep and maintenance of immature planted areas and upgrade of palm oil mills. The cash outflows for other investments was RM230 million which was mainly fixed deposits with banks.

The overall net decrease in cash and cash equivalents for the financial year under review was RM106 million compared to RM102 million increase in year 2019.

Abridged Group Statement of Financial Position

	2020	2019
	RM'million	RM'million
Assets		
Non-current assets		
Property, plant and equipment	1,040	1,043
Bearer plants	980	1,014
Right-of-use assets	511	520
Other non-current assets	277	302
	2,808	2,879
Current assets		
Biological assets	25	18
Other current assets	783	529
Cash and bank balances	642	756
	1,450	1,303
Total assets	4,258	4,182
Equity and liabilities		
Share capital	821	820
Reserves	1,558	1,383
Non-controlling interests	124	112
Total equity	2,503	2,315
Non-current liabilities		
Loans and borrowings	715	801
Other non-current liabilities	378	376
	1,093	1,177
Current liabilities		
Loans and borrowings	394	435
Other current liabilities	268	255
	662	690
Total liabilities	1,755	1,867
Total equity and liabilities	4,258	4,182

As of the financial year ended 31st December 2020, the Group's total assets and liabilities was RM4,258 million and RM1,755 million respectively. Total equity stood at RM2,503 million and the gross gearing of the Group stood at 0.44 times.

MANAGEMENT DISCUSSION AND ANALYSIS
(Cont'd)

3. Review of Operations:

(i) Plantation Segment

(a) Plantation Areas Statistics

	As at 31/12/2020		As at 31/12/2019	
Palm Age (years)	**Area (Ha)**	**%**	**Area (Ha)**	**%**
Immature (below 4 years)	6,766	7.69%	7,699	8.79%
Young (4-10 years)	23,005	26.15%	30,585	34.93%
Prime (11-20 years)	53,956	61.34%	46,652	53.27%
Old (21 years & above)	4,237	4.82%	2,635	3.01%
Total	87,964	100.00%	87,571	100.00%

As of 31st December 2020, the Group's total planted area was 87,964 hectares compared to 87,571 hectares in 2019. A total of 419 hectares was replanted in 2020 compared to 1,272 hectares in 2019. The Group's weighted average palm age was 11.85 years.

(b) FFB Production and Extraction rates

		2020	2019
Group total mature area	ha	81,198	79,872
Group FFB production	mt	1,358,049	1,341,979
Group FFB processed	mt	1,981,880	2,010,560
Group CPO production	mt	390,481	416,682
Group PK production	mt	84,414	88,344
Group FFB average yield	mt/ha	16.58	16.57
Group average oil extraction rate ("OER")	%	19.70%	20.72%
Group average kernel extraction rate ("KER")	%	4.26%	4.39%

In 2020, the total Group's FFB production was 1,358,049 metric tonnes, which translated to the yield per hectare of 16.58 metric tonnes. The oil extraction rate and kernel extraction rate attained was 19.70% and 4.26% respectively. With these, the Group registered an oil per hectare of 3.29 metric tonnes against 3.43 metric tonnes in the preceding year.

A total of 1,981,880 metric tonnes of FFB was processed by the mills, representing an approximately 71% of the mill capacity utilisation rate.

(ii) Downstream Segment

For downstream segment, the refinery and biodiesel plants have contributed positively in year 2020. This was mainly attributed to the favorable price trend coupled with improved operational efficiency. The refinery performance nevertheless would be very much dependent on the movements of world edible oil prices.

The Group continued its market and product range expansion for the phytonutrient. However, its contribution to the overall revenue and profitability of the Group remained insignificant.

(iii) Property Development Segment

The property market outlook in Sarawak remains sluggish in year 2020, particularly with the impact of Covid-19 pandemic.

Henceforth, the Group has not launched any new project apart from completing the previously launched Taman Lambir Jaya residential and shop houses project. The overall take up rate of the above was approximately 60% towards the end of year 2020. The contribution from property development segment remains insignificant to the Group.

4. Outlook for 2021

With reference to the tighter palm oil stock, concerns over weather impact on edible oils supplies, as well as labour shortage faced by oil palm industry in Malaysia, the price outlook for CPO remains favorable in year 2021. In spite of the above, the Group remains cautious as to the uncertainty of the global edible oil supply demand dynamic and geographical politics headwinds. The business environment is expected to be challenging amid the labour shortages across the industry exacerbated by the COVID-19 pandemic.

The Group will continue to review its business model, ensure a lean and cost-effective structure and concurrently strive to realise the full potential of its existing assets.

SUSTAINABILITY REPORT 2020

ABOUT THIS REPORT

We are pleased to present the 4th Sustainability Report of Sarawak Oil Palms Berhad (SOPB) and its subsidiaries ("SOPB Group" or "Group") as follows to our stakeholders concerning the economic, environment and social (EES) performance of the operations of the Group for the reporting period 1st January 2020 until 31st December 2020.

This Report is prepared annually in accordance with Bursa Malaysia Sustainability Reporting Guide 2018 (2nd Edition) and the Global Reporting Initiative (GRI) Standards: Core Option.

External Assurance

No external assurance was conducted during this reporting period as this is our initial phase of adopting GRI Standards: Core Option.

This Report is available in hard copy upon request or can be downloaded from our website www.sop.com.my. Should you require any further information or wish to share any feedback, please feel free to reach out to us at:

Sarawak Oil Palms Berhad

Contact Person: Mr. Galau Melayong (Sustainability Department)

Telephone: +60 8543 6969

GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT TO STAKEHOLDERS

Dear Stakeholders,

We are pleased to present SOPB's 2020 Sustainability Report prepared in accordance to the GRI Standards: Core Option and Bursa Malaysia Sustainability Reporting Guidelines, and also based on key material sustainability issues identified through our tri-annual Materiality Assessments.

We perceive this report as a platform for us to share progress, commitments and milestones of our sustainability journey. You will find further details in this report regarding our sustainability performance, initiatives, achievements and updates on the three sustainability pillars, i.e. People, Planet and Profit that we advocated.

While pursuing for continual business growth, we will continue to meet our obligations to our employees, local communities, the environment and our stakeholders.

GROWTH

As a pioneer and a leader of the oil palms industry in Sarawak, we will ensure operational excellence to achieve continual growth while upholding our commitments to contribute towards building a better society, and minimising environmental impacts. Our steadfastness in practising responsible and sustainable agricultural, manufacturing and management practices have enabled us to obtain accreditation and certification by renowned third-party accrediting bodies. Nevertheless, we will continually aspire to be a sustainability pathfinder and endeavour to break new barriers in our sustainability journey.

With the launch of our Oil Palms Sustainability Policy (OPSP) on No Deforestation, No Peat and No Exploitation (NDPE) in 2019, we have started to address the challenges of ensuring compliance of NDPE within our supply chain. It is an arduous task and we will, with collaboration with our buyers and third-party consultants, continuously engage our supply chain partners, stakeholders and communities to build rapport and mutual understanding so as to concur and to act on collective action plans to ensure success of our sustainability goals. As our firm commitment to OPSP, our palm product suppliers had been sternly warned to comply with our OPSP or bear the risk of being excluded from our supply chain.

We view traceability and transparency as a new normal which our customers would be looking forward to. Our fresh fruit bunches, crude palm oil and crude palm kernel oil are fully traceable to their sources, and we remain committed to achieve 100% traceability in our supply chain to meet the market expectation.

All our operating units are MSPO certified and registered with MSPO Trace which was launched in September 2020 to enhance the traceability status within our supply chain. We will continue to report transparently and openly on our initiatives and seek new ways to improve our sustainability standards.

SUSTAINABILITY REPORT 2020
(Cont'd)

PEOPLE

Towards the employees, health and safety of our employees and their family have always been a priority attention. Our country was not spared from COVID-19 pandemic in year 2020. In response to the pandemic, SOPB has set up an in-house COVID-19 taskforce to strictly and promptly implement Standard Operating Procedures (SOPs) as prescribed by government authorities aimed at containing COVID-19. Measures undertaken by SOPB include restricted movement in and out of the Group's plantation, manufacturing facilities and premises; mandatory COVID-19 screening of body temperature and compulsory wearing of face masks at workplaces, proactive swab tests and quarantine for possible cases amongst close contacts, frequent sanitization of workplaces, and re-alignment of workforce to observe physical distancing required at workplaces.

Before a particular district/ area was placed under Control Movement Order for a particular duration by government authorities, the company would despatch essential food items and care packages to the affected employees to reduce their hardship.

Labour shortage was exacerbated due to country-wise movement restriction arising from COVID-19 pandemic. The Group thus intensified its training and re-training programs so as to develop human resources and to harness the full potentials of its present pool of employees.

Housing quarters and amenities for the workers were also continually upgraded to provide a homely and better dwelling environment.

In year 2020, "SOPB Group Core Values" was launched with the cornerstone of "One Team, One Mind, One Heart" aimed at fostering a progressive, competent, and cohesive workforce so as to realise the Group's corporate vision and core values that are crucial for raising the Group to a higher level.

PLANET

We have always recognized that the long-term success of any business relies on adopting sustainable practices and be a good steward of the environment surrounding its operations. As a plantation company, we remain committed to protect the environment / planet through biodiversity conservation, mitigation of negative impacts through reduction of gaseous emissions, optimizing energy usage and proper waste disposal management. Towards these, the Group has several on-going collaboration and research projects with renowned researchers and universities, and installation of gaseous emission reduction plants & machinery at palm oil mills, further details of which could be found in this report.

We would like to take this opportunity to extend our sincere gratitude to our stakeholders for their continued support and participation in our sustainability journey. We will persevere with our humble effort to ensure that sustainability will always be our priority while balancing the competing needs of People, Planet and Profit.

Details of our sustainability progress can be found from page 24 to 82.

One Team, One Mind, One Heart.

WONG HEE KWONG
GROUP CHIEF EXECUTIVE OFFICER

SUSTAINABILITY GOVERNANCE STRUCTURE

The Sustainability Governance Structure comprises of Board of Directors (BOD), Group Management Committee (GMC) and Group Sustainability Committee (GSC).

The Board of Directors (BOD) approves overall strategies and directions for all fundamental initiatives. The Group Management Committee (GMC) comprises Heads of Department and formulate strategies, objectives, goals and practices. The GMC also deliberates sustainability issues and manages the Group's sustainability performance reporting.

At the operational level, the Group Sustainability Committee (GSC) is led by our Group Chief Executive Officer and supported by the Chief Operating Officer and respective Managers to ensure effective implementation of our policies. GSC is responsible for overall policy implementation, reporting and stakeholders' engagement.

Where necessary, we also engage subject specialists and employ personnel with relevant skills to assist the Group and our suppliers on sustainability issues. The Operational Unit Managers help to raise awareness among employees to ensure that sustainability standards are consistently upheld across the Group.

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

BOARD OF DIRECTORS (BOD)

a. Promotes sustainability with respect to environment, economic and social aspects.
b. Oversees SOPB's sustainability performance.
c. Approves sustainability policies.

GROUP MANAGEMENT COMMITTEE (GMC)

a. Formulates sustainability strategies, goals and implementation procedures and practices.
b. Deliberates sustainability issues.
c. Manages SOPB's sustainability performance and sustainability reporting.

GROUP SUSTAINABILITY COMMITTEE (GSC)

a. Enhances sustainability performance across SOPB.
b. Engages stakeholders.
c. Raises awareness among employees.
d. Ensures that sustainability standards are consistently upheld across SOPB.

SUSTAINABILITY POLICIES

Since the beginning of our sustainability journey, our sustainability direction is governed by four main published policies, namely the Environmental Sustainability Policy, Social and Community Policy, Occupational Safety & Health Policy and Oil Palms Sustainability Policy with due recognition of the balancing the needs of Planet, People and Profit.

These policies are implemented and reviewed periodically to enable the Group to uphold its sustainability commitments and to keep abreast the latest development on sustainability issues.

The Oil Palms Sustainability Policy ("OPSP") launched in January 2019 is an integral part of our other policies and it is our declaration to ensure there is No Deforestation, No Peat and No Exploitation ("NDPE") throughout our supply chain.

The Group is fully committed to ensure that all palm products are produced sustainably with high quality by practicing Good Agricultural Practices (GAP), which includes no burning, no deforestation of High Conservation Value ("HCV") areas, no new development on peats regardless of depth, no new development on areas without integrated HCV and High Carbon Stock Approach ("HCSA") assessments, and planned reduction of greenhouse gas (GHG) emission.

We adopt and support the Universal Declaration of Human Rights by giving all employees fair treatment and respect the rights of local communities in the regions where we operate. We recognize the rights of all workers regardless of their employment status including their freedom of association and the right to bargain collectively, amongst others.

In keeping with our core values, we recognize the rights of indigenous and local communities which include securing their Free, Prior and Informed Consent (FPIC) with active communication in a transparent manner, and we undertake Corporate Social Responsibility (CSR) programme for the local communities.

Sustainability practices in line with the Principles and Criteria laid out by the Malaysian Sustainable Palm Oil (MSPO) standards are imperative to ensure that the palm oil sector continues to thrive globally in the long run. We encourage our suppliers to adopt MSPO as the first step in their sustainability journey that can contribute towards a sustainable and transparent supply chain.

The Environmental Sustainability Policy was established in 2014 and it demonstrates our commitments to protect the environment by practicing zero burning, sustainable waste management and compliance with governing laws and regulations.

The Social and Community Policy was established in 2014 and it demonstrates our commitments to uphold the human rights of all employees including the communities in the vicinity of our operations. This policy also emphasizes the need for integrity and business ethics, no child and forced labour, no discrimination regardless of sex, age, religion, race and the availability of equal opportunities.

The Occupational Safety and Health Policy was established in 1999 in compliance to the Occupational Safety and Health Act 1994. The policy was updated and revised in 2017. This policy demonstrates our commitments to ensure that the safety and health of the employees are well taken care of.

GRIEVANCE MECHANISM

Whistle-Blowing Procedures

The Whistle-Blowing Policy was updated in year 2019 to allow employees and stakeholders to lodge any concern on inappropriate conduct within the Group. This policy provides a communication channel for anyone to report a grievance against the Group including violation of Oil Palms Sustainability Policy.

More details on the Whistle-Blowing Policy and Procedure are available at:

http://www.sop.com.my/sustainability/docs/supplychain/WhistleBlowinPolicy&Procedure.pdf

Complaint and Grievance Procedure

A Complaint and Grievance Procedure is adopted at the Groups operational level which allows anyone to lodge any grievance to the respective manager -in -charge. The 'Suggestion/Complaint Forms' and the 'Suggestion Box' are made available at all sites. Annual briefings are conducted for all employees on the complaint procedures.

Sexual Harassment Policy

The Sexual Harassment Policy was established in 2014 and was communicated to all employees. At the operational level, a 'Sexual/Gender Committee' equally represented by male and female employees and management had been established to address any such issues. The Group Management will take further disciplinary and/or appropriate legal actions if needed. SOPB is determined to create a safe and conducive working environment free from sexual harassment while maintaining equal rights for all employees.

Free, Prior and Informed Consent (FPIC) Procedure

The Group's Free, Prior and Informed Consent (FPIC) was established to complement the Oil Palms Sustainability Policy which was launched in January 2019. More details on the procedure are available at: http://www.sop.com.my/sustainability/docs/supplychain/SOPBFPICProcedure.pdf

Code of Conduct Business and Ethics

The Group's Code of Business Conduct and Ethics ensures that all employees adhere to responsible and ethical business policies and practices based on laws and values in the conduct of its business. In February 2020, it was revised to emphasize the importance of good business conduct and to maintain a healthy corporate culture for integrity, honesty, transparency and fairness across the Group.

Details of the revised Code of Business Conducts and Ethics are available at this link:

http://www.sop.com.my/wp-content/uploads/2020/04/Revised_code_of_business_conduct_and_ethics_v2.1.pdf

SUSTAINABILITY COMMITMENTS AND TARGETS

The Group has aligned its sustainability objectives with that of the United Nations Sustainable Development Goals (UNSDGs) so as to meet the sustainability expectations of various stakeholders.

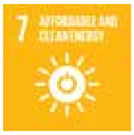
Sustainable Development Goals (SDGs)

The SDGs are a set of global goals for fair and sustainable development at every level from planetary biosphere to local community. The aim is to eradicate poverty, protect the planet and ensure that all people live in peace and prosperity, both now and in the future.

The oil palms industry was one of the sectors reported to have contributed to the realisation of 16 out of the 17 SDGs. SOPB started as a joint-venture between the Commonwealth Development Corporation (CDC) and the Sarawak State government in 1968 to pioneer the commercial planting of oil palms in Sarawak with an initial land area of about 4,600 hectares. It was a bold initiative and step taken to eradicate poverty of local communities and to-date the social economic status of the local communities in the vicinity of our operation has improved remarkably.

The Sustainable Development Goals (SDGs) attained by SOPB is tabulated as below.

Triple Bottom Line	Target	Status	UN SDGs Contributions
People	I) All employees in SOPB receive minimum wage conforming to National Legislations. II) Local communities around SOPB concession areas benefit from the access roads built by SOPB where they have the opportunity to develop their own lands with cash crops like oil palms and sell their FFB to any palm oil mills.	I) Achieved and ongoing. All local and foreign employees are paid under Malaysian Minimum Wages Order 2020. II) Achieved and ongoing. Our access roads provide surrounding communities with reliable means to government schools, clinics, healthcare and send crops to nearby mills.	
	I) Appropriate Protective Personal Equipment (PPE) are provided free of charge to all our employees according to jobs assigned. II) To minimize occupational hazards in all operational units. III) To achieve zero fatalities in all operational units.	Achieved and ongoing. I) All workers are provided with PPEs as per their job scope free of charge. II) Total accident has decreased by 36.97% compared to 2019. III) One (1) case of fatality reported in 2020 compared to two(2) cases in 2019.	

Triple Bottom Line	Target	Status	UN SDGs Contributions
	IV) Internal and external training on Safe Operating Procedures (SOP), Driving Awareness, First Aid and Fire Fighting on an annual basis assisted by Safety and Health Department to achieve minimal injuries and zero fatalities. V) Our clinic in operational units to provide medicines and treatments free of charge to all employees and their dependents.	IV) Achieved and ongoing. All employees underwent job related Safety and Health trainings, conducted by both internal and external trainers on an annual basis. V) All clinics are adequately provided with medicines and treatments free of charges to all employees and their dependents.	
	I) Free housing with potable water supply and electricity at a subsidized rate. II) To consistently upgrade the living quarters of our operational units' employees.	Achieved and ongoing I) All workers are provided with potable water supply and subsidized electricity. II) Management has established a 5-year plan to upgrade the living quarters to comply with revised regulations, and kept all employees' residence in good conditions with basic amenities and facilities for all employees.	
Planet	I) Operationalise SOPB's Oil Palms Sustainability Policy (OPSP) with commitments to No Deforestation, No Peat and No Exploitation, applicable to own operations and third-party suppliers. II) To reduce GHG emissions with methane capture facilities at all palm oil mills. III) To reduce dust emissions with Electrostatic Precipitators (ESP) in mills and refineries.	I) Launched in 2019 and implementing throughout our supply chain. II) Commissioned for one (1) out of seven (7) palm oil mills in 1st quarter 2020. III) SOPEO and five (5) out of seven (7) POMs had been successfully installed with Electrostatic Precipitators (ESP).	
	To increase the carbon stock in our Tinbarap Conservation Area.	I) Tree density has increased to 668 individual/ha compared to 565 individual/ha in 2019.	

SUSTAINABILITY REPORT 2020
(Cont'd)

Triple Bottom Line	Target	Status	UN SDGs Contributions
Profit	I) To achieve optimum yield - Increase in yields through intensification by improving yields per area or oil extraction rates. Best Management Practices (BMPs) to focus on increasing palm oil yield in existing mature plantations by using agronomic methods and techniques that are cost-effective and practical. II) At the mid-stream – Palm Oil Mill (POM) To benchmark OER or KER performance with industry peers or with the national and state figures released monthly by MPOB. III) Downstream – Refinery, Biodiesel & Phytonutrient Plants, Food Packaging To produce higher value-added products. IV) Sustainability and Certification a) All plantations, mills and refineries are to be certified under Malaysian Sustainable Palm Oil (MSPO) standards MS2530:2013 - 3, 4 and MSPO Supply Chain Certification Standard (SCCS) by 2019. b) All plantations, mills and refineries are to be certified under International Sustainability & Carbon Certification (ISCC). V) To be an employer of choice with established internal career development programme for employees.	I,II,III) Ongoing. SOPB had introduced an in-house "555 Target" in 2019, with the goal to achieve 5 tons of palm oil/ha in 5 years with RM5 billion market capitalization. IV) Sustainability Certification a) All premises were MSPO certified by 2019. b) Six (6) out of seven (7) POMs were ISCC EU&PLUS certified since 2017. V) Ongoing.	8 DECENT WORK AND ECONOMIC GROWTH

Triple Bottom Line	Target	Status	UN SDGs Contributions
	I) Trading – To source for palm products responsibly and sell certified sustainable palm products of high quality. a) To be certified under the MSPO Principles and Criteria under MPOCC or Standard Malaysia, responsible sourcing of inputs, and that assets are continuously enhanced, resulting in long term win-win customer relationships. b) To achieve 100% traceable to mill (TTM) and traceable to plantation (TTP) throughout the supply chain.	I) Ongoing - Actively assisting our suppliers including smallholders and out-growers to comply with our Sourcing Policy, including to be Malaysian Sustainable Palm Oil (MSPO) certified.	17 PARTNERSHIPS FOR THE GOALS

SUSTAINABILITY MATERIAL MATTERS

The Group has adopted the Materiality Assessment approach to identify and prioritize sustainability matters focusing on environmental, economic and social (EES) aspects which are significant to our stakeholders and ultimately for its success and continual growth. The assessment is carried out once every three (3) years, guided by Bursa Malaysia Toolkit: Materiality Assessment (2nd Edition).

Sustainability matters were identified through qualitative and quantitative analysis of internal and external sources of information by considering the interests of our stakeholders such as employees, buyers, customers, local authorities, non-governmental organization (NGO), smallholders, outgrowers, certification bodies, and are in line with Global Reporting Initiative (GRI) Standards: Core Option.

Our stakeholders were asked to complete a questionnaire and the data sets were analyzed to identify the sustainability matters that were deemed as significant and were used to tabulate the Materiality Matrix. The Materiality Matrix was then assessed by the Group Sustainability Committee (GSC) to steer the formulation and implementation of strategies responding to the sustainability matters identified.

STEP 1

Identify and prioritize Sustainability Matters

STEP 2

Stakeholder Engagement in Sustainability Matter's prioritization

STEP 3

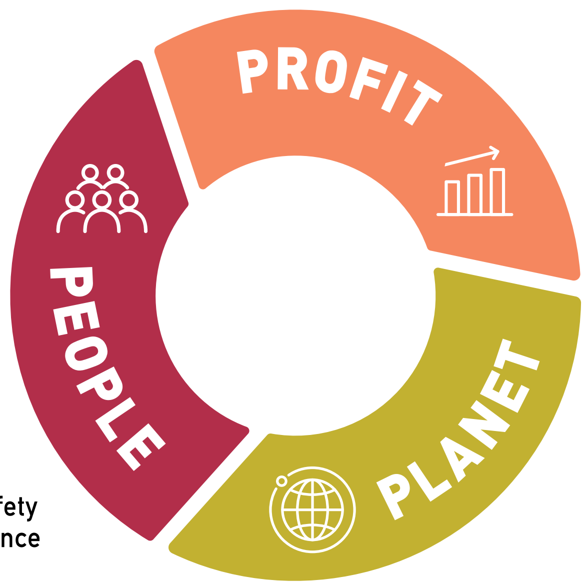
Reporting

SUSTAINABILITY REPORT 2020
(Cont'd)

In 2019, SOPB Group Sustainability Committee (GSC) had identified 24 sustainability matters based on the Materiality Assessment.

OUR SUSTAINABILITY MATERIAL MATTERS

PEOPLE
- Employment
- Labour Management
- Occupational Safety and Health
- Training and Education
- Diversity and Equal Opportunity
- Non-discrimination
- Human Right Assessment
- Customer Privacy
- Local Communities
- Rights of Indigenous People (FPIC)
- Security Practices
- Customer Health and Safety
- Socio-economic Compliance



PROFIT
- Economic Performance
- Anti-Corruption
- Market Presence

PLANET
- Water and Effluent
- Biodiversity
- Environmental Compliance
- Energy
- Emission
- Effluent and Waste
- Supplier Environmental Assessment

MARKETPLACE

OVERVIEW OF SUPPLY CHAIN

The Group has approximately 121,994 hectares of landbank of which 87,964 hectares are planted with oil palms. There are seven (7) palm oil mills, a refinery and fractionation plant, a kernel crushing plant, a biodiesel plant and a phytonutrient plant in Sarawak. Asia Oils Pte Ltd , a wholly owned subsidiary, acts as our trading office and is based in Singapore.

Other than crude and refined palm oil in bulk, other palm products that the Group produced include consumer products such as cooking oil, pharmaceuticals products and biodiesel. Mirico was our first brand of cooking oil that was launched in 2015. By now, the Group has launched palm products with other labels such as Merris Cooking Oil, Merris Red Palm Oil Premium, Merris Red Palm Oil Classic and Saraco Pure Vegetable Oil.

The Group also manufactured pharmaceutical products such as tocotrienols (Vitamin E) and carotenes (Vitamin A).

Our palm products are exported to global markets in Asia Pacific, Europe, India, Japan and South Africa.

LOCATION OF THE SOPB OPERATIONAL UNITS

ESTATE

SARAWAK OIL PALMS BERHAD
1 Suai 1 & Division
2 Lambir 1 & Lambir 2
3 Suai 2

SOPP (BALINGIAN) SDN BHD
4 Sungai Liuk
5 Sungai Meris

SOPP (BELURU) SDN BHD
6 Tinbarap 1
7 Tinbarap 2
8 Tinbarap 3
9 Tinbarap 4
10 Tinbarap 5
11 Tinbarap 6
12 Tinbarap 7 & 9

SOPP (NIAH) SDN BHD
13 Sungai Balim
14 Sungai Trus

SOPP (BORNEO) SDN BHD
15 Sepakau 1
16 Sepakau 2
17 Taniku 1 & Taniku 2

SOPP (KEMENA) SDN BHD
18 Kuala Tatau 1
19 Kuala Tatau 2
20 Sabaju 1
21 Sabaju 2
22 Sebungan

SOPP (SABAJU) SDN BHD
23 Sabaju 3
24 Sabaju 4 & 5

SOPP (SUAI) SDN BHD
25 Lamaus & Divisions
26 Telong
27 Tibus Division

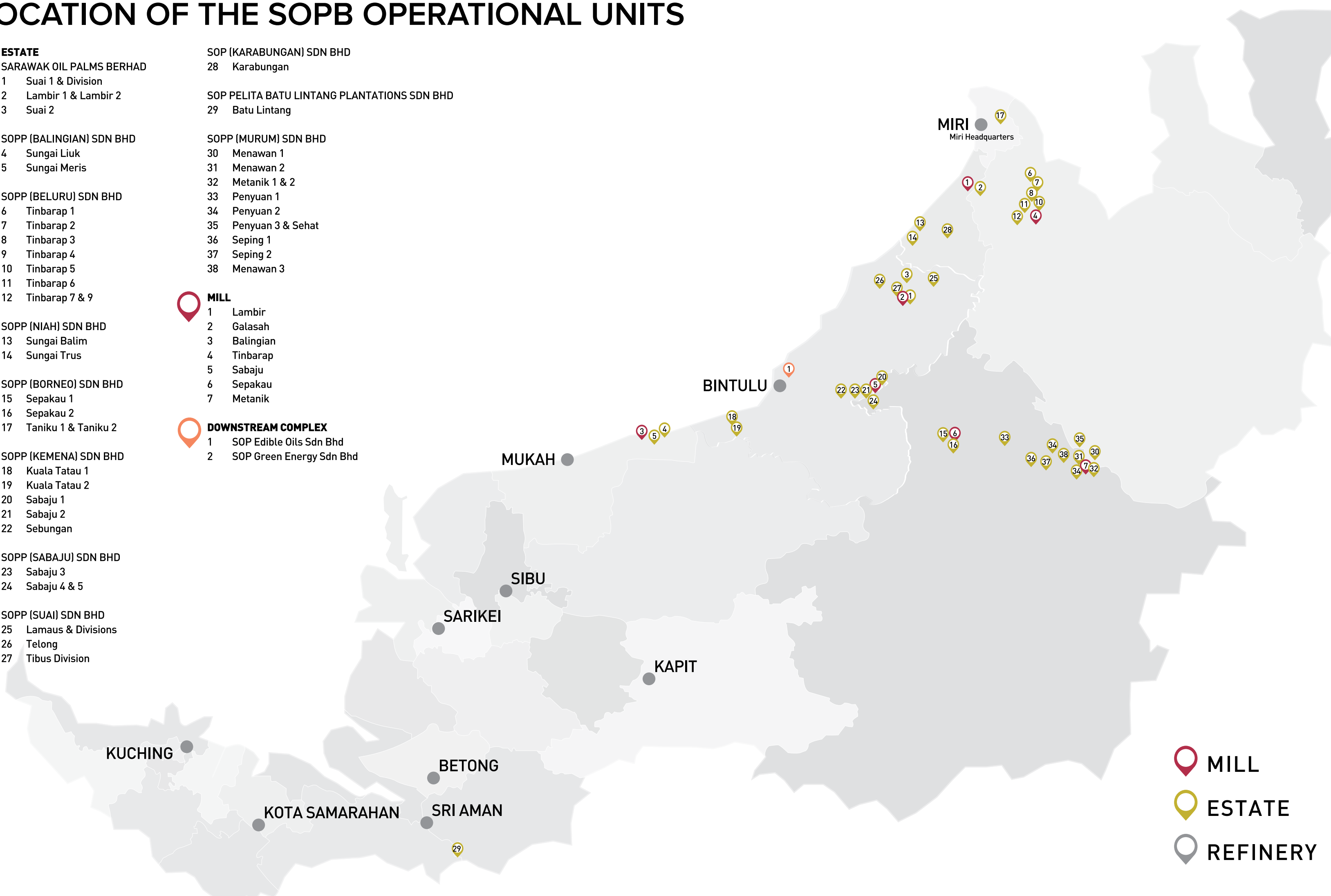
SOP (KARABUNGAN) SDN BHD
28 Karabungan

SOP PELITA BATU LINTANG PLANTATIONS SDN BHD
29 Batu Lintang

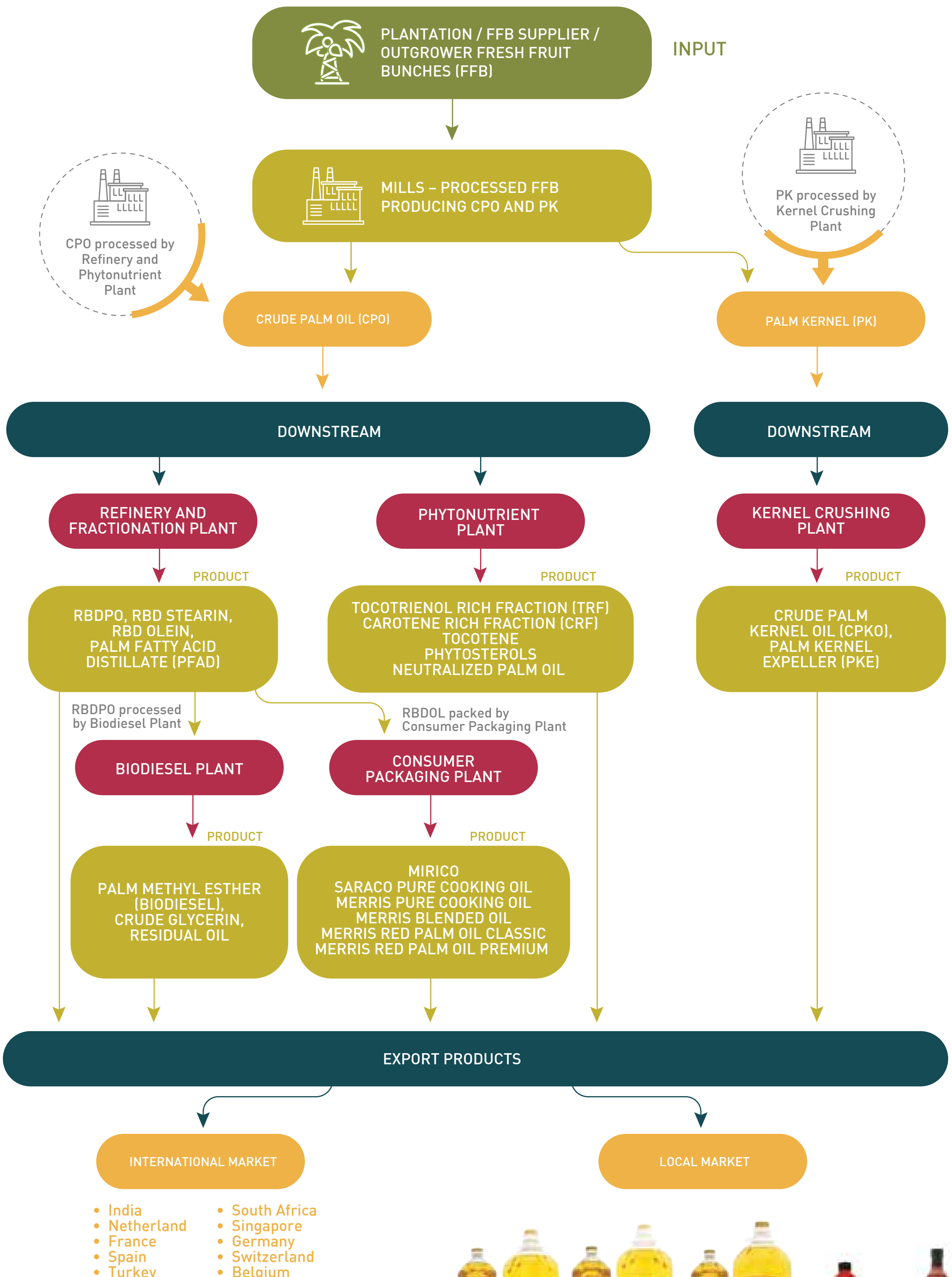
SOPP (MURUM) SDN BHD
30 Menawan 1
31 Menawan 2
32 Metanik 1 & 2
33 Penyuan 1
34 Penyuan 2
35 Penyuan 3 & Sehat
36 Seping 1
37 Seping 2
38 Menawan 3

MILL
1 Lambir
2 Galasah
3 Balingian
4 Tinbarap
5 Sabaju
6 Sepakau
7 Metanik

DOWNSTREAM COMPLEX
1 SOP Edible Oils Sdn Bhd
2 SOP Green Energy Sdn Bhd



OVERVIEW OF SOPB SUPPLY CHAIN



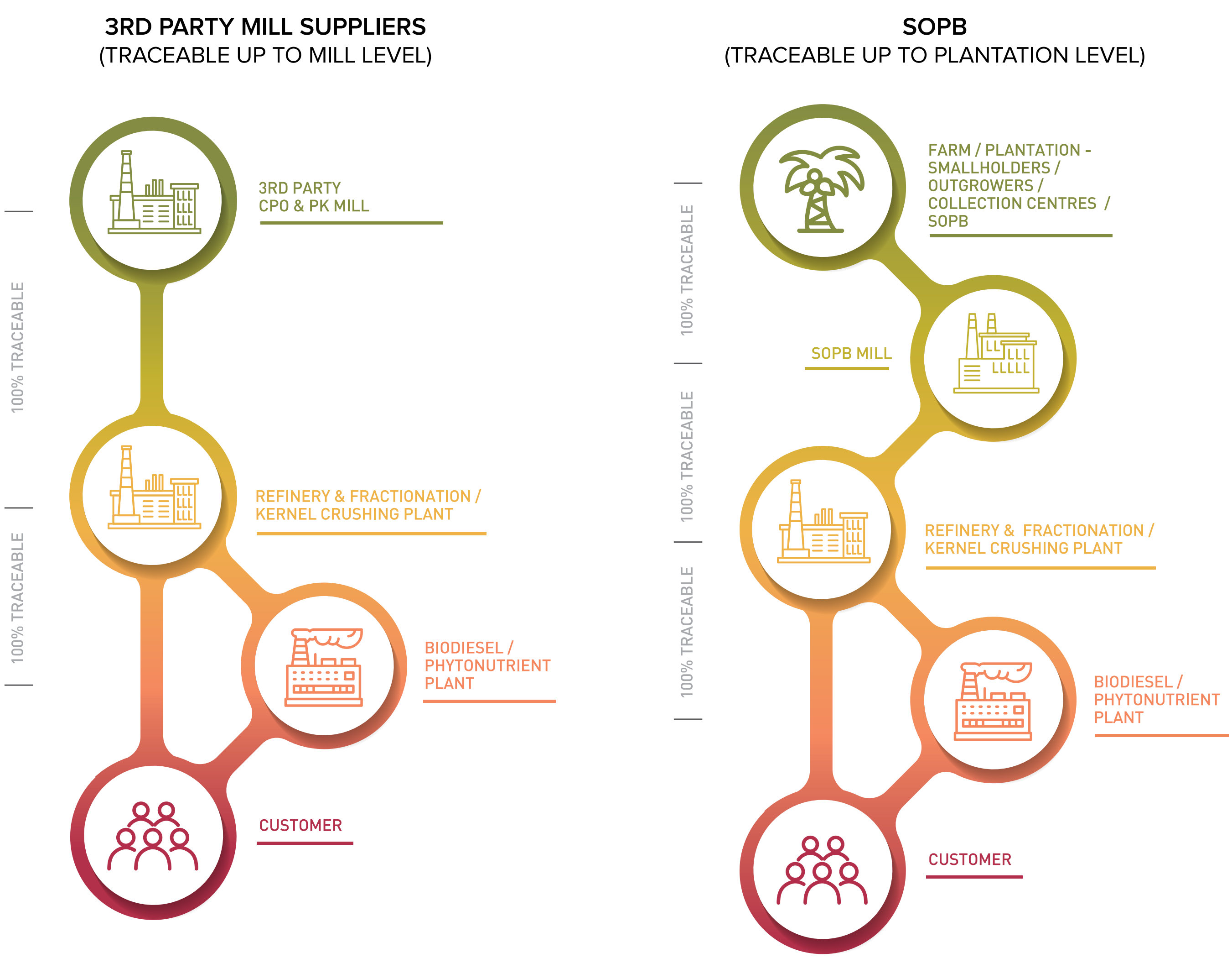
TRACEABILITY

Traceability Status

SOPB Sustainability Dashboard was launched in 2019 to publish the traceability status of the sources of raw materials and palm products. As of 2020, the crude palm oil (CPO) and palm kernel (PK) for its refinery and kernel crushing plant have achieved 100% traceability up to the mill level.

Fresh Fruit Bunches (FFB) for the Group's mills are sourced from its own plantations and also from 3rd party suppliers comprising smallholders, outgrowers and collections centres. As of 2020, FFB from the Group's own plantations are 100% traceable to the estates.

We have collaborated with our buyers and independent bodies to ensure that 3rd party mills in our supply chain would likewise be able to achieve full Traceability to Plantation level (TTP). This is complemented by MSPO Trace System which acts as a certification monitoring and tracing platform. We aim to achieve full traceability throughout our supply chain by the end of 2021.



Supplier Engagement Procedure

SOPB launched the Supplier Engagement Procedure on 2nd January 2019 in tandem with its OPSP to ensure compliance to its sustainability policies, improve transparency of sustainability-related information, and to achieve 100% Traceability to Plantation (TTP) in our supply chain.

STAGE 1

All suppliers were required to complete our Supplier Assessment Form so as to identify gaps and determine their compliance status to SOPB's sustainability policies. Suppliers Sustainability Risk Assessment was carried out by SOPB Sustainability Department and Downstream Operation to develop further action plans for suppliers to ensure compliance.

STAGE 2

SOPB Engagement Committee followed up with the 3rd party suppliers on the proposed action plans and remedied any shortcomings. The engagement process could take up to six (6) months or more depending on the suppliers' progress and commitments established towards compliance to our OPSP. SOPB rendered the necessary support to our suppliers who were genuinely committed to improve their overall sustainability performance for the advancement of the oil palms industry in Sarawak.

More information on the procedure is available at this link:
http://www.sop.com.my/sustainability/docs/supplychain/Supplier%20Engagement%20Procedure.pdf

STAKEHOLDERS ENGAGEMENT

Stakeholder	Engagement Modes	Areas of Concern	Frequency	Anticipated Outcomes
Employees 	Management Meeting Events and functions Staff Meeting and internal Training Internal communication via newsletters and intranet Recreational activities	Human & Worker's Rights Social Welfare Sustainability Updates Safety & Health SOPB's Sustainability performance updates Training and development opportunities	Annually/Regularly	To understand, assimilate and uphold the commitments and targets laid out in SOPB's policies and procedures

SUSTAINABILITY REPORT 2020
(Cont'd)

Stakeholder	Engagement Modes	Areas of Concern	Frequency	Anticipated Outcomes
Customers 	Meetings and seminars Engagement survey Site visits to operational units	Product quality and food safety Price competitiveness NDPE Policy implementation High Conservation Value Areas Environmental practices for all operational units	As needed/ requested	Acceptance of SOPB's commitments and practices in line with sustainability policies
Government & Regulators 	Field visits and dialogue sessions Events and seminars Publications via newsletters and website	Compliance status to regulatory requirements Human & Worker's Rights Shortage of workforce	As needed	Recognition of the SOPB's commitments, policies and procedures
Smallholders, Outgrowers & Local Communities 	CSR activities Seminars, dialogues and workshops	Certification requirement Sustainability commitments Market requisites	Annually	Stronger rapport and support for SOPB's policies by smallholders, outgrowers and local communities
Non-governmental Organization (NGO) 	Teleconference Email One-to-one meetings Field visits Documentation review	Sustainability Practices Human & Worker's Rights Supply chain traceability	As needed	Acceptance of SOPB's policies, procedures and progress on sustainability
Schools & Universities 	Career fairs Site visits Internships Awards Seminars and workshops	Career opportunities and scholarships Development of oil palms industry Sustainability Commitments	Annually	Better understanding of the oil palms sector Participation in the various opportunities in the oil palms sector Render financial assistance to those in need

Stakeholder	Engagement Modes	Areas of Concern	Frequency	Anticipated Outcomes
Certification Bodies 	Sustainability Certifications	Certification requirements Compliance to related acts and laws Sustainability Commitments	Annually	Compliance to certification requirements Stakeholders' assurance
Shareholders, Investors & Banks 	Site visits Quarterly updates	Sustainability Certifications Implementation of Commitments	Quarterly	Stakeholders' assurance Assurance of SOPB's Sustainability commitments and progress
Suppliers 	Surveys/questionnaire One-to-one meeting / Webinar Contract bidding and tendering	Business ethics Compliance to relevant laws Market requirements on sustainability	Annually/ As needed	Full compliance to SOPB's policies Stronger rapport with suppliers

Highlight of Stakeholders' Engagement in 2020

(i) Engagement with palm products suppliers

Stakeholder engagement is essential to build strong business relationships and foster mutual understanding. Pursuant to our sustainability commitments to ensure responsible sourcing of palm products, SOPB, Cargill (an international Oils & Fats commodity trader), and Proforest (an international consultancy service provider) had convened a Zoom workshop on traceability and supply chain monitoring from 26th to 27th October 2020. Sixty-two (62) sustainability personnel and operational heads from twenty-five (25) palm products suppliers participated in that Zoom Workshop. Representatives from the Malaysian Palm Oil Certification Council (MPOCC) gave a briefing on MSPO Trace which acted as a traceability, certification and monitoring platform.

The workshop allowed SOPB's suppliers to air their view regarding supply chain monitoring and traceability to plantations. Participants were also given a walk - through on the tools that could be used to perform supply chain gap analysis such as Self-Assessment Tool (SAT), Risk Calibrated Approach (RCA) and Global Forest Watch (GFW).

That workshop provided an appropriate avenue for establishing mutual understanding amongst the stakeholders, and highlighting the capacity gaps in implementing traceability and supply chain monitoring. Presenters and participants actively shared their perspectives and a consensus was reached on how to achieve TTP in the future.

SUSTAINABILITY REPORT 2020
(Cont'd)

(ii) Engagement with oil palm smallholders

SOPB in collaboration with Malaysian Palm Oil Board (MPOB), Sarawak Department of Agriculture (DOA) and Jabatan Kebajikan Masyarakat (State Welfare Department) participated in a two-day Program Jangkauan Ilmu for nine (9) longhouses of the Penan communities at Long Kevok, Apoh in Baram District. The programme was well attended by 225 oil palm smallholders and with the honorable presence of the elected representatives of that electoral constituency.

The engagement with the local indigenous communities aimed at raising their awareness on Malaysian Sustainable Palm Oil (MSPO) certification and providing them with the knowledge, necessary training and assistance for them to organize themselves to register for and be certified under MSPO certification along with the local Sustainable Palm Oil Cluster (SPOC). Details of the engagement is available at http://www.sop.com.my/sustainability/longkevok.php

Closing ceremony of Program Jangkauan Ilmu at Long Kevok, Baram, Sarawak

INVESTOR RELATIONS

SOPB provided investors and civil societies with timely information regarding its business activities, processes, developments and performance.

In 2020, our Investor Relations team held several virtual conference calls and/ or webinars with industry analysts, investors and relevant stakeholders.

The Annual General Meeting with shareholders provided opportunity for them to give feedback and 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.

SUSTAINABILITY CERTIFICATIONS

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

(i) Malaysian Sustainable Palm Oil (MSPO) Certification

SOPB was amongst the first oil palms companies in Sarawak to be MSPO certified.

In year 2019, we achieved 100% MSPO certification for all the Group's estates, palm oil mills, refinery and fractionation plant, kernel crushing plant, biodiesel plant and phytonutrient plant. In year 2020 annual surveillance and or re-certification audits were carried out as scheduled. The certification covered MSPO Part 3 General Principles for Oil Palms Plantations and Organized Smallholders, MSPO Part 4 General Principles for Palm Oil Mills and MSPO Supply Chain Certification Standard (SCCS).

(ii) International Sustainability & Carbon Certification (ISCC)

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 gaseous emissions and savings. ISCC EU demonstrates compliance with the legal requirements of Renewable Energy Directive 2009/28/EC and Fuel Quality Directive 2009/30/EC.

We started ISCC certification since 2014 and 100% certification was achieved in 2018. In both year 2019 & 2020, all qualified plantations, palm oil mills, downstream complex and Singapore trading office were re-certified.

SUSTAINABILITY REPORT 2020
(Cont'd)

Food Safety, Quality & Management System Certifications

As part of our commitment to uphold SOPB gold standards and professionalism, our products and processes were certified by various international bodies. Certification serves to provide stakeholders with the assurance of safety, sustainability and reliability of our products. We aim to deliver the best product possible and with reputable brand.

In 2020, SOPB has successfully obtained ISO 22000, HACCP and GMP for our consumer packaging plants as an assurance of highest quality of food and safety. The followings are the various certification for our products:

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

Sustainable Palm Oil Transparency Toolkit (SPOTT) conducted by Zoological Society of London

SOPB has participated in the Sustainable Palm Oil Transparency Toolkit (SPOTT) assessment conducted by Zoological Society of London (ZSL) since 2017, an online platform for sustainable production and trade in various commodities trading.

Through this platform, SOPB was able to demonstrate transparency in its business by disclosing information required by SPOTT such as company policies, organization structures, best management practices in environmental, social and governance (ESG) issues. The assessment is also helpful to SOPB in monitoring its progress for continuous improvement, adherence to commitments and sharing of information required by its stakeholders.

For 2020, SOPB was ranked at 48th place amongst the 96 renowned companies representing planters, traders, crushers, and refiners selected by SPOTT for the assessment. SOPB acknowledges its ranking and would continue to monitor its implementation of continuous improvements and best management practices, and endeavour to improve its ranking during the next assessment.

More details on the SPOTT assessment is available at: https://www.spott.org/palm-oil

3-MCPD & GE Mitigation Project

SOPB took a serious view towards the study of the safety of 3-MCPD (3-monochloropropane-1,2-diol or 3-chloropropane-1,2-diol) and esters such as glycidyl fatty acid esters (GE) on human health as published by the European Food Safety Authority (EFSA) Panel. In year 2018, SOPB entered into R&D collaboration with the Malaysian Palm Oil Board (MPOB) to explore improvement in refining process in order to reduce the formation of 3-MCPD.

The process involved a unique water washing step at refinery plant. The installation of the washing facilities was completed in year 2019 and the process was fine-tuned for quality control. Samples were sent to MPOB for verification and by the end of year 2020, it was verified that the chlorine content and 3-MCPD level in refined oil have been consistently reduced to below the permitted threshold.

However, work on GE mitigation system which involves a new vacuum system is in progress. SOPB and the technology supplier would continue working on it to reduce GE level to below the permitted threshold.

Customer Satisfaction

SOPB conducted an annual survey to determine if requirements and expectations were met based on customers' perception and satisfaction.

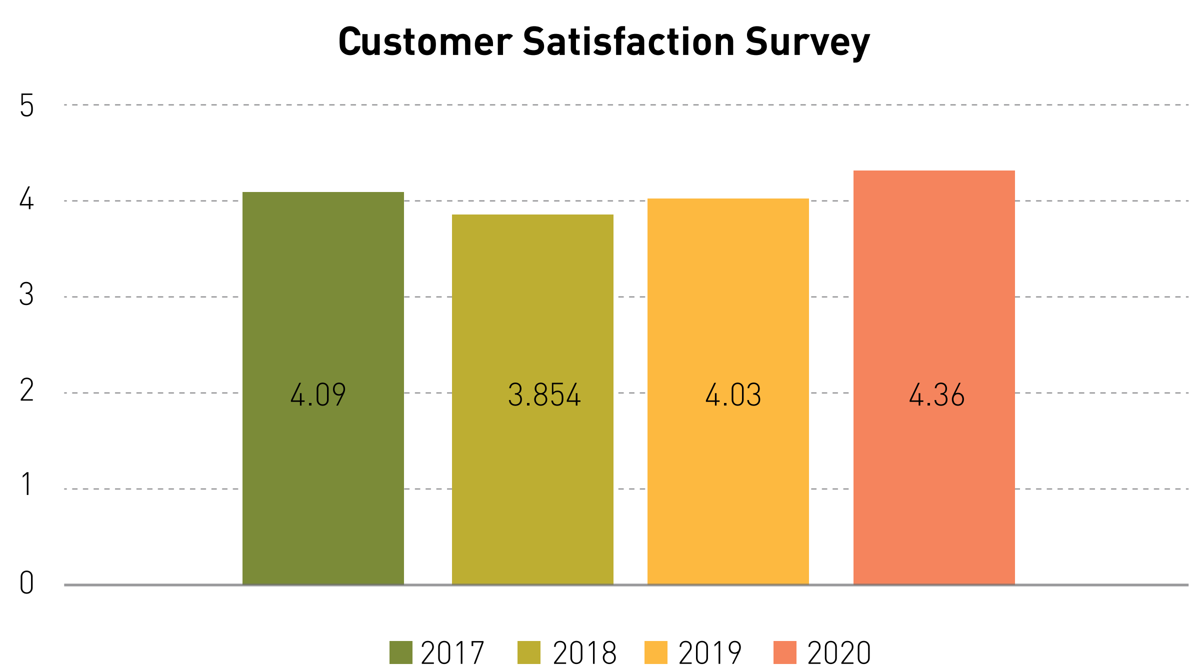
The survey focused on three key areas:

1. Communication

2. Quality Product

3. Quantity and Time

The table below shows the result of the customer satisfaction survey from year 2017 to 2020. There was a slight increase in customer satisfaction survey index for year 2020. The operations teams would continue to improve customer services to meet customers' perception and satisfaction level.



SUSTAINABILITY REPORT 2020
(Cont'd)

MEMBERSHIP OF ASSOCIATIONS

SOPB is active in various oil-palm related associations in the country for the furtherance of oil palm industry. Its membership in these associations is as follows:

ASSOCIATIONS	MEMBERSHIP / REPRESENTATION
Malaysian Palm Oil Association (MPOA)	Member
Sarawak Oil Palm 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)	Involved in RSPO Peat Working Group (Sibu - 2007 & Miri - 2018)
High Conservation Value Resource Network (HCVRN)	Representative of SOPPOA in Regional Stakeholder Consultation on MYNI for Management and Monitoring of HCVs 2020

SOPB recognises that long-term success of a business relies on adopting sustainable practices, including due care for the environment in which it operates. Besides complying with applicable National and State environmental laws and regulations, the Group is committed to environmental preservation through biodiversity conservation and mitigation of negative impacts in all its operational units. It focuses on reducing emissions, optimizing energy usage and practicing proper waste management. These are spelt out in its **Environmental Sustainability Policy (2014)** and further reinforced by its **Oil Palms Sustainability Policy (2019)**.

No Deforestation

SOPB launched its integrated Oil Palms Sustainability Policy (OPSP) in 2019, a manifestation of its commitment to No Deforestation of High Conservation Value (HCV) areas within its landbank. Any new development would have to undergo HCV and High Carbon Stock Approach (HCSA) assessments, in line with the National and State Agricultural Land Use Policy. SOPB stays true to its commitments and is fully compliant with its OPSP.

The Group has conducted HCV assessments for all its post-2005 planting and has also started assessments using the HCSA.

Our palm product suppliers were informed to comply with our OPSP or bear the risk of being excluded from our supply chain.

Soil Conservation & Recycling of Biomass

One of the soil conservation techniques that the Group practiced is the growing of fast - growing leguminous cover plant, i.e. *Mucuna bracteata*, during the early stage of planting / re-planting, and terraced planting at mineral areas is carried out to minimize surface run-off. For weeding, only circle and path spraying technique is used so as to maintain natural ground-cover vegetation at inter-rows.

Residues such as pruned fronds, empty fruit bunches and mill by-products are recycled in the fields as top soil enrichment as well as organic fertilizers so as to reduce the use of inorganic fertilizers and reduce gaseous emissions.

Soil conservation in Lambir 1 Estate with legumes (Mucuna bracteata) planted

Integrated Pest Management (IPM)

To minimize usage of pesticides in the plantation, the Group has adopted IPM approach where beneficial plants such as *Turnera subulata, Cassia cobanensis, and Antigonon leptopus* were planted so as to increase the population of the predators of invertebrate pests and thereby serves as a biological control over the invertebrate pests.

Beneficial plants in Sabaju 3 Estate

Subsidence posts installed in every peat estate for subsidence monitoring.

Peatlands Best Management Practices

Peatlands are vital for water management, biodiversity conservation and carbon storage.

In 2019, the Group has ceased all new development in peatlands regardless of depth in line with its Oil Palms Sustainability Policy (OPSP).

Drainage and water management remained as important agenda in our plantation management of peat areas, and 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, while subsistence posts and piezometers were set up in the fields to record and monitor subsidence and water level.

Zero Burning Policy

The Group has adopted zero burning policy for the past decades in line with its Environmental Sustainability Policy and Oil Palms Sustainability Policy (OPSP), and also compliant to Environment Quality Act 1974 (Act 1974) and regulations of Natural Resources and Environment Board (NREB) Sarawak.

During replanting, old palms stands were felled, chipped, mulched and left to natural decomposition *in-situ* instead of burning, thus will aid the return of organic matters to the soil.

BIODIVERSITY AND CONSERVATION

The Group acknowledges that promoting biodiversity and conservation within its planted oil palms areas would help to sustain the natural ecosystems.

In 2015, the Group established its Biodiversity and Conservation Unit to collaborate with local and international bodies, including universities, research institutions and other stakeholders, to implement and manage its biodiversity and conservation agendas.

Forest Rehabilitation

Initiated in 2017, the Group together with Malaysian Palm Oil Board (MPOB) and Sarawak Forestry Corporation (SFC), has carried out rehabilitation of the biodiversity of Tinbarap Conservation Area (TCA). To-date some 9,800 tree seedlings of indigenous species have been planted in the area.

Seedlings ready for planting

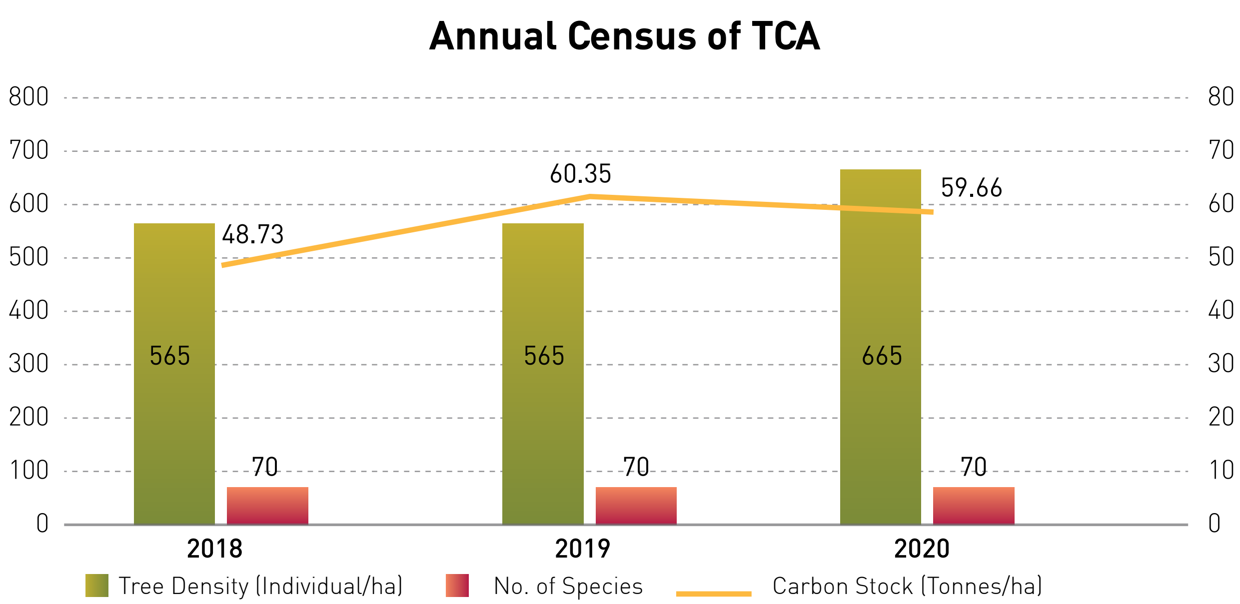
Seedlings steadily growing

Alstonia angustiloba, Pulai growing healthily in Tinbarap Conservation Area

Tinbarap Conservation Area (TCA)

Since the inception of TCA in 2015, annual surveys were conducted in the permanent plots established by MPOB within TCA to monitor the growth rate and enhancement of the forest species, with the objective of increasing the carbon stock of the conservation area.

The table below summarizes the results of the survey:



Although there was an increase of tree density per ha in year 2020, a slight drop in the carbon stock was observed due to fall of larger trees and other natural caused by termites. The number of trees has increased as more younger trees have now met the census criteria of having reached diameter at breast height of 10cm.

Survey of Birds Population

In July 2020, a biodiversity team from MPOB, together with SOPB Biodiversity and Conservation Unit resumed site investigation to survey the population of birds in Taniku Estate and Tinbarap Estate in Miri, and Sebungan Estate and Sabaju Estate in Bintulu .

The results of the survey are tabulated as follows:

Family	Species Name	Scientific Name	Sebungan	Sabaju	Tinbarap	Taniku	Conservation Status	
			Oil Palms Planted Areas				IUCN	SWLPO, 1998
Accipitridae	Black-shouldered Kite	*Elanus axillaris*		/	/		LC	
	Crested Serpent Eagle	*Spilornis cheela*	/	/	/	/	LC	
	Changeable Hawk-eagle	*Nisaetus cirrhatus*			/		LC	
Aegithinaidae	Common Iora	*Aegithina tiphia*			/	/	LC	
Alcedinidae	Blue-eared Kingfisher	*Alcedo meninting*		/			LC	P
	Stork-billed Kingfisher	*Pelargopsis capensis*		/	/		LC	P
	Oriental Dwarf Kingfisher	*Ceyx erithaca*		/			LC	P
	White-breasted Kingfisher	*Halcyon smyrnensis*				/	LC	P
Apodidae	Swiftlet sp			/	/	/		
	Needle-tailed Swift	*Hirundapus caudacutus*				/	LC	
Ardeidae	Intermediate Egret	*Ardea intermedia*		/	/	/	LC	P
	Little Egret	*Egratta garzetta*	/	/	/		LC	P
	Cinnamon Bittern	*Ixobrychus cinnamomeus*		/	/	/	LC	P
	Yellow Bittern	*Ixobrychus sinensis*		/	/	/	LC	P
	Striated Heron	*Butorides striata*		/	/	/	LC	P
	Purple Heron	*Ardea purpurea*				/	LC	P
Artamidae	White-breasted Woodswallow	*Artamus leucorynchus*		/		/	LC	
Bucerotidae	Black Hornbill	*Anthracoceros malayanus*		/		/	VU	TP
Campephagidae	Pied Triller	*Lalage nigra*				/	LC	
Caprimulgidae	Large-tailed Nightjar	*Caprimulgus macrurus*			/		LC	
Cisticolidae	Yellow-bellied Prinia	*Prinia flaviventris*	/	/	/	/	LC	
	Ashy Tailorbird	*Orthotomus ruficeps*		/	/	/	LC	
	Rufous-tailed Tailorbird	*Orthotomus sericeus*	/	/	/	/	LC	
Columbidae	Spotted Dove	*Streptopelia chinensis*	/	/	/	/	LC	
	Zebra Dove	*Geopelia striata*			/		LC	
	Green Imperial Pigeon	*Ducula aenea*		/			LC	TP
	Pink-neck Green Pigeon	*Treron vernans*		/	/	/	LC	
	Thick-billed Green Pigeon	*Treron curvirostra*		/		/	LC	

Survey of Birds Population (Cont'd)

Family	Species Name	Scientific Name	Sebungan	Sabaju	Tinbarap	Taniku	Conservation Status	
			Oil Palms Planted Areas				IUCN	SWLPO, 1998
Coraciidae	Dollar Bird	*Eurystomus orientalis*				/	LC	
Corvidae	Large-billed Crow	*Corvus macrorhynchos*		/	/		LC	
	Slender-billed Crow	*Corvus enca*					LC	
Cuculidae	Plaintive Cuckoo	*Cacomantis merulinus*			/	/	LC	
	Greater Coucal	*Centropus sinensis*	/	/	/	/	LC	
	Lesser Cousal	*Centropus bengalensis*	/	/	/	/	LC	
	Chesnut-billed Malkoha	*Phaenicophaeus sumatranus*		/	/		NT	
	Chesnut-breasted Malkoha	*Phaenicophaeus curvirostris*		/			LC	
Dicaeidae	Yellow-rumped Flowerpecker	*Prionochillus xanthopygius*		/			LC	
	Orange-bellied Flowerpecker	*Dicaeum trigonostigma*		/		/	LC	
	Yellow-breasted Flowerpecker	*Prionochilus maculatus*			/		LC	
Estrildidae	Dusky Munia	*Lonchura fuscans*		/	/		LC	
	Chestnut Munia	*Lonchura atricapilla*			/	/	LC	
Falconidae	Black-thighed Falconet	*Microhierax fringillarius*			/		LC	P
Hirundinidae	Pacific Swallow	*Hirundo tahitica*		/	/	/	LC	
	Barn Swallow	*Hirundo rustica*			/		LC	
Laniidae	Long-tailed Shrike	*Lanius schach*		/	/		LC	
Megalaimidae	Blue-eared Barbet	*Psilopogon cyanotis*		/			LC	
Meropidae	Blue-throated Bee-eater	*Merops viridis*				/	LC	
Musicapidae	Oriental Magpie-robin	*Copsychus saularis*	/	/	/	/	LC	
Nectariidae	Purple-naped Sunbird	*Cinnyris asiaticus*		/		/	LC	
	Plain Sunbird	*Anthreptes simplex*		/	/	/	LC	
	Brown-throated Sunbird	*Anthreptes malacensis*	/	/	/	/	LC	
	Olive-backed Sunbird	*Cinnyris jugularis*			/		LC	
	Ruby-cheeked Sunbird	*Chalcoparia singalensis*				/	LC	
	Eastern Crimson Sunbird	*Aethopyga siparaja*				/	LC	
	Little Spiderhunter	*Arachnothera longirostra*		/		/	LC	
Passeridae	Eurasian Tree Sparrow	*Passer montanus*			/		LC	
Psittaculidae	Long-tailed Parakeet	*Psittacula longicauda*	/	/	/	/	VU	

SUSTAINABILITY REPORT 2020
(Cont'd)

Survey of Birds Population (Cont'd)

Family	Species Name	Scientific Name	Sebungan	Sabaju	Tinbarap	Taniku	Conservation Status	
			Oil Palms Planted Areas				IUCN	SWLPO, 1998
Pycnonotidae	Yellow-vented Bulbul	*Pycnonotus simplex*	/	/	/	/	LC	
	Olive-winged Bulbul	*Pycnonotus plumosus*	/	/	/	/	LC	
	Red-eyed Bulbul	*Pycnonotus brunneus*			/	/	LC	
Rallidae	White-breasted Waterhen	*Amaurornis phoenicurus*	/	/	/	/	LC	
Rhipiduridae	Malaysian Pied Fantail	*Rhipidura javanica*	/	/	/	/	LC	
Scolopacidae	Common Sandpiper	*Actitis hypoleucos*			/		LC	
Sturnidae	Asian Glossy Starling	*Aplonis panayensis*		/	/	/	LC	
	Hill Myna	*Gracula religiosa*			/	/	LC	P
	Common Myna	*Acridotheres tritis*				/	LC	
Timaliidae	Bold-stripped Tit-babbler	*Macronus bornensis*	/	/		/	LC	
	Fluffy-backed Tit-babbler	*Macronus ptilosus*		/		/	NT	
	Black-throated Babbler	*Stachyris nigricollis*			/		NT	
	Chestnut-winged Babbler	*Stachyris erythroptera*		/	/	/	LC	
31	**70**		**15**	**45**	**46**	**46**	**LC-64 NT-3 VU-2**	**P-12 TP-2**

*LC- Least Concern; NT – Near Threatened; VU – Vulnerable; P – Protected; TP – Totally Protected.

Survey of birds in Tinbarap Estate

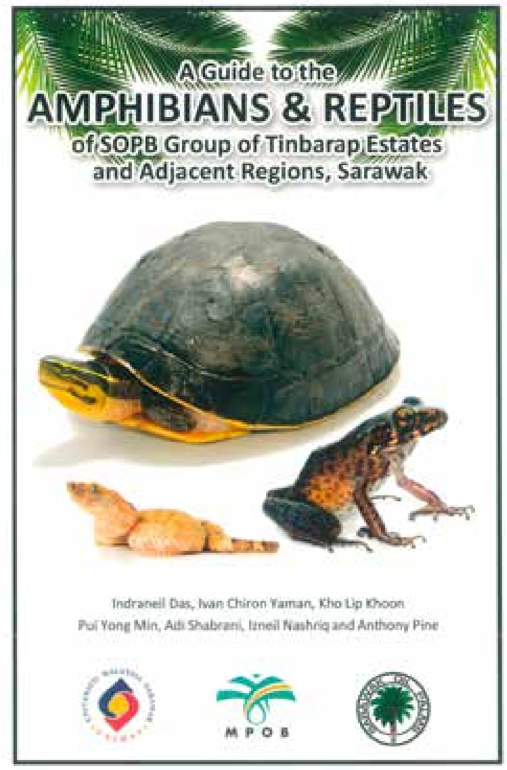
Calculating ground vegetation cover

Survey of birds in Taniku Estate

Survey of Herpetofauna (Reptiles and Amphibians)

In December 2018, a team led by Professor Indraneil Das conducted a survey of herpetofauna (reptiles and amphibians) in Tinbarap Estate. The study was completed in 2019 and the results of the study was reported in the 2019 Annual Report.

From the study, MPOB, UNIMAS and SOPB jointly published a guide on the amphibians and reptiles of Tinbarap Estate so as to provide biodiversity information of these areas and to highlight practices that could help biodiversity conservation of the surrounding areas. The guide was available on UNIMAS website under Herpetofauna Research Group, Institute of Biodiversity and Environmental Conservation (IBEC).



Collaboration And Research

Lambir Estate

In 2015, SOPB, MPOB and University of Tokyo signed a memorandum of understanding (MOU) to conduct research on the ecosystem dynamics of oil palms plantations. Over the years, postgraduate students have performed research in this locality.

The MOU was renewed in 2019 to allow more postgraduate students to conduct research on the use of energy, carbon and water in Lambir 2 Estate which experienced frequent flooding. In year 2020, progress of the research was affected by the COVID-19 pandemic movement restrictions.

Sabaju & 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. In 2020, undergraduate students from VHL visited Sebungan and Sabaju Estate and data was gathered for their further analysis.

An agreement was signed in 2015 between SOPB and MPOB regarding research on ecosystem carbon and nitrogen dynamics in Sabaju Estate and Sebungan Estate. In year 2020, field work was carried out in these estates.

VHL BSc. student in Sabaju estates conducting research, assisted by MPOB's Biodiversity Team

GREENHOUSE GASEOUS (GHG) EMISSIONS

SOPB committed to reduce GHG emissions at all operational units. We had been monitoring and managing the GHG emissions at the various stages of production spanning from oil palm nursery seedlings production, oil extraction at the palm oil mills, palm oil mill effluent (POME), to the transportation of CPO and PK to the refinery. The data sets were analysed to quantify GHG emissions and mitigation measures were taken. Our GHG emissions were quantified using ISCC toolkits based on EU Renewable Energy Directive (RED).

The readings for respecive operating units are tabulated below:

Year 2020	Unit	Operating Unit			
		Plantation	Mill	SOP Edible Oils	SOP Energy Green
Scope 1	$MTCo_2eq$	116,270	100,179	8,153	25,681
Scope 2		0.00	0.00	25,181	3,246
Total Emission		116,270	100,179	33,334	28,927
Emission Intensity	TCO_2eq/ MT Product	0.09	0.21	0.04	0.31

Note:

Scope 1: Direct GHG emissions were defined as emissions from sources that were owned or controlled by SOPB such as usage of fertilizers, fossil fuel, pesticide, chemicals and lubricants.

Scope 2: Indirect GHG emissions were defined as consumption of purchased grid electricity from utilities providers.

	Operating Unit			
GHG Intensity ($T\ CO_2eq/MT$ Product)	Plantation	Mill	SOP Edible Oils	SOP Green Energy
2018	0.09	0.24	0.07	0.29
2019	0.08	0.27	0.04	0.30
2020	0.09	0.21	0.04	0.31

Biogas Plant for Methane Capture

The methane gas emitted from the Palm Oil Mill Effluent (POME) could be harnessed as a source of renewable energy source whilst at the same time help to reduce GHG emission. The first methane capture facility (biogas plant) at Metanik Palm Oil Mill was ready and operational in year 2020. Similar methane capture facilities would be installed at the remaining palm oil mills in stages.

Electrostatic Precipitators (ESP)

The permissible level of dust emission load limit was revised by the government regulatory authorities from 400mg/m3 to 150mg/m3. Installation of Electrostatic Precipitators (ESP) would help reduce the dust emission load limit to not more than the revised permissible level.

ESP have been installed and were operational in year 2020 at Galasah POM, Sabaju POM, Lambir POM and Metanik POM, and were successful in reducing dust emission to not more than the permissible level set by the regulatory authorities. ESP installation in stages at the remaining palm oil mills will commence in year 2021.

ENERGY MANAGEMENT

SOPB sought to optimize the use of renewable energy to meet increasing energy demand and reduce environmental impacts caused by our operational units.

Energy consumption in year 2020 for respective operational units in the Group is as tabulated below:

Energy consumption within SOPB Group		Consumption (GJ) in 2020			
		Plantations	Mills	SOP Edible Oils	SOP Green Energy
(a)	Non-renewable energy fuel consumed	412,019	110,390	93,660	727
(b)	Renewable fuel consumed	0.00	0.00	847,618	0.00
(c)	Electricity, heating, cooling & steam purchased for consumption	0.00	0.00	105,333	15,022
(d)	Self-generated electricity, heating, cooling & steam (which are not consumed)	0.00	0.00	0.00	0.00
(e)	Electricity, heating, cooling & steam sold	0.00	0.00	0.00	0.00
(f)	Total energy consumption within the group = (a) + (b) + (c) + (d) - (e)	412,019	110,390	1,046,611	15,749
(g)	Energy Intensity (GJ/MT Product)	0.30	0.23	1.18	0.16

Steam remained the biggest source of energy followed by Electricity and Heating for our downstream operational units. With the increased Biodiesel and Phytonutrient production in year 2020, higher steam consumption was needed for the daily operations compared to year 2019. It was noted that 88% of the energy used by the boilers was derived from renewable sources such as fibre and palm kernel shell.

At our milling units, renewable energy was generated through steam turbines in palm oil mill operation by the burning of biomass fuel (by-products from mills operation) such as palm mesocarp fibre, empty bunch fibre and palm kernel shell. We would upgrade our boilers in due course to reduce gaseous emissions to the environment.

The efficient management of oil palms biomass significantly increased bioenergy generation and decreased the use of fossil fuels.

Comparison of Energy Intensity from 2018 to 2020

Energy Intensity (GJ/MT product)	Plantations	Mills	SOP Edible Oils	SOP Green Energy
2018	0.39	0.24	1.68	0.14
2019	0.22	0.24	1.16	0.15
2020	0.30	0.23	1.18	0.16

WATER & EFFLUENT MANAGEMENT

Protection of Riparian Buffer Zone and Slope

The Group established Protection of Riparian Buffer Zone and Slope Policy in 2016 for the plantations to maintain buffer zones along the main rivers. The riparian buffer zones act as a filter for any surface run-off to minimize pollution to the waterways. Buffer zone signages were installed on site to prohibit any activities that would pollute the waterways.

Third party environmental consultants were engaged to conduct quarterly environmental monitoring assessment and Environmental Monitoring Reporting (EMR) to ensure compliance to the regulations set by Department of Environment (DOE) and Natural Resources and Energy Board (NREB) Sarawak.

Adequate signboards and signages are displayed at a buffer zone

Water Consumption

Housing quarters within the Group are equipped with water treatment plants that produce potable water. Water analysis were carried out by internal and external laboratories for all operational units to meet the quality required under the National Standard for Drinking Water.

In addition, rain gutters are installed at all housing quarters to harvest rainwater for domestic usage.

Comparison of water consumption at palm oil mills and refinery plants is tabulated as below:

Year	Water Usage (m^3)		
	Palm Oil Mills	Downstream refinery plants	Total
2018	4,166,907	300,028	4,466,935
2019	4,184,456	393,817	4,578,273
2020	4,025,197	469,435	4,494,632

Effluent Management

The Group complied with the Department of Environment's (DOE) regulations for waste water discharge. All Palm Oil Mill Effluents were properly treated in treatment ponds to reduce the Biochemical Oxygen Demand (BOD) and Chemical Oxygen Demand (COD) to meet the discharge limits as recommended by DOE before being released into the waterways.

Year	Palm Oil Mill Effluent (POME)	Downstream Effluent
	Discharged (m^3)	Discharged (m^3)
2018	1,439,503	34,425
2019	1,520,551	45,009
2020	1,682,871	76,313

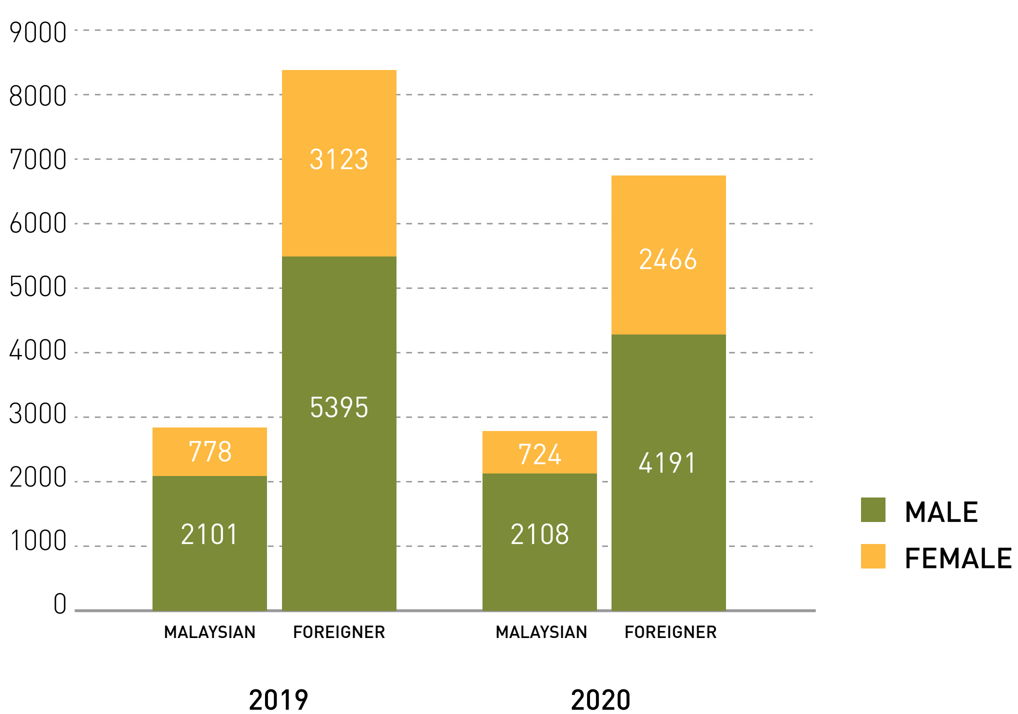
PEOPLE (EMPLOYEES & COMMUNITIES)

WORKPLACE

EMPLOYMENT

The profiles of employees for SOPB for the year 2020 & 2019 are tabulated as follows:

TOTAL WORKFORCE 2019 VS 2020



SUSTAINABILITY REPORT 2020
(Cont'd)

Total Workforce by Gender 2020

Workforce by Gender 2020			
	Male	Female	Total
Malaysian	2108	724	2832
Foreigner	4191	2466	6657
Total	6299	3190	9489
Percentage (%)	66.38	33.62	100

Management by Gender 2020

Category	Gender			
	Male	Percentage	Female	Percentage
Management	94	3.32%	33	1.17%
Executive	227	8.01%	104	3.67%
Non-Executive	1126	39.76%	299	10.56%
General Worker	650	22.95%	299	10.56%

Management by Age Group 2020

Category	Age Group					
	Below 30	Percentage	30 - 50	Percentage	Above 50	Percentage
Management	0	0.00%	88	3.11%	39	1.38%
Executive	96	3.39%	211	7.45%	24	0.86%
Non-Executive	624	22.03%	725	25.60%	76	2.68%
General Worker	296	10.45%	481	16.98%	172	6.07%

Benefits provided to full-time employees (not including temporary or part- time employees)

Parental Leave

Parental Leave is provided to all permanent employees. Over 80% employees who returned from parental leave continued to work in SOPB for another period of 12 months.

Total number of employees who were entitled to parental leave by gender:

Year	Gender		Total
	Male	Female	
2019	895	229	1124
2020	887	228	1115

Ratio of Standard Entry Level Wage by Gender

SOPB Group shall pay all its employees in accordance to the Minimum Wages Order 2020 or any other future wages order that supersede the current minimum wages order.

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

SUSTAINABILITY REPORT 2020
(Cont'd)

Human Right Assessment

SOPB observes the Universal Declaration of Human Rights and is committed to uphold the human rights of all its members and communities and treats all employees fairly. We recognize the rights of all workers including contract, temporary and migrant workers, freedom of association, and the rights to bargain collectively.

Minimum Notice Period Regarding Operational Changes

The management provides ample notice to employees prior to implementation of any significant operational changes.

Non- Discrimination

SOPB has been practicing non-discrimination and committed to offer equality of opportunity to all employees and not to engage in or support discrimination in hiring, compensation, access to training, promotion, termination or retirement based on ethnic and national origin, caste, religion, sex, age, sexual orientation, union membership or political affiliation.

Total number of incidents of discrimination being reported	Nil
Actions being taken	Nil

Child Labour

SOPB upheld the human rights of all its members and communities under the Social and Community Policy. No child under the age of 18 years old was employed.

Workers' welfare

In 2018, 5-year plan to upgrade the living quarters equipped with amenities and facilities for both foreign and local employees was approved by SOPB's Board of Directors. Upgrading work of the housing quarters is on-going and the standards adopted would at least on par with that required by government local authorities.

The operation unit management frequently engages with its employees through regular forum such as "*Mesyuarat Kebajikan dan Alam Sekitar*" to understand the social needs of its employees and thereafter take necessary and prompt actions to address their needs.

The Group also provides insurance coverage for the plantation workers, free medical check-ups and hospitalization allowance. In addition, clinics are also set up in many SOPB estates for medical consultation and treatment. Where there is no clinic facility available in an estate, free transport would be provided for the employees to go to the nearest clinic or government hospital.

With COVID-19 pandemic still raging since early 2020, in-house Standard Operating Procedures (SOP) based on the guidelines and SOP prescribed by the Ministry of Health are strictly implemented and adhered to so as to protect the employees as well as the communities.

Modern housing quarters built at Sabaju Palm Oil Mill

OCCUPATIONAL SAFETY AND HEALTH

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

These are the key performance measures for Occupational, Safety and Health (OSH).

Commitment

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

System

- Adopt OSH policy supported by internal safe operating procedures to ensure proactive management.
- Induction program and refresher courses for employees.
- Reinforce the importance of safety by mandating near - miss reporting.
- Maintain risk management for effective hazard control at all operation units.
- Clinics to provide better response during emergencies for medical support
- OSH Committee to communicate OSH matters to employees at all operation units.

Governance

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

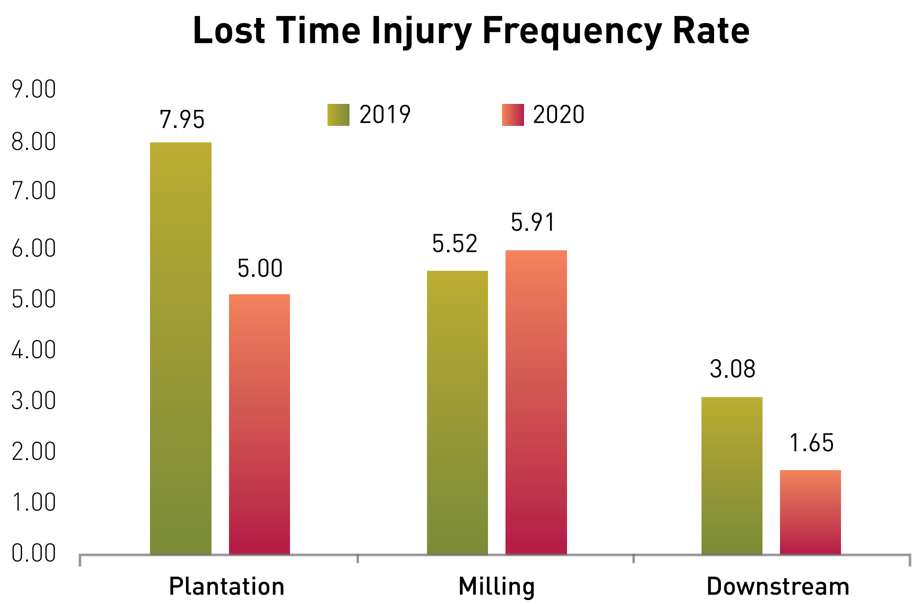
Culture

- Promote OSH programs across all operation units.

Lost Time Injury (LTI)

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

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

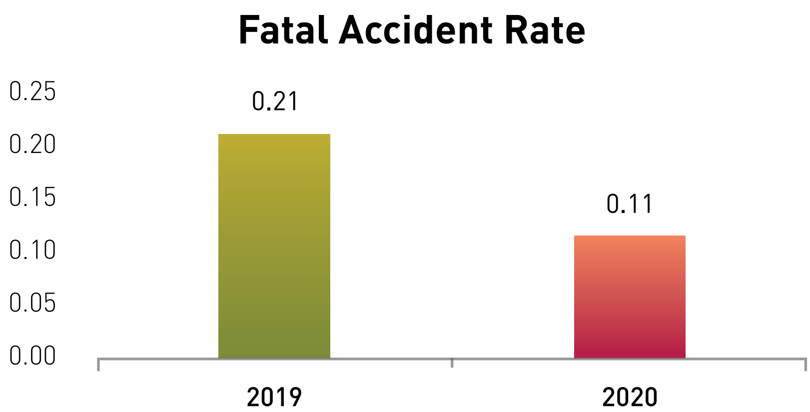


The graph above shows a decrease in LTI for plantation and downstream operations. In 2020, the total number of accidents was a reduction of 36.97% compared to year 2019. However, mill operation shows a slight increase in LTI.

Fatal Accident Rate

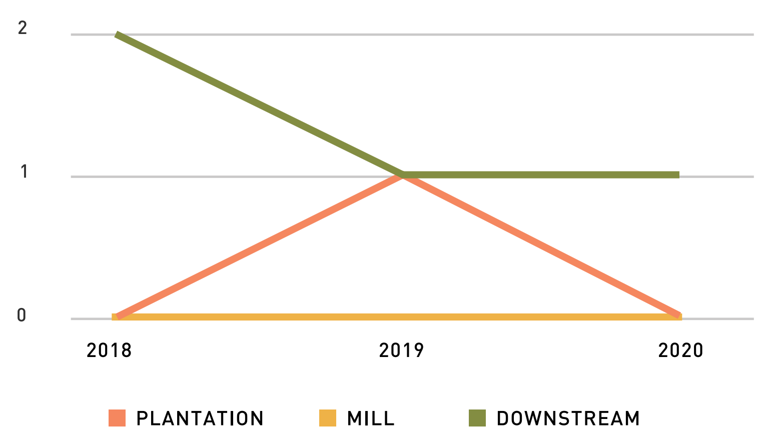
Fatal Accident Rate is calculated based on the following formula (Occupational Safety and Health Act 1994, JKKP8)

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



In 2020, the overall fatal accident rate was lower when compared to year 2019. The sole fatality case was at plantation operation related to agriculture vehicle operation.

FATALITIES CASES VS YEAR



For the past 3 years, fatality cases in plantations were related to agricultural vehicle operations. To prevent recurrence, stringent proactive measures such as installation of safety belts and safety features of the vehicles such as side mirrors and head lamps was implemented and closely monitored.

Chemical Health Risk Management

(i) Chemical Health and Risk Assessment (CHRA)

Chemical Health and Risk Assessment (CHRA) was conducted in eleven (11) estates of SOP Plantations (Murum) Sdn Bhd in year 2019 in compliance with the Occupational Safety & Health Act (OSHA) 1994. Report from the CHRA showed full compliance. The next CHRA assessment would be conducted in year 2024.

Another 30 estates of the Group were due for CHRA assessment in the second half of year 2020. However, due to COVID-19 pandemic and movement restriction under Control Movement Order (CMO), the CHRA assessment was postponed until further notice.

(ii) Medical Health Surveillance Program

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

In 2020, a total of 306 workers had undergone the aforesaid Health Surveillance Program, an increase of 3.27% as compared with year 2019.

Safety and Health Training

Occupational Safety and Health training was conducted in all operation units and with strict adherence to the Standard Operating Procedure (SOP) due to COVID-19 pandemic. The new norms of wearing face mask and social distancing measures are added to the existing SOPs and practices.

Due to COVID-19 pandemic with travel restriction and to minimize contact between participants, virtual training via online was used to conduct training.

Workplace training for harvesting conducted with social distancing

Workplace briefing for slashing activity conducted with social distance and masks

Firefighting training at Downstream

First aid training at workplace

External Programme and Inspection

(i Department of Occupational Safety and Health (DOSH) Malaysia

DOSH Audits were conducted at the eleven (11) estates of SOP Plantations (Murum) Sdn Bhd in February 2020. An annual inspection was also conducted by DOSH officers on the registered machinery and equipment.

DOSH inspection at Menawan 1 Estate

Documentation audit and workplace inspection by DOSH

Boiler Inspection conducted at Palm Oil Mill

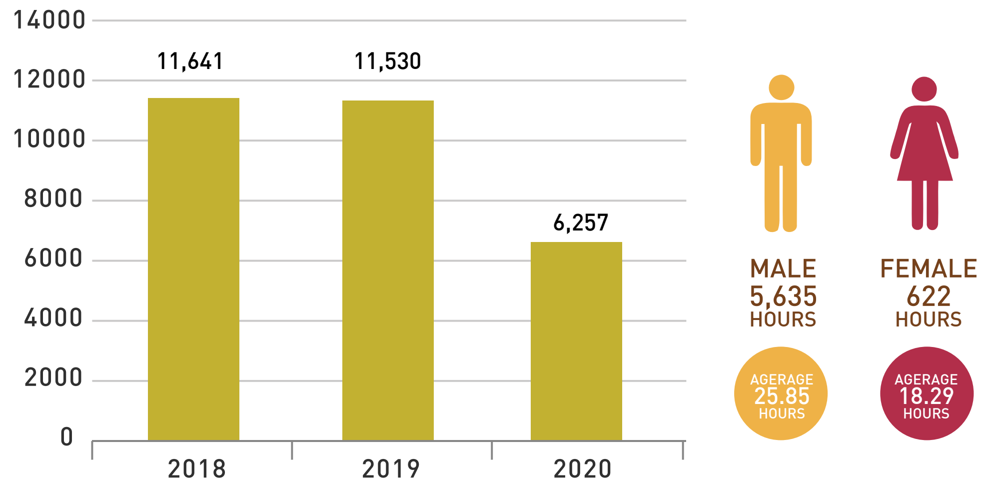
Documentation Audit at Mills after boiler inspections

TRAINING

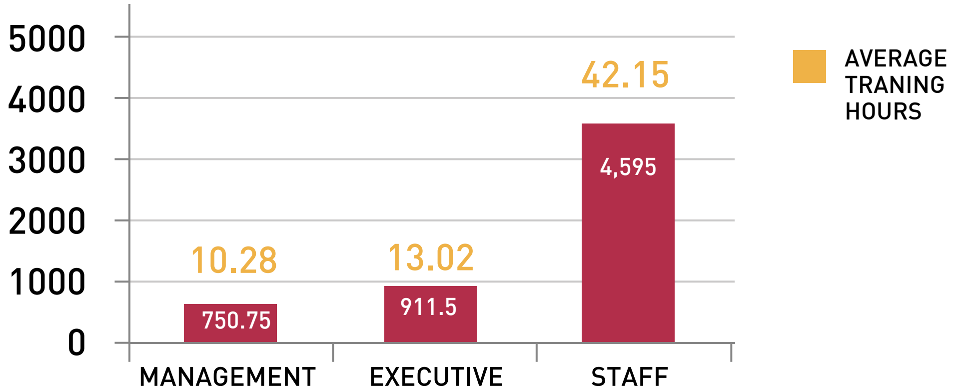
On-going in-house training were conducted for workers at all operational units tailored to job requirements. Training guidelines, handbooks and procedures were made available to ensure all training conducted were standardized. Training records were maintained by all operational units.

Training hours attended by full - time employees in year 2020 were as follows:

EMPLOYEE TRAINING HOURS BY GENDER (HOURS / YEAR)



AVERAGE TRAINING HOURS BY EMPLOYMENT LEVEL (HOURS / PERSON / YEAR)



EDUCATION

SOP Academy

SOP Academy was launched in 2010 and it has become the main venue for in-house training. We work on career development for staff, enable them to acquire new knowledge and skills which is in line with our goal of producing highly skilled planters in oil palms industry. Various in-house training and refresher courses are conducted throughout the year. Plantation Induction Program is conducted for new employees to enable them to be adequately trained before being 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
2020	7	12	-	19

Early Childhood Education - Community Learning Centre (CLC)

Early childhood education facilities are available at our operational units with fourteen (14) CLCs established to date. CLC syllabus based on Indonesia National Education is taught by competent teachers to enable children of foreign workers to adapt and 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 Taniku estate

Montessori Kindergarten

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

Total Number of Student	Total Number of Teacher
19	3

SUSTAINABILITY REPORT 2020
(Cont'd)

Social distancing and face masks for all teachers and students

COMMITMENT TO OUR COMMUNITIES

SOPB connects itself to the local communities through engagement programs which include health care, education and disaster relief aids aimed at improving well-being of the people in vicinity of its operations.

Social Contribution Programme

(i) COVID-19/MCO Special Relief to Local Communities in Murum

SOPB had extended a helping hand to the Penan communities in Murum by donating essential food items to needy families. This Special Relief Programme was part of our ongoing corporate social responsibility (CSR) commitment in helping the community affected by COVID-19 pandemic. A total of 204 underprivileged families from 4 longhouses had participated in this program.

SOPB Special Relief for Penan communities in Murum

(ii Sponsorship to Sarawak General Hospital in conjunction with World Sight Day 2020

SOPB sponsored Malaysia's World Sight Day 2020. The sponsorship was for the production of cataract education videos which would be used by Ministry of Health (KKM) as public educational materials. All 6 videos had been distributed to all eye clinics and eye departments in Malaysia as well as being shared via social media platform such as YouTube to raise awareness on preventable blindness and vision impairment.

The Ophthalmology departments of Miri General Hospital and Bintulu General Hospital had been partnering with SOPB in Vision Care Project since 2013 by sending their medical teams to conduct free eye screenings and basic medical health checks.

Handover of sponsorship to Ophthalmology Department of Miri General Hospital.

Educational Programme

SOPB believes that education will help to elevate the social well-being of local communities. We provide awards and prizes for high performing students, as well as financial and material aids to deserving students from local communities in the vicinity of our estates. This year, a total of 35 primary and secondary schools participated in our Young Achievers Awards (YAA) and Student Adoption Programme (SAP).

(i) Excellent Education Award Program: Young Achievers Awards (YAA)

In 2020, SOPB continued Young Achievers Awards (YAA) programme to motivate students from rural schools to strive for academic achievement. Outstanding primary and secondary school students who had excelled in the public examinations were awarded cash incentives and certificate of recognition.

Year	Number of Recipients
2016	199
2017	150
2018	190
2019	142
2020	146

YAA recipients receiving their awards from SOPB

(ii) Student Adoption Programme (SAP)

SOPB Student Adoption Programme (SAP) provides financial support to students from low-income families. The students recommended by their respective schools were given cash and stationery set. It is hoped that this token will motivate the students to excel academically while helping to ease the financial burden on their families.

Year	Number of Recipients
2016	91
2017	93
2018	113
2019	81
2020	50

SAP recipients receiving their awards from SOPB

(iii) Disaster Relief Aid

SOPB's Disaster Relief Fund for local communities aimed to help locals who suffered losses due to natural disasters such as flood and fire.

a) SK Sebauh, Bintulu

An early morning fire burnt down a two-storey student dormitory block and two pre-school classes of SK Sebauh on 5th August 2020. SOPB offered relief to ease the plight of the affected parties.

Disaster relief given to the fire victims of SK Sebauh in Bintulu

Our Workplace

(i) 555 Target

Officially launched in 2019, 555 Target is 5 tons of oil per hectare, RM5 billion market capitalization within 5 years. Every employee has the responsibility to work together as a team to improve productivity and yield.

555 TONS BILLION YEARS

Just Do It and Do It Fast!

(ii) iCARE Campaign

As part of 555 target, iCARE aimed to cultivate a sense of responsibility and accountability amongst SOPB Family member to his jobs, colleagues and the Group. Friday has been designated as iCARE Red Friday where employees are encouraged to wear red attires at workplace.

The Management has decided to continue the iCARE Best Driver and Operator Award campaign for Plantation's drivers in year 2020.

Congratulations! SAM Jali Anak Mili handed over cash award and certificate to Mr. Sahabuddin bin Raja Sani of Taniku 2 Estate as iCARE Best Driver

iCARE wear Red Friday

(iii) Response to COVID-19 Pandemic

(a) Implementation of new norms at workplace

Endeavoring to contain the COVID-19 at our workplace, a comprehensive set of Standard Operating Procedures (SOP) and safety measures were put in place. Every employee was expected to act responsibly, stay vigilant and exercise strict discipline. Employees were regularly reminded to wear face mask and practice social distancing, and make every effort to practice good hygiene. The Group would continue to proactively take preventive approach to minimize the risk of COVID-19 infection amongst employees.

Compulsory! Daily body temperature screening.

(b) Special Relief to Operation Staff & Workers

In response to COVID-19 pandemic and Movement Control Order (MCO), SOPB had distributed essential food items to the affected employees in its operation units, estates and mills. This emergency relief program was initiated in order to alleviate the plight of staff and workers during the MCO period. A total of 3 batches of relief supplies were distributed in 2020.

Distributions of essential food items to all operation units, estates and mills

(c) Distribution of face masks to all locations

SOPB had provided face masks to all its staff as it is compulsory to wear face mask at the workplace.

Reusable face masks used by security personnel

(d) Distribution of hand sanitizers and disinfectants

Hand sanitizers and disinfectants were distributed to all operation units from 18th March 2020 onwards. Three (3) rounds of hand sanitizers and disinfectants were distributed in year 2020.

Distributions of 20 liters hand sanitizer to all SOPB units

SUSTAINABILITY REPORT 2020
(Cont'd)

(d) Employee Team Building Activities

Unlike previous year, most of the annual staff physical events were unable to be held due to COVID-19 pandemic. In spite of this, a few interactive online gatherings as well as small scale activities were organized to help foster team spirit among SOPB Family and to stay connected with one another.

Let's Get Connected with SOP Family

Merdeka Day Celebration at Manong Estate

Durian Feast at Headquarters

Festive celebration: Hari Raya Aidilfitri, Hari Raya Aidiladha in estates, and department Christmas Gathering.

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102-15	Key impacts, risks and opportunities	• Sustainability Report: Materiality Assessment	33
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102-16	Value, principles, standards and norms of behaviour	• Annual Report - Vision, Core Values	1
102-17	Mechanisms for advice and concerns about ethics	• Sustainability Report: Grievance Mechanism	29
Governance			
102-18	Governance Structure	• Sustainability Governance Structure • Corporate Governance Overview Statement	27 83
102-19	Delegating authority	• Sustainability Governance Structure • Corporate Governance Overview Statement	27 83
102-20	Executive-level responsibility for economic, environmental and social topics	• Profile of Key Senior Management	16

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102-21	Consulting stakeholders on economic, environmental and social topics	• Sustainability Report - Stakeholder Engagement	39
102-22	Composition of the highest governance body and its committees	• Corporate Governance Overview Statement • Sustainability Governance Structure	83 27
102-23	Chair of the highest governance body	• Board of Directors	9
102-24	Nominating and selecting the highest governance body	• Corporate Governance Overview Statement	83
102-25	Conflicts of interest	• Corporate Governance Overview Statement	83
102-26	Role of highest governance body in setting purpose, values and strategy	• Corporate Governance Overview Statement	83
102-27	Collective knowledge of highest governance body	• Corporate Governance Overview Statement	83
102-28	Evaluating the highest governance body's performance	• Corporate Governance Overview Statement	83
102-29	Identifying and managing economic, environmental and social impacts	• Sustainability Report: Materiality Assessment	33
102-30	Effectiveness of risk management processes	• Corporate Governance Overview Statement	83
102-31	Review of economic, environmental and social topics	• Corporate Governance Overview Statement • Sustainability Governance Structure	83 27
102-32	Highest governance body's role in sustainability reporting	• Sustainability Governance Structure	27
102-33	Communicating critical concerns	• Sustainability Governance Structure	27
102-34	Nature and total number of critical concerns	• Corporate Governance Overview Statement	83
102-35	Remuneration policies	• Corporate Governance Overview Statement	83
102-36	Process for determining remuneration	• Corporate Governance Overview Statement	83
102-38	Annual total compensation ratio	P&C	
102-39	Percentage increase in annual total compensation ratio	P&C	
Stakeholder Engagement			
102-40	List of stakeholder groups	• Sustainability Report- Stakeholder Engagement	39
102-42	Identifying and selecting stakeholders	• Sustainability Report: Stakeholder Engagement • Sustainability Report: Materiality Assessment	39 33
102-43	Approach to stakeholder engagement	• Sustainability Report- Stakeholder Engagement	39
102-44	Key topics and concerns raised	• Sustainability Report- Stakeholder Engagement	39

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Reporting Practice			
102-45	Entities included in the consolidated financial statements	• Annual Report: Financial Statements	102
102-46	Defining report content and topic Boundaries	• Sustainability Report - About This Report • Sustainability Report: Materiality	24 33
102-47	List of material topics	• Sustainability Report - Materiality Assessment	33
102-48	Restatements of information	None	
102-49	Changes in reporting	None	
102-50	Reporting period	• Sustainability Report - About This Report	24
102-51	Date of most recent report	Annual Report 2019	
102-52	Reporting cycle	• Sustainability Report - About This Report	24
102-53	Contact point for questions regarding the report	• Sustainability Report - About This Report	24
102-54	Claims of reporting in accordance with the GRI Standards	• Sustainability Report - About This Report	24
102-55	GRI context index	• Sustainability Report - GRI Content Index	77
102-56	External assurance	• Sustainability Report- About This Report	24
GRI 103 - Management Approach			
103-1	Explanation of the material topic and its Boundary	• Sustainability Report - Materiality Assessment	33
GRI 201 - Economic Performance			
201-1	Direct Economic value generated and distributed	• Annual Report: Financial Statement	102
201-4	Financial assistance received from government	• Sustainability Report - Marketplace (3-MCPD & GE)	45
GRI 202 - Market Presence			
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	• Sustainability Report-Employment	57
202-2	Proportion of senior management hired from the local community	• Sustainability Report-Employment	57
GRI 203 - Indirect Economic Impacts			
203-1	Infrastructure investments and services supported	• Sustainability Report: Employment • Sustainability Report: Commitment To Our Communities	57 68
203-2	Significant indirect economic impacts	• Sustainability Report: Employment • Sustainability Report: Commitment To Our Communities	57 68
GRI 204 - Procurement Practices			

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204-1	Proportion of spending on local suppliers	We strive to support local suppliers in our operations.	
GRI 205 - Anti-corruption			
205-2	Communication and training about anti-corruption policies and procedures	• Sustainability Report: Grievances Mechanism	29
GRI 206 - Anti-competitive Behaviour			
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	No incidents reported in the reporting period	
GRI 301 - Materials			
301-1	Materials used by weight or volume	• Sustainability Report: Energy Management	55
GRI 302 - Energy			
302-1	Energy consumption within the organization	• Sustainability Report - Energy Management	55
302-2	Energy consumption outside of the organization	• Sustainability Report - Energy Management	55
302-3	Energy intensity	• Sustainability Report - Energy Management	55
GRI 303 - Water and Effluents			
303-1	Interactions with water as a shared resource	• Sustainability Report - Water Management	56
303-4	Water discharge	• Sustainability Report - Water Management	56
303-5	Water consumption	• Sustainability Report - Water Management	56
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	• Sustainability Report - Environment • Sustainability Report: Biodiversity and Conservation	47 48
304-2	Significant impacts of activities, products and services on biodiversity	• Sustainability Report - Environment • Sustainability Report: Biodiversity and Conservation	47 48
304-3	Habitats protected or restored	• Sustainability Report: Biodiversity and Conservation	48
304-4	Habitats protected and restored	• Sustainability Report: Biodiversity and Conservation	48
304-5	IUCN Red List species and national conservation list species with habitats in areas affected by operations	• Sustainability Report: Biodiversity and Conservation	48
GRI 305 - Emissions			
305-1	Direct (Scope 1) GHG emissions	• Sustainability Report - Greenhouse Gaseous (GHG Emissions	54
305-2	Energy indirect (Scope 2) GHG emissions	• Sustainability Report - Greenhouse Gaseous (GHG Emissions	54

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305-4	GHG emissions intensity	• Sustainability Report - Greenhouse Gaseous (GHG Emissions	54
305-5	Reduction of GHG emissions	• Sustainability Report - Greenhouse Gaseous (GHG Emissions	54
GRI 307 - Environmental Compliance			
307-1	Non-compliance with environmental laws and regulations	No incidents were reported	
GRI 401 - Employment			
401-1	New employee hires and employee turnover	• Sustainability Report - Employment	57
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	• Sustainability Report - Employment	57
401-3	Parental leave	• Sustainability Report - Employment	57
GRI 402 - Labor/Management Relations			
402-1	Minimum notice periods regarding operational changes	• Sustainability Report - Employment	57
GRI 403 - Occupational Health and Safety			
403-1	Occupational health and safety management system	• Sustainability Report - Occupational Safety and Health	61
403-2	Hazard identifications, risk assessment, and incident investigation	• Sustainability Report - Occupational Safety and Health	61
403-3	Occupational health services	• Sustainability Report - Occupational Safety and Health	61
403-4	Worker participation, consultation, and communication on occupational health and safety	• Sustainability Report - Occupational Safety and Health	61
403-5	Worker training on occupational health and safety	• Sustainability Report - Occupational Safety and Health	61
403-6	Promotion of worker health	• Sustainability Report - Occupational Safety and Health	61
403-8	Workers covered by an occupational health and safety management system	• Sustainability Report - Occupational Safety and Health	61
403-9	Work-related injuries	• Sustainability Report - Occupational Safety and Health	61
GRI 404 - Training and Education			
404-1	Average hours of training per year per employee	• Sustainability Report - Training	66
404-2	Programs for upgrading employee skills and transition assistance programs	• Sustainability Report - Education	67
404-3	Percentage of employees receiving regular performance and career development reviews	• Sustainability Report - Education	67

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GRI Diversity and Equal Opportunity			
405-1	Diversity of governance bodies and employees	• Sustainability Report - Employment	57
405-2	Ratio of basic salary and remuneration of women and men	• Sustainability Report - Employment	57
GRI 406 - Non-discrimination			
406-1	Incidents of discrimination and corrective actions taken	No incidents were reported in reporting period	
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	• Sustainability Report - Employment	57
GRI 408 - Child Labor			
408-1	Operations and suppliers at significant risk for incidents of child labor	• Sustainability Report - Employment	57
GRI 409 - Forced or Compulsory Labor			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	• Sustainability Report - Employment	57
GRI 410 - Security Practices			
410-1	Security personnel trained in human rights policies or procedures	• Sustainability Report - Training	66
GRI 411 - Rights of Indigenous Peoples			
411-1	Incidents of violations involving rights of indigenous peoples	• Sustainability Report - Grievance Mechanism	29
GRI 412 - Human Rights Assessment			
412-1	Operations that have been subject to human rights reviews or impacts assessments	• Sustainability Report - Employment	57
412-2	Employee training on human rights policies or procedures	• Sustainability Report - Training	66
GRI 413 - Local Communities			
413-1	Operations with local community engagement, impact assessments and development programs	• Sustainability Report - Commitment To Our Communities	68
413-2	Operations with significant actual and potential negative impacts on local communities	• Sustainability Report - Commitment To Our Communities	68
GRI 418 - Customer Privacy			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	No violation of the personal data privacy was 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 which takes its guidance from principles stated in the Malaysian Code on Corporate Governance ("MCCG") published by Bursa Malaysia in April 2017.

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

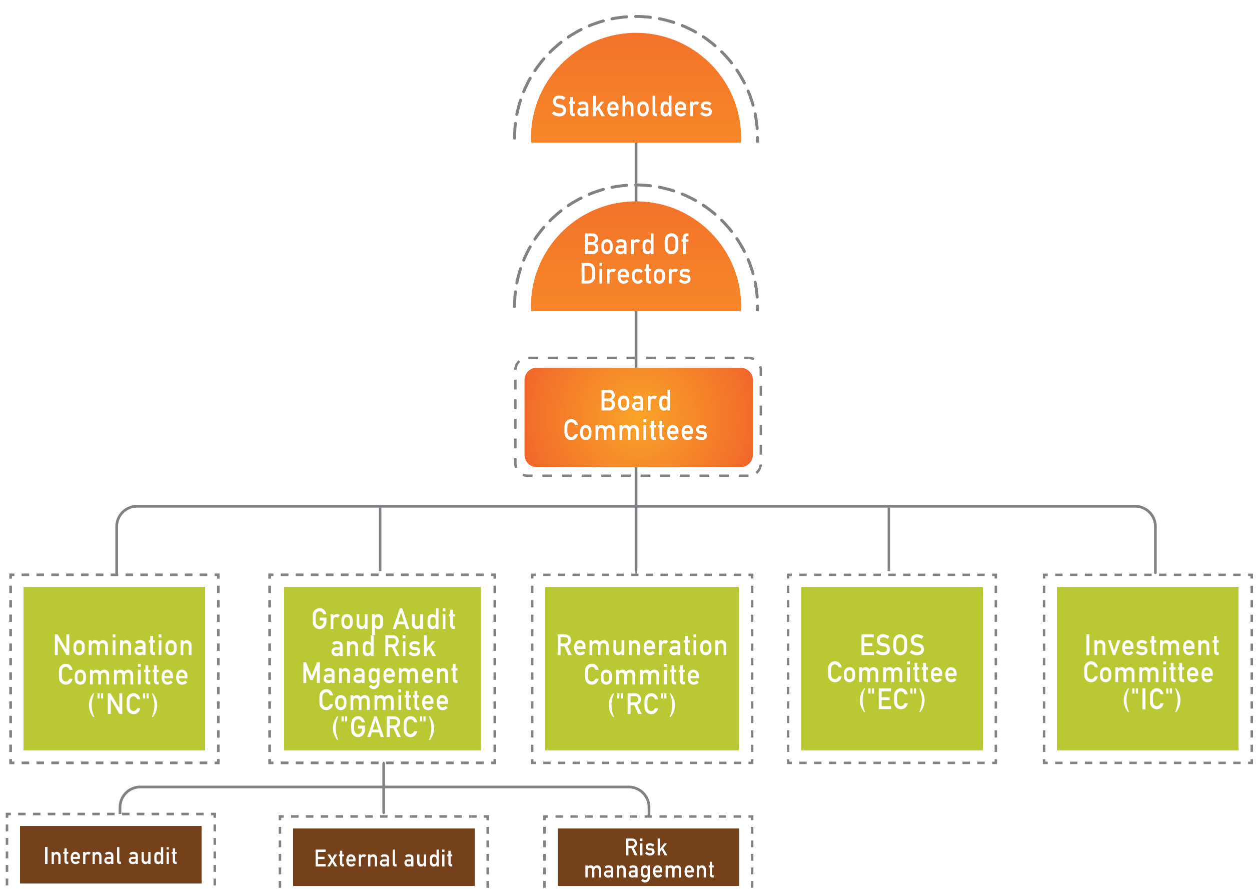
Principle C: Integrity in corporate reporting and meaningful relationship with stakeholders.

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 on the Company's website.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Governance framework

The diagram below portrays the governance framework of SOPB Group.



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 15 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 2020, 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.

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 2020, 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 2020, the Committee held one (1) meeting.

(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 2020, 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
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 2020, the Committee held One (1) meeting.

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 24 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.

Board Meetings

For the financial year ended 31 December 2020, the Board held four (4) meetings. Directors' profiles and attendance to these meetings could be found in the profiles of Board of Directors on page 9 to 15 and 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 Meetings Attended
Tan Sri Datuk Ling Chiong Ho	4/4
Fong Yoo Kaw @ Fong Yee Kow, Victor	4/4
Dr Lai Yew Hock, Dominic	4/4
Chua Chen San	4/4
Datuk Amar Haji Ahmad Tarmizi Bin Haji Sulaiman	3/4
Hasmawati Binti Sapawi (Alternate to Datuk Amar Haji Ahmad Tarmizi Bin Haji Sulaiman)	
Ling Chiong Sing	4/4
Ling Lu Kuang	4/4
Tang Tiong Ing	4/4
Kamri Bin Ramlee	4/4
Monaliza Binti Zaidel	4/4

Company Secretary

The Company Secretary, Mr. Eric Kiu Kwong Seng (LS No. 0007062) assumed his role in 1998 and thus has about 22 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.

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.

(iii) Anti-Bribery and Corruption

The Group has a zero-tolerance approach to any act of bribery or corruption and will take disciplinary action up to and including dismissal, in the event of a breach. The Group is committed to comply with all the applicable provisions set out in Malaysian Anti-Corruption Commission (MACC) Act 2009 and take preventative measures to prevent and detect corrupt practices.

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.

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)
Corporate Liability Provision Under the MACC Act: Mitigating a New Risk for Your Company	1
Role of Company Secretaries and Directors in Anti-money laundering Compliance	1
2021 Budget seminar by Chartered Tax Institute of Malaysia (CTIM)	1
Performance management-developing effective Key Performance Indicators	2
Budget 2021 by EY	1
Cross Border Presence during Covid-19 Pandemic-Tax and Immigration Issues by EY	1
MFRS updates and COVID-19 financial reporting implications	1
Spotlight on the Family Enterprise-Gearing up for Investment Opportunities	1
Riding the waves of Business Disruption-Managing Tax Requirement & Exploring Opportunities	1
Do you Really Need to Meet? Learning from the Pandemic by ICSA	1
National Tax Conference 2020 by Chartered Tax Institute of Malaysia (CTIM)	2
Capital Reduction and Beneficial Ownership by Malaysian Association of Company Secretaries (MACS)	1
Effective minutes writing workshop by Malaysian Association of Company Secretaries (MACS)	1
2021 Budget seminar by Malaysian Institute of Accountants (MIA)	1
International Digital Economy Conference Sarawak 2020 by Sarawak State Government	2
Corporate Directors training programme: Fundamental 3.0 + Cyber security awareness	2
Directors' Conflict of Interest - How Company Secretary is to Advise	1
Corporate Directors Training Programme: Fundamental 3.0 + Financial Statements 101	2

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.

The aggregate and range of the Directors' remuneration for the Company for the financial year ended 31 December 2020 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	-	79	2,325
NON-EXECUTIVE								
Tang Tiong Ing	60	-	-	-	60	-	3	63
Ling Lu Kuang	60	-	-	-	60	942	23	1,025
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	-	50	110
Kamri Bin Ramli	60	-	-	-	60	-	6	66
Datuk Amar Haji Ahmad Tarmizi Bin Haji Sulaiman	60	-	-	-	60	-	-	60
Monaliza Binti Zaidel	60	-	-	-	60	-	61	121
TOTAL	**600**	**1,937**	**16**	**233**	**2,786**	**942**	**222**	**3,950**

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.

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 25 February 2021.

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 2020, 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

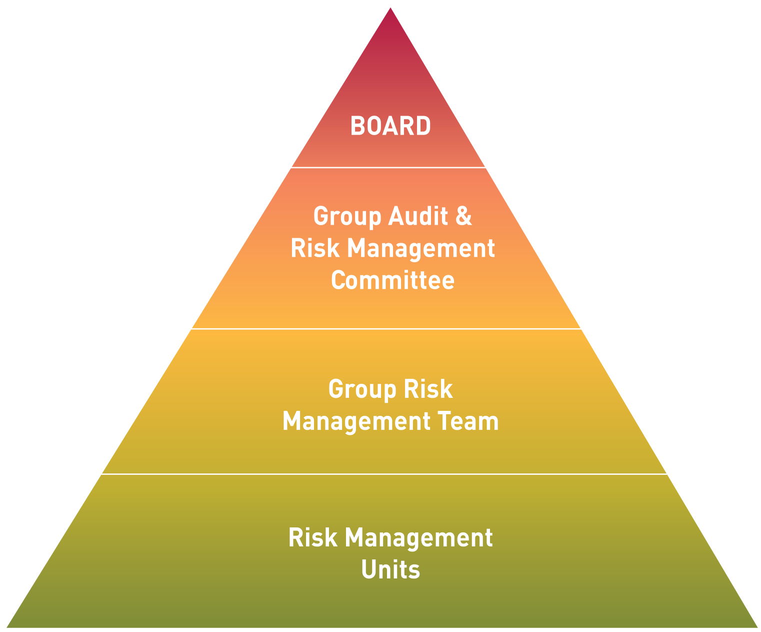
The risk management procedure has been established based on the ISO 31000:2009 Risk management – Principles and Guidelines and will be used for guidance by everyone involved in the application of risk management.

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.

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.

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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
(Cont'd)

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 27 April 2021.

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 2020, 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	5/5
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 three (3) times 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.

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 nine (9) years' experience in finance, accounting and internal audit, and with a team of 11 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 twelve (12) 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 RM931,471 (2019: RM846,951).

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 view of the state of affairs of the Company and the Group.

In preparing the financial statements for the year ended 31 December 2020 set out in pages 115 to 230, 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 27 April 2021.

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 2020 were amounting to RM126,104 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 2020 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 2020 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]	1,710
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]	12,302
3. The Group	Provision of tractors and machinery, 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]	9,626
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]	3,680
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]	59,762
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]	2,056

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 2020 Actual (RM'000)
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]	5,536
8. The Group	Provision of motor vehicles and maintenance services for 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]	156
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]	1,116
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]	2,128
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]	321
12. The Group	Purchase of fresh fruit bunches from Danum Sinar Sdn. Bhd. ("DSSB")	(a) Tan Sri Datuk Ling Chiong Ho[2]	24,633
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]	3,665
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

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 2020 Actual (RM'000)
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)	2,297
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]	804
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]	2,633
18. The Group	Purchase of fresh fruit bunches from Shin Yang Agriculture Sdn. Bhd. ("SYAgri")	(a) SYHSB has more than 15% direct interest in SYAgri. (b) Tan Sri Datuk Ling Chiong Ho[1] (c) Ling Chiong Sing[2] (d) Ling Lu Kuang[3] (e) Tang Tiong Ing[4]	2,946

Note #

(1) Shin Yang Holding Sdn. Bhd. ("SYHSB"), a major shareholder of SOPB with indirect interest of 28.49% 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, DLT, DLM, LMSB, SYFSB, BJSB, SYShipping, DSSB, DSeping, SPSB, DLSB, BMSB, DLI and SYAgri. He has substantial direct/indirect interest in SYHSB, SY Trading, HQ, DLT, DLM, LMSB, SYFSB, MTSB, BJSB, PSB, SYShipping, SYCSB, DSSB, DSeping, SPSB, DLSB, BMSB, DLI and SYAgri.

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

(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 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 2020, 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 2020

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 2020.

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	204,116	48,952
Non-controlling interests	16,042	-
	220,158	48,952

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 2019 was a first and final single-tier dividend of 5 sen per ordinary share totalling RM28,545,652 paid on 24 July 2020.

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2020, of 6 sen per ordinary share on 571,121,846 ordinary shares, amounting to a dividend payable of RM34,267,311 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 2021.

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
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	
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	
Mardiana Binti Sidi (appointed on 22.02.2021)	
Abdul Kadir@Kadir Bin Zainuddin (resigned on 01.02.2021)	

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 1.1.2020	**Bought**	**Sold**	**At 31.12.2020**
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	55,650,000	-	-	55,650,000
Ling Chiong Sing	162,787,900	-	-	162,787,900

	Number of options over ordinary shares			
	At 1.1.2020	**Granted**	**Exercise**	**At 31.12.2020**
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 2020 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 570,876,346 to 571,121,846 by way of the issuance of 245,500 ordinary shares for cash pursuant to the Company's Employee Share Options Scheme ("ESOS") at an average exercise price of RM3.05 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 18 to the financial statements.

During the financial year, the Company granted 685,500 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 1.1.2020	Granted	Exercised	Forfeited	At 31.12.2020
28.09.2017	18.09.2027	3.60	33,690,800	-	(143,200)	(900,000)	32,647,600
25.05.2018	18.09.2027	3.12	1,201,000	-	(7,000)	(66,000)	1,128,000
03.04.2019	18.09.2027	2.21	1,468,800	-	(88,600)	(208,400)	1,171,800
17.04.2020	18.09.2027	2.23	-	685,500	(6,700)	(86,400)	592,400
			36,360,600	685,500	(245,500)	(1,260,800)	35,539,800

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 RM168,594.

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 2020 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)

SIGNIFICANT EVENT DURING THE YEAR

Significant event during the year 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 27 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: 27 April 2021

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 230 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 2020 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: 27 April 2021

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 230 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 27 April 2021.

....
Tho Kheng Chiang

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 2020 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 230.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020, and of their financial performance and their cash flows for the 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' International *Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current 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 2020.

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.

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 valuation 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.

Property, plant and equipment and bearer plants represent the largest category of assets on the statement of financial position of the Group of RM1,040,000,000 and RM980,000,000 respectively as at 31 December 2020.

The key audit matter

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 2020 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.

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, actions taken to eliminate threats or safeguards applied.

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 MATTER

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

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

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

Miri,

Date: 27 April 2021

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Assets					
Property, plant and equipment	3	1,040,132	1,043,156	163,196	171,400
Bearer plants	4	979,964	1,014,076	152,070	134,517
Right-of-use assets	5	510,461	519,487	29,736	30,666
Intangible assets	6	168,266	168,255	-	-
Investment in subsidiaries	7	-	-	1,575,618	1,574,768
Investment in joint venture	8	23,287	39,879	-	-
Inventories	9	40,618	41,109	-	-
Deferred tax assets	10	44,942	53,185	-	-
Total non-current assets		2,807,670	2,879,147	1,920,620	1,911,351
Agricultural produce	11	25,282	18,554	2,712	1,299
Inventories	9	251,561	234,594	40,841	42,316
Trade and other receivables	12	190,608	184,932	316,496	303,545
Contract assets	13	21,067	11,864	-	-
Prepayments and other assets		1,702	1,595	372	334
Derivatives	14	7,144	11,383	-	-
Current tax recoverable		5,808	10,086	-	-
Other investments	15	304,836	74,358	198,555	67,358
Cash and cash equivalents	16	642,409	755,808	151,965	239,028
Total current assets		1,450,417	1,303,174	710,941	653,880
Total assets		4,258,087	4,182,321	2,631,561	2,565,231

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020
(Cont'd)

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Equity					
Share capital	17	820,982	820,091	820,982	820,091
Other reserves	17	(6,543)	(1,856)	-	-
Employee share option reserve	18	23,870	20,366	23,870	20,366
Retained earnings		1,540,314	1,364,764	1,295,519	1,275,113
Total equity attributable to owners of the Company		2,378,623	2,203,365	2,140,371	2,115,570
Non-controlling interests	7	124,272	111,740	-	-
Total equity		2,502,895	2,315,105	2,140,371	2,115,570
Liabilities					
Loans and borrowings	19	715,164	801,129	320,032	300,409
Lease liabilities		584	1,677	1,810	2,363
Government grants	20	15,212	16,123	532	648
Derivatives	14	4,828	1,891	-	-
Deferred tax liabilities	10	356,998	356,328	44,298	48,130
Total non-current liabilities		1,092,786	1,177,148	366,672	351,550
Loans and borrowings	19	393,848	435,143	377	427
Lease liabilities		1,580	690	553	524
Trade and other payables	21	209,330	214,368	96,579	85,676
Current tax payable		11,469	3,800	3,129	2,316
Government grants	20	868	796	73	-
Derivatives	14	45,311	35,271	23,807	9,168
Total current liabilities		662,406	690,068	124,518	98,111
Total liabilities		1,755,192	1,867,216	491,190	449,661
Total equity and liabilities		4,258,087	4,182,321	2,631,561	2,565,231

The notes on pages 129 to 230 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue	22	2,778,603	2,971,870	1,027,392	885,885
Cost of sales		(2,247,854)	(2,658,473)	(874,245)	(737,574)
Gross profit		530,749	313,397	153,147	148,311
Other income	23	16,929	5,559	14,361	16,670
Administrative expenses		(39,551)	(27,120)	(14,427)	(11,201)
Other operating expenses		(26,118)	(29,779)	(25,532)	(19,806)
Selling and marketing expenses		(148,299)	(108,578)	(58,049)	(54,125)
Changes in fair value of agricultural produce	11	6,728	9,809	1,413	612
Net loss on impairment of financial instruments		(2,879)	(161)	(9,904)	-
Results from operating activities		337,559	163,127	61,009	80,461
Finance income	24	20,855	22,751	15,528	17,975
Finance costs	25	(42,252)	(54,213)	(9,929)	(11,311)
Net finance (costs)/income		(21,397)	(31,462)	5,599	6,664
Share of loss of equity-accounted joint venture, net of tax	8	(13,963)	(357)	-	-
Profit before tax		302,199	131,308	66,608	87,125
Taxation	26	(82,041)	(39,716)	(17,656)	(19,416)
Profit for the financial year	27	220,158	91,592	48,952	67,709

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (Cont'd)

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 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		(478)	(1,113)	-	-
Cash flow hedge	29	(4,209)	(3,637)	-	-
Other comprehensive (loss)/income for the financial year, net of tax		(4,687)	(4,750)	-	-
Total comprehensive income for the financial year		215,471	86,842	48,952	67,709
Profit attributable to:					
Owners of the Company		204,116	89,456	48,952	67,709
Non-controlling interests	7	16,042	2,136	-	-
Profit for the financial year		220,158	91,592	48,952	67,709
Total comprehensive income attributable to:					
Owners of the Company		199,429	84,706	48,952	67,709
Non-controlling interest	7	16,042	2,136	-	-
Total comprehensive income for the financial year		215,471	86,842	48,952	67,709
Basic earnings per ordinary share (sen)	30	35.75	15.67		
Diluted earnings per ordinary share (sen)	30	35.74	15.67		

The notes on pages 129 to 230 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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	29	-	(3,637)	-	-	(3,637)	-	(3,637)
Total other comprehensive income 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)
Issuance 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	17	5	-	-	-	5	-	5
Share options granted	18	-	-	4,562	-	4,562	-	4,562
Share options exercised	18	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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(Cont'd)

		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 2020		820,091	(1,856)	20,366	1,364,764	2,203,365	111,740	2,315,105
Foreign currency translation differences for foreign operations		-	(478)	-	-	(478)	-	(478)
Cash flow hedge	29	-	(4,209)	-	-	(4,209)	-	(4,209)
Total other comprehensive expense for the financial year		-	(4,687)	-	-	(4,687)	-	(4,687)
Profit for the financial year		-	-	-	204,116	204,116	16,042	220,158
Total comprehensive income for the financial year		-	(4,687)	-	204,116	199,429	16,042	215,471
Contributions by and distributions to owners of the Company								
Dividends to owners of the Company	31	-	-	-	(28,546)	(28,546)	-	(28,546)
Dividends to non-controlling interests in subsidiaries		-	-	-	-	-	(3,530)	(3,530)
Changes in ownership interest in a subsidiary		-	-	-	(20)	(20)	20	-
Issue of ordinary shares pursuant to exercise of share options	17	749	-	-	-	749	-	749
Share options granted	18	-	-	3,646	-	3,646	-	3,646
Share options exercised	18	142	-	(142)	-	-	-	-
Total transaction with owners of the Company		891	-	3,504	(28,566)	(24,171)	(3,510)	(27,681)
At 31 December 2020		820,982	(6,543)	23,870	1,540,314	2,378,623	124,272	2,502,895

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

		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 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	17	5	-	-	5
- Share options granted	18	-	4,562	-	4,562
- Share options exercised	18	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 2019/1 January 2020		820,091	20,366	1,275,113	2,115,570
Profit and total comprehensive income for the financial year		-	-	48,952	48,952
Contributions by and distributions to owners of the Company:					
- Issue of ordinary shares pursuant to exercise of share options	17	749	-	-	749
- Share options granted	18	-	3,646	-	3,646
- Share options exercised	18	142	(142)	-	-
- Dividends to owners of the Company	31	-	-	(28,546)	(28,546)
Total transaction with owners of the Company		891	3,504	(28,546)	(24,151)
At 31 December 2020		820,982	23,870	1,295,519	2,140,371

The notes on pages 129 to 230 are an integral part of these financial statements.

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

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Cash flows from operating activities					
Profit before tax		302,199	131,308	66,608	87,125
Adjustments for:					
Change in fair value of agricultural produce	11	(6,728)	(9,809)	(1,413)	(612)
Amortisation of bearer plants	4	58,505	57,922	5,407	3,297
Amortisation of government grants	20	(917)	(795)	(121)	-
Amortisation of intangible assets	6	16	8	-	-
Depreciation of property, plant and equipment	3.2	82,078	82,609	23,248	25,690
Depreciation of right-of-use assets	5	9,547	9,491	957	856
Net loss on impairment of financial instruments		2,879	161	9,904	-
Impairment loss on investment in a joint venture	8	3,471	-	-	-
Dividend income from:					
- subsidiaries	22	-	-	(14,335)	(20,621)
(Gain)/Loss on disposal of:					
- property, plant and equipment		(849)	163	(686)	(1,938)
- right-of-use assets		-	(165)	-	(165)
- subsidiary		-	-	65	-
Finance income	24	(20,855)	(22,751)	(15,528)	(17,975)
Finance costs	25	42,252	54,213	9,929	11,311
Fair value changes on derivatives		11,955	22,743	14,639	9,168
Inventories written down	9	1,437	654	1,883	-
Inventories written off	9	534	3	180	-
Bad debts written off		-	321	-	-
Property, plant and equipment written off		681	350	162	179
Bearer plants written off		6,387	55	28	55
Unrealised loss/(gain) on foreign exchange		69	(1,037)	4	4
Share options granted under ESOS	18	3,646	4,562	1,277	1,644
Share of loss of equity-accounted joint venture, net of tax		13,963	357	-	-
Operating profit before changes in working capital		510,270	330,363	102,208	98,018

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(Cont'd)

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash flows from operating activities (continued)					
Change in inventories		(18,447)	86,351	(588)	26,297
Change in trade and other receivables, prepayments and other assets		(19,863)	36,265	(1,469)	10,388
Change in trade and other payables		(3,167)	(7,058)	18,545	(1,195)
Net movement in subsidiaries balances		-	-	(28,285)	5,483
Cash generated from operations		468,793	445,921	90,411	138,991
Net tax (paid)/refunded		(60,556)	3,270	(21,381)	(978)
Interest/Profit paid		(5,591)	(9,777)	(356)	(828)
Interest received		1,820	4,757	-	-
Net cash from operating activities		404,466	444,171	68,674	137,185
Cash flows from investing activities					
Acquisition of property, plant and equipment	(i)	(75,471)	(88,129)	(16,247)	(17,653)
Acquisition of additional shares in subsidiaries		-	-	(915)	(76,341)
Acquisition of joint venture		(842)	(40,236)	-	-
Additions to intangible assets		(27)	(140)	-	-
Additions to right-of-use assets		(116)	(252)	(27)	-
Dividends received		-	-	14,335	20,621
Interest received		19,035	17,994	15,528	17,975
Additions to bearer plants	(ii)	(27,147)	(37,278)	(20,289)	(27,535)
Placement of fixed deposits with original maturities exceeding three months		(230,478)	(74,358)	(131,197)	(67,358)
Proceeds from disposal of:					
- property, plant and equipment		1,922	1,955	1,500	6,285
- right-of-use assets		-	170	-	170
Net cash used in investing activities		(313,124)	(220,274)	(137,312)	(143,836)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(Cont'd)

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash flows from financing activities					
Net movement in trade financing	(iii)	(15,350)	(71,189)	-	-
Net proceeds from Sukuk Murabahah	(iii)	19,384	-	20,000	-
Repayment of loans and borrowings	(iii)	(153,446)	(173,158)	-	(54,479)
Repayment of hire purchase financing	(iii)	(4,897)	(8,070)	(427)	(634)
Payment of lease liabilities	(iii)	(608)	(437)	(524)	(279)
ESOS capital contribution from subsidiaries		-	-	2,369	2,927
Proceeds from issue of shares in a subsidiary		-	490	-	-
Proceeds from exercise of ESOS		749	5	749	5
Proceeds from loans and borrowings	(iii)	29,588	209,370	-	128,530
Proceeds from government grants		78	2,748	78	648
Dividends paid	31	(28,546)	(28,544)	(28,546)	(28,544)
Dividends paid to non-controlling interests		(3,530)	(4,680)	-	-
Interest paid		(40,522)	(48,945)	(12,120)	(13,027)
Net cash (used in)/from financing activities		(197,100)	(122,410)	(18,421)	35,147
Net (decrease)/increase in cash and cash equivalents		(105,758)	101,487	(87,059)	28,496
Effect of exchange rate changes		10	(788)	(4)	(4)
Cash and cash equivalents at beginning of financial year		748,057	647,358	239,028	210,536
Cash and cash equivalents at end of financial year	(iv)	642,309	748,057	151,965	239,028

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(Cont'd)

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Cash outflows for leases as a lessee					
Included in net cash from operating activities:					
Payment related to short-term leases		(2,138)	(2,671)	(205)	(588)
Payment relating to variable lease payments not included in the measurement of lease liabilities		(8,895)	(12,529)	-	-
Interest paid in relation to lease liabilities		(120)	(140)	(144)	(108)
Included in net cash from financing activities:					
Payment of lease liabilities		(608)	(437)	(524)	(279)
Total cash outflows for leases		(11,761)	(15,777)	(873)	(975)

Notes:

(i) Acquisition of property, plant and equipment

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Amount paid using internal fund		75,471	88,129	16,247	17,653
Acquired under hire purchase financing		5,113	3,079	-	793
Finance cost capitalised	3.1	1,678	187	286	158
Aggregate cost of property, plant and equipment acquired during the year	3	82,262	91,395	16,533	18,604

(ii) Additions to bearer plants

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Addition of bearer plants (including personnel expenses)	4	30,780	43,248	22,988	30,821
Depreciation capitalised	4.1	(1,448)	(1,647)	(514)	(648)
Finance costs capitalised	4.1	(2,185)	(4,323)	(2,185)	(2,638)
		27,147	37,278	20,289	27,535

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(Cont'd)

Notes: (Continued)

(iii) Reconciliation of liabilities arising from financing activities

	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	53,712	-	-	16	911,423
Revolving credits	91,000	(17,500)	-	-	-	73,500
Hire purchase financing	12,561	(8,070)	-	7,682	-	12,173
Trade banking facilities	303,546	(71,189)	-	-	(832)	231,525
Lease liabilities	630	(437)	2,174	-	-	2,367
Total liabilities from financing activities	1,265,432	(43,484)	2,174	7,682	(816)	1,230,988
Company						
Term loans	210,949	89,051	-	-	-	300,000
Revolving credits	15,000	(15,000)	-	-	-	-
Hire purchase financing	677	(634)	-	793	-	836
Lease liabilities	-	(279)	3,166	-	-	2,887
Total liabilities from financing activities	226,626	73,138	3,166	793	-	303,723

Notes: (Continued)

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

	At 1.1.2020 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 31.12.2020 RM'000
Group (continued)						
Term loans	911,423	(100,358)	-	-	-	811,065
Sukuk Murabahah	-	19,384	-	-	-	19,384
Revolving credits	73,500	(23,500)	-	-	-	50,000
Hire purchase financing	12,173	(4,897)	-	5,113	-	12,389
Trade banking facilities	231,525	(15,350)	-	-	(1)	216,174
Lease liabilities	2,367	(608)	406	-	-	2,165
Total liabilities from financing activities	1,230,988	(125,329)	406	5,113	(1)	1,111,177
Company (continued)						
Sukuk Murabahah	-	20,000	-	-	-	20,000
Term loans	300,000	-	-	-	-	300,000
Hire purchase financing	836	(427)	-	-	-	409
Lease liabilities	2,887	(524)				2,363
Total liabilities from financing activities	303,723	19,049	-	-	-	322,772

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020
(Cont'd)

Notes: (Continued)

(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		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash on hand and at banks	16	199,339	262,179	62,116	106,642
Fixed deposits with maturities not exceeding three months	16	442,970	493,529	89,849	132,386
Less: Bank overdraft	19	-	(7,651)	-	-
		642,309	748,057	151,965	239,028

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020

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 27 April 2021.

1. Basis of preparation

(a) Statement of compliance

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

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

MFRS / Amendment / Interpretation	**Effective date**
Amendment to MFRS 16, *Leases - Covid-19-Related Rent Concessions*	1 June 2020
Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts and* MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*	1 January 2021
Amendments to MFRS 16, *Leases – Covid-19-Related Rent Concessions beyond 30 June 2021*	1 April 2021
Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018-2020)*	1 January 2022
Amendments to MFRS 3, *Business Combinations - Reference to the Conceptual Framework*	1 January 2022
Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018-2020)*	1 January 2022
Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018-2020)*	1 January 2022
Amendments to MFRS 116, *Property, Plant and Equipment - Proceeds before Intended Use*	1 January 2022
Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract*	1 January 2022
Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018-2020)*	1 January 2022
MFRS 17, *Insurance Contracts*	1 January 2023
Amendments to MFRS 101, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current)*	1 January 2023
Amendments to MFRS 108, *Accounting Policies Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*	1 January 2023
Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

1. Basis of preparation

(a) Statement of compliance (Continued)

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

- from the annual period beginning on 1 January 2021 for these amendments that are effective for annual periods beginning on or after 1 June 2020 and 1 January 2021.

- from the annual period beginning on 1 January 2022 for these amendments that are effective for annual periods beginning on or after 1 April 2021 and 1 January 2022, which is currently assessed as applicable to the Group except for Amendments to MFRS 1 which is not applicable to the Group.

- from the annual period beginning on 1 January 2023 for the amendment that is effective for annual periods beginning on 1 January 2023.

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 8 - investment in joint venture
- Note 10 - recognition of deferred tax assets;
- Note 11 - measurement of agricultural produce; and
- Note 22 - 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.

(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 2020 (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.

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 2019 (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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020 (CONT'D)

2. Significant accounting policies (Continued)

(b) Foreign currency (continued)

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

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.

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.

2. Significant accounting policies (Continued)

(c) Financial instruments (Continued)

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

Financial assets (Continued)

(a) Amortised cost

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

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

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets [see Note 2(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.

2. Significant accounting policies (Continued)

(c) Financial instruments (Continued)

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

Financial assets (Continued)

(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)].

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.

2. Significant accounting policies (Continued)

(c) Financial instruments (Continued)

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

Financial liabilities (Continued)

(a) Fair value through profit or loss (Continued)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020 (CONT'D)

2. Significant accounting policies (Continued)

(c) Financial instruments (Continued)

(iv) Regular way purchase or sale of financial assets (Continued)

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.

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.

2. Significant accounting policies (continued)

(c) Financial instruments (Continued)

(v) Hedge accounting (Continued)

(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.

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.

2. Significant accounting policies (continued)

(c) Financial instruments (Continued)

(v) Hedge accounting (Continued)

(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.

2. Significant accounting policies (Continued)

(c) Financial instruments (continued)

(vii) Derecognition (continued)

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020 (CONT'D)

2. Significant accounting policies (Continued)

(d) Property, plant and equipment (continued)

(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.

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

(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)

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

2. Significant accounting policies (Continued)

(e) Leases (continued)

(ii) Recognition and initial measurement (continued)

(b) As a lessor (continued)

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.

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.

The Group and Company recognises lease payments received under operating leases as income on a straightline basis over the lease term as part of "other income".

The Group and 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)].

2. Significant accounting policies (Continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020 (CONT'D)

2. Significant accounting policies (Continued)

(h) Agricultural produce

Agricultural produce comprises produce growing on the bearer plants.

A gain or loss arising on initial recognition of 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

(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.

2. Significant accounting policies (Continued)

(i) Inventories (continued)

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

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 plantations and sold during the year are recorded as part of the agricultural produce movement (Note 11) 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020 (CONT'D)

2. Significant accounting policies (Continued)

(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.

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.

2. Significant accounting policies (Continued)

(m) Impairment (continued)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020 (CONT'D)

2. Significant accounting policies (Continued)

(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.

(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.

2. Significant accounting policies (Continued)

(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 and 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

(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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020 (CONT'D)

2. Significant accounting policies (Continued)

(q) Revenue and other income (continued)

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.

(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.

2. Significant accounting policies (Continued)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020 (CONT'D)

2. Significant accounting policies (Continued)

(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.

(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.

3. Property, plant and equipment

Group	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 2019	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 to right-of-use assets	(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 2019/1 January 2020	411,268	30,622	484,037	697,495	136,291	46,351	1,806,064
Additions	1,040	1,231	24,243	21,856	8,105	25,787	82,262
Disposals	(111)	(28)	-	(2,374)	(2,302)	(87)	(4,902)
Reclassification	(2,503)	-	2,503	-	533	-	533
Write-offs	(664)	(395)	-	(6,420)	(917)	-	(8,396)
Exchange translation differences	(7)	(2)	-	-	-	-	(9)
At 31 December 2020	409,023	31,428	510,783	710,557	141,710	72,051	1,875,552

3. Property, plant and equipment (Continued)

Group (continued)	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 2019	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 to right-of-use assets	(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 1 December 2019/1 January 2020	171,253	19,061	60,078	418,879	93,637	-	762,908
Depreciation for the financial year	19,526	2,477	6,760	45,264	9,499	-	83,526
Disposals	(100)	(16)	-	(1,836)	(1,877)	-	(3,829)
Reclassification	(280)	(6)	280	6	533	-	533
Write-offs	(499)	(368)	-	(6,162)	(686)	-	(7,715)
Exchange translation differences	(1)	(2)	-	-	-	-	(3)
At 31 December 2020	189,899	21,146	67,118	456,151	101,106	-	835,420
Carrying amounts							
At 31 December 2019	240,015	11,561	423,959	278,616	42,654	46,351	1,043,156
At 31 December 2020	219,124	10,282	443,665	254,406	40,604	72,051	1,040,132

3. Property, plant and equipment (Continued)

Company	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 2019	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 2019/1 January 2020	149,046	19,070	22,831	286,598	21,930	10,512	509,987
Additions	224	562	1,665	4,265	195	9,622	16,533
Disposals	-	(16)	-	(2,308)	(524)	-	(2,848)
Write-offs	(439)	(220)	-	(2,555)	(396)	-	(3,610)
Reclassification	288	-	3,271	1,366	-	(4,925)	-
At 31 December 2020	149,119	19,396	27,767	287,366	21,205	15,209	520,062

3. Property, plant and equipment (Continued)

Company (continued)	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 2019	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 2019/1 January 2020	83,677	11,205	1,761	223,295	18,649	-	338,587
Depreciation for the financial year	6,254	1,474	438	14,812	784	-	23,762
Disposals	-	(8)	-	(1,569)	(458)	-	(2,035)
Write-offs	(381)	(207)	-	(2,464)	(396)	-	(3,448)
At 31 December 2020	89,550	12,464	2,199	234,074	18,579	-	356,866
Carrying amounts							
At 31 December 2019	65,369	7,865	21,070	63,303	3,281	10,512	171,400
At 31 December 2020	59,569	6,932	25,568	53,292	2,626	15,209	163,196

3. Property, plant and equipment (Continued)

3.1 Additions to property, plant and equipment

Additions during the year include:

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Finance costs capitalised	25	1,678	187	286	158

Included in additions to property, plant and equipment during the year are finance costs capitalised at rates ranging from 3.50% to 4.85% (2019: 4.71% to 5.12%) per annum.

3.2 Allocation of depreciation

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Recognised in profit or loss	27	82,078	82,609	23,248	25,690
Capitalised into bearer plants	4.1	1,448	1,647	514	648
		83,526	84,256	23,762	26,338

3.3 Security

Assets under hire purchase financing are charged to secure the hire purchase borrowings of the Group (see Note 19).

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 19 are as follows:

	2020 RM'000	2019 RM'000
Buildings	37,512	39,876

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 2020 (CONT'D)

4. Bearer plants

	Note	Group RM'000	Company RM'000
Cost			
At 1 January 2019		1,337,475	138,782
Additions		43,248	30,821
Written off		(9,630)	(8,052)
At 31 December 2019/1 January 2020		1,371,093	161,551
Additions		30,780	22,988
Written off		(29,173)	(3,296)
At 31 December 2020		1,372,700	181,243
Accumulated amortisation			
At 1 January 2019		308,670	31,734
Amortisation for the financial year	27	57,922	3,297
Written off		(9,575)	(7,997)
At 31 December 2019/1 January 2020		357,017	27,034
Amortisation for the financial year	27	58,505	5,407
Written off		(22,786)	(3,268)
At 31 December 2020		392,736	29,173
Carrying amounts			
At 31 December 2019/1 January 2020		1,014,076	134,517
At 31 December 2020		979,964	152,070

4.1 Additions to bearer plants

Additions to bearer plants during the year comprise:

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Depreciation of property, plant and equipment	3.2	1,448	1,647	514	648
Loan interest	25	2,185	4,323	2,185	2,638
Personnel expenses					
- wages, salaries and others		9,733	10,692	6,477	7,380

Included in bearer plants additions during the year are loans interest capitalised at rates ranging from 3.22 % to 4.85% (2019: 4.75% to 5.12%) per annum.

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 3.4.

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 1 January 2019	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/ 1 January 2020	582,319	6,040	2,345	2,454	593,158
Additions	116	-	405	-	521
Exchange translation difference	-	-	(15)	-	(15)
At 31 December 2020	582,435	6,040	2,735	2,454	593,664
Accumulated depreciation					
At 1 January 2019	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/ 1 January 2020	72,366	658	496	151	73,671
Depreciation for the financial year	8,654	120	649	124	9,547
Exchange translation difference	-	-	(15)	-	(15)
At 31 December 2020	81,020	778	1,130	275	83,203

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020 (CONT'D)

5. Right-of-use assets (Continued)

	Leasehold land RM'000	Land use rights RM'000	Buildings RM'000	Plant and machinery RM'000	Total RM'000
Carrying amounts					
At 31 December 2019	509,953	5,382	1,849	2,303	519,487
At 31 December 2020	501,415	5,262	1,605	2,179	510,461

	Leasehold land RM'000	Land use rights RM'000	Buildings RM'000	Total RM'000
Company				
Cost				
At 1 January 2019	38,770	-	-	38,770
Additions	-	993	2,173	3,166
Disposals	(6)	-	-	(6)
At 31 December 2019/1 January 2020	38,764	993	2,173	41,930
Additions	27	-	-	27
At 31 December 2020	38,791	993	2,173	41,957
Accumulated depreciation				
At 1 January 2019	10,410	-	-	10,410
Depreciation for the financial year	518	-	338	856
Disposals	(2)	-	-	(2)
At 31 December 2019/1 January 2020	10,926	-	338	11,264
Depreciation for the financial year	378	66	513	957
At 31 December 2020	11,304	66	851	12,221
Carrying amount				
At 31 December 2019	27,838	993	1,835	30,666
At 31 December 2020	27,487	927	1,322	29,736

5. Right-of-use assets (Continued)

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.

5.1 Security

At 31 December 2020, certain leasehold land of the Group with total carrying amount of RM72,843,000 (2019: RM66,623,000) are pledged to banks for banking facilities granted to the Group (see Note 19).

5.2 Variable lease payments

Fixed and variable rental payments for the period ended 31 December 2020 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	1,980	8,895	10,875	89

* 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 1 January 2019	168,123	-	168,123
Additions	-	140	140
At 31 December 2019/1 January 2020	168,123	140	168,263
Additions	-	27	27
At 31 December 2020	168,123	167	168,290

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020 (CONT'D)

6. Intangible assets - Group (Continued)

	Goodwill RM'000	Trademark RM'000	Total RM'000
Accumulated amortisation			
At 1 January 2019	-	-	-
Amortisation for the year	-	8	8
At 31 December 2019/1 January 2020	-	8	8
Amortisation for the year	-	16	16
At 31 December 2020	-	24	24
Carrying amount			
At 31 December 2019	168,123	132	168,255
At 31 December 2020	168,123	143	168,266

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	
	2020 RM'000	2019 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

6. Intangible assets – Group (Continued)

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 RM2,450/MT, RM1,740/MT and RM474/MT (2019: RM2,300/MT, RM1,330/MT and RM435/MT) respectively;

(ii) Yield rates ranging from 15.64MT/HA to 24.02MT/HA (2019: 16.04MT/HA to 28.43MT/HA) depend on the age profile of the bearer plants; and

(iii) Pre-tax discount rates of 10% (2019: 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.

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 RM92,867,000 (2019: 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 RM135,474,000 (2019: 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 RM97,408,000 (2019: RM217,126,000), without any impairment

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31 DECEMBER 2020 (CONT'D)

7. Investment in subsidiaries

	2020 RM'000	2019 RM'000
Unquoted shares, at cost		
Ordinary shares	1,455,049	1,455,114
Redeemable preference shares	120,569	119,654
	1,575,618	1,574,768

Certain subsidiaries within the Group has yet to achieve the Group's expectation. The Company has performed impairment testing of investment in subsidiaries that has not been performing up to the Group's expectation. Management has evaluated whether the investments are stated in excess of their recoverable amounts. The recoverable amounts of the investments in the subsidiaries are based on the value-in-use model using discounted cash flow projections from the financial budgets and forecasts approved by management, 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 of the respective subsidiaries. The pre-tax discount rate used is 10%.

Plantation segment

The key assumptions for plantation companies are similar to the impairment assessment on the intangible assets, which have been set out in Note 6 to the financial statements.

Others

The key assumption for others are estimated transport rate and transport cost to be remain consistent over five years.

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 2020 %	2019 %
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

7. Investment in subsidiaries – Company (Continued)

Name of subsidiaries	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2020 %	2019 %
Held by the Company: (continued)				
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 operations 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
Avantsar Sdn. Bhd. (formerly known as SOP-Pelita Developments Sdn. Bhd. and SOP Developments Sdn. Bhd.)	Inactive	Malaysia	-	65
SOP Agro Sdn. Bhd.	Processing oil palm by-products into fertilisers	Malaysia	100	100
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

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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 2020 %	2019 %
Held by the Company: (continued)				
Murum Trading Sdn. Bhd.	Inactive	Malaysia	100	100
SOP Mutual Sdn. Bhd.	Inactive	Malaysia	100	100
SOP Capital Sdn. Bhd.	Issuance of bonds, Sukuk or other securities to potential investors	Malaysia	100	100
SOPB Pte. Ltd. #	Inactive	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
Avantsar Sdn. Bhd. (formerly known as SOP-Pelita Developments Sdn. Bhd. and SOP Developments Sdn. Bhd.)	Inactive	Malaysia	100	-

7. Investment in subsidiaries – Company (Continued)

Name of subsidiaries	Principal activities	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2020 %	2019 %
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.:				
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% (2019: 3.83%).*

\# *SOPB Pte. Ltd. was under creditors' voluntary winding up in 2017 and dissolved on 25 January 2020.*

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020 (CONT'D)

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:

2020	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	32,626	29,200	41,828	20,618	124,272
Profit allocated to NCI	3,480	3,864	3,035	5,663	16,042

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 2020			
Non-current assets	45,042	38,189	90,609
Current assets	130,465	118,014	174,241
Non-current liabilities	(9,566)	(6,901)	(19,046)
Current liabilities	(2,812)	(3,301)	(5,623)
Net assets	163,129	146,001	240,181
Year ended 31 December 2020			
Revenue	45,298	42,823	79,335
Profit for the year, representing total comprehensive income	17,398	19,322	21,947
Cash flows from operating activities	23,042	22,804	31,048
Cash flow from/(used in) investing activities	81	(11,405)	(64,956)
Cash flow used in financing activities	(5,164)	(5,000)	(5,000)
Net increase/(decrease) in cash and cash equivalents	17,959	6,399	(38,908)
Dividend paid to NCI	1,000	1,000	750

7. Investment in subsidiaries – Company (Continued)

Non-controlling interests in subsidiaries (continued)

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

8. Investment in joint venture – Group

	2020 RM'000	2019 RM'000
Investment in shares	41,078	40,236
Share of post-acquisition reserves	(14,320)	(357)
Less: Impairment loss	(3,471)	-
	23,287	39,879

Details of the joint venture are as follows:

Name of entity	Principal place of business/ Country of incorporation	Principal activity	Effective ownership interest and voting interest 2020 %	Effective ownership interest and voting interest 2019 %
Seaworth Pte. Ltd.	Singapore	Investment holding	50	50

In the last financial 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.

During the financial year, the Group has subscribed to additional 200,000 non-cumulative and non-convertible preference shares of USD1.00 each in the joint venture, Seaworth Pte. Ltd. via wholly owned subsidiary, Asia Oils Investment Pte Ltd.

Impairment loss

At the reporting date, due to losses reported by the joint venture, the Group carried out a review on the recoverable amount of its investment in joint venture. The recoverable amount of the investments in joint venture has been determined based on the estimated fair value of the net assets of the joint venture at the reporting date (i.e. fair value less cost to sell), following an assessment of the recoverable amount of marine vessels which was determined by an external valuer. On this basis, an impairment loss of RM3,471,000 was recognised in profit or loss.

Source of estimation uncertainty

The Group maintains impairment losses at a level considered adequate to provide for potential non-recoverability of the investment in joint venture. The level of allowance is evaluated by the Group on the basis of factors that affect the recoverability of the investment in joint venture. These factors include, but are not limited to, the activities and financial position of the joint venture and market factors. The amount and timing of recorded expenses for any period would differ if the Group made different judgements or utilised different estimates. An increase in the Group's impairment losses would increase the Group's recorded expenses and decrease the carrying value of investment in joint venture.

8. Investment in joint venture – Group (Continued)

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.

	Seaworth Pte. Ltd.	
	2020 RM'000	2019 RM'000
Group		
Summarised financial information		
As at 31 December		
Non-current assets	48,943	72,087
Current assets	3,298	7,351
Cash and cash equivalents	500	5,960
Current liabilities	(2,035)	(2,172)
Net assets	50,706	83,226
Year ended 31 December		
Loss/Total comprehensive loss for the financial year	(27,925)	(714)
Included in the loss/total comprehensive loss is:		
Revenue	23,383	14,111
Depreciation	(4,107)	(3,004)
Impairment loss on		
- property, plant and equipment	(18,683)	-
- trade and other receivables	(1,454)	-
Finance costs	(6)	(21)
Tax expense	(106)	(129)
Reconciliation of net assets to carrying amount		
Group's share of net assets	25,359	38,633
Goodwill	1,250	1,250
Impairment losses	(3,471)	-
Effect of movements in exchange rates	149	(4)
Carrying amount in the statement of financial position	23,287	39,879
Group's share of results for the financial year ended 31 December		
Group's share of loss/total comprehensive loss	(13,963)	(357)

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31 DECEMBER 2020 (CONT'D)

9. Inventories

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Non-current				
Cost				
Land held for property development (Note 9.1)	40,618	41,109	-	-
Current				
Cost				
Property development costs	4,856	11,034	-	-
Raw materials	86,946	59,869	1,118	930
Finished goods	58,117	70,662	23,699	23,934
Nursery inventories	2,277	4,218	1,503	1,651
Stores and consumables	53,842	54,683	14,521	15,801
Construction materials	227	163	-	-
Completed properties	25,197	24,458	-	-
Trading goods	-	148	-	-
	231,462	225,235	40,841	42,316
Net realisable value				
Finished goods	17,067	6,181	-	-
Completed properties	3,032	3,178	-	-
	20,099	9,359	-	-
	251,561	234,594	40,841	42,316
	292,179	275,703	40,841	42,316
Recognised in profit or loss:				
Inventories recognised as cost of sales	1,990,392	2,533,973	872,916	736,150
Written off	534	3	180	-
Write down to net realisable value	1,437	654	1,883	-

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

	2020 RM'000	2019 RM'000
Leasehold land	19,422	19,422
Development costs	21,196	21,687
	40,618	41,109

10. Deferred tax assets/(liabilities)

10.1 Recognised deferred tax assets and liabilities

Deferred taxation is attributable to the followings:

	Assets		Liabilities		Net	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Group						
Property, plant and equipment	-	-	(174,199)	(171,156)	(174,199)	(171,156)
Bearer plants	-	-	(222,676)	(230,017)	(222,676)	(230,017)
Rights-of-use assets	-	-	(94,212)	(95,714)	(94,212)	(95,714)
Fair value adjustment on cash flow hedge	2,043	714	-	-	2,043	714
Fair value adjustment on agricultural produce	-	-	(6,058)	(4,453)	(6,058)	(4,453)
Unutilised tax losses	66,286	71,857	-	-	66,286	71,857
Unabsorbed capital allowance and agriculture allowance	101,787	119,600	-	-	101,787	119,600
Others	14,973	6,026	-	-	14,973	6,026
Tax assets/(liabilities)	185,089	198,197	(497,145)	(501,340)	(312,056)	(303,143)
Set off of tax	(140,147)	(145,012)	140,147	145,012	-	-
Net tax assets/(liabilities)	44,942	53,185	(356,998)	(356,328)	(312,056)	(303,143)
Company						
Property, plant and equipment	-	-	(11,634)	(16,413)	(11,634)	(16,413)
Bearer plants	-	-	(36,497)	(32,284)	(36,497)	(32,284)
Fair value adjustment on agricultural produce	-	-	(651)	(312)	(651)	(312)
Others	-		4,484	879	4,484	879
Tax liabilities	-	-	(44,298)	(48,130)	(44,298)	(48,130)

10. Deferred tax assets/(liabilities) (continued)

10.2 Recognised deferred tax assets and liabilities – net movement during the year

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

	At 1.1.2019 RM'000	Recognised in profit or loss RM'000	Recognised in other comprehensive income RM'000	At 31.12.2019/ 1.1.2020 RM'000	Recognised in profit or loss RM'000	Recognised in other comprehensive income RM'000	At 31.12.2020 RM'000
Group							
Property, plant and equipment	166,611	4,545	-	171,156	3,043	-	174,199
Bearer plants	233,229	(3,212)	-	230,017	(7,341)	-	222,676
Rights-of-use assets	97,237	(1,523)	-	95,714	(1,501)	-	94,213
Fair value adjustment on cash flow hedge	434	-	(1,148)	(714)	-	(1,329)	(2,043)
Fair value adjustment on agricultural produce	2,099	2,354	-	4,453	1,605	-	6,058
Unutilised tax losses	(79,405)	7,548	-	(71,857)	5,571	-	(66,286)
Unabsorbed capital allowance and agriculture allowance	(120,953)	1,353	-	(119,600)	17,813	-	(101,787)
Others	(1,899)	(4,127)	-	(6,026)	(8,946)	-	(14,972)
	297,353	6,938	(1,148)	303,143	10,244	(1,329)	312,058
		(Note 26)	(Note 29)		(Note 26)	(Note 29)	

10. Deferred tax assets/(liabilities) (continued)

10.2 Recognised deferred tax assets and liabilities – net movement during the year (continued)

Company	At 1.1.2019 RM'000	Recognised in profit or loss RM'000	At 31.12.2019/ 1.1.2020 RM'000	Recognised in profit or loss RM'000	At 31.12.2020 RM'000
Deferred tax liabilities					
Property, plant and equipment	19,968	(3,555)	16,413	(4,779)	11,634
Bearer plants	25,643	6,641	32,284	4,213	36,497
Agricultural produce	165	147	312	339	651
Others	-	(879)	(879)	(3,605)	(4,484)
	45,776	2,354	48,130	(3,832)	44,298
		(Note 26)		(Note 26)	

10.3 Unrecognised deferred tax assets - Group

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

	2020 RM'000	2019 RM'000
Unabsorbed tax losses carried forward	69,533	63,944
Unutilised capital allowance	4,488	5,788
Others	8,108	8,480
	82,129	78,212

Deferred tax assets of RM19,710,000 (2019: RM18,770,000) 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. Unutilised tax losses of RM303,258,000, RM9,358,000 and RM319,000 will expire on YA2025, YA2026 and YA2027 respectively.

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 recognised are subject to estimation uncertainties and may be adjusted in subsequent periods as a result of changes in the accounting estimates.

Pursuant to the Singapore Income Tax Act, unutilised tax losses of the subsidiary incorporated in Singapore do not expire under the agreement of Inland Revenue Authority of Singapore. The unutilised tax losses as at 31 December 2020 is RM32,818,000 (2019: RM40,682,000).

11. Agricultural produce

	Group RM'000	Company RM'000
Unharvested fresh fruit bunches		
Fair value		
At 1 January 2019	8,745	687
Changes in fair value less costs to sell	9,809	612
At 31 December 2019/1 January 2020	18,554	1,299
Changes in fair value less costs to sell	6,728	1,413
At 31 December 2020	25,282	2,712

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 1.4 million metric tonne ("mt") (2019: 1.3 million mt) and 127,000 mt (2019: 106,000 mt) of FFB respectively. The estimated quantity of unharvested FFB of the Group and of the Company as at 31 December 2020 included in the fair valuation was 151,000 mt (2019: 136,000 mt) and 16,000 mt (2019: 12,000 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"

11.1 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.

11. Agricultural produce (continued)

11.1 Fair value information (continued)

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 151,000 mt (2019: 136,000 mt) • Expected oil content of 55,000mt (2019: 53,000 mt) • Average FFB sales price (2020: RM567/ mt – RM750/mt; 2019: RM459/mt – RM584/mt) • Average harvest and collection cost (2020: RM42/mt – RM113/ mt; 2019: RM46/mt – RM96/mt)	• Expected FFB production of 16,000 mt (2019: 12,000 mt) • Expected oil content of 6,000 mt (2019: 4,000 mt) • Average FFB sales price (2020: RM638/ mt – RM697/mt); 2019: RM414/mt – RM504/mt) • Average harvest and collection cost (2020: RM57/mt – RM70/ mt; 2019: 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);

11.2 Sensitivity analysis

The 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.

	2020		2019	
	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%	3,665	10%	2,395
	(10%)	(3,639)	(10%)	(2,384)
FFB metric tonnage	10%	2,528	10%	1,636
	(10%)	(2,528)	(10%)	(1,636)

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31 DECEMBER 2020 (CONT'D)

11. Agricultural produce (continued)

11.2 Sensitivity analysis (contiued)

	2020		2019	
	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
Company				
Selling price	10%	386	10%	197
	(10%)	(384)	(10%)	(194)
FFB metric tonnage	10%	271	10%	130
	(10%)	(271)	(10%)	(130)

11.3 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.

12. Trade and other receivables

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Trade					
Trade receivables		165,226	151,057	-	-
Less: Allowance for impairment losses		(2,176)	(289)	-	-
		163,050	150,768	-	-
Amount due from subsidiaries		-	-	43,990	40,435
		163,050	150,768	43,990	40,435
Non-trade					
Other receivables		24,401	29,573	7,066	6,990
Less: Allowance for impairment losses		(703)	-	-	-
		23,698	29,573	7,066	6,990
Amount due from subsidiaries	12.2	-	-	272,786	254,917
Less: Allowance for impairment losses		-	-	(9,904)	-
		-	-	262,882	254,917
		23,698	29,573	269,948	261,907
Refundable deposits		3,860	4,494	2,558	1,203
GST receivables		-	97	-	-
		27,558	34,164	272,506	263,110
Total trade and other receivables		190,608	184,932	316,496	303,545

12.1 Assessment of impairment losses on receivables

The main collectability risk of trade and other receivables is customer insolvencies. Management determines allowance for impairment losses of doubtful receivables based on an on-going review and evaluation performed as part of its credit risk evaluation process. These include assessment of customers' past payment records, sales level, financial standing and the age of debts.

12.2 Non-trade amount due from subsidiaries of RM183,180,000 (2019: RM226,561,000) is unsecured, bears interest at 3.50% (2019: 4.75%) per annum and repayable on demand.

12.3 Included in trade receivables of the Group and of the Company are amounts of RM321,000 (2019: RM1,714,000) and RM216,000 (2019: RM316,000) respectively due from companies in which certain Directors of the Company have substantial financial interest.

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13. Contract assets – Group

	2020 RM'000	2019 RM'000
Contract assets	21,067	11,864

The contract assets are in relation to the Group's rights to consideration for sales of goods which remain unbilled at the reporting date.

Significant changes to contract assets balances during the period are as follows:

	2020 RM'000	2019 RM'000
Contract assets at the beginning of the period not transferred to trade receivables due to change in time frame	11,864	1,718
Contract assets at the beginning of the period transferred to trade receivables	(10,000)	-
Revenue recognised during the year	33,182	20,519
Progress billing during the year	(13,979)	(10,373)
	21,067	11,864

13.1 Impairment assessment on contract assets

Credit risk on contract assets arose from sales of goods. As at the end of the reporting period, the maximum exposure to credit risk arising from contract assets is represented by the carrying amount in the statements of financial position. Management has taken reasonable steps to ensure the contract assets are not credit impaired.

The Group assessed the risk of loss of each customer individually based on their financial information and external credit rating, where applicable. All of these customers have low risk of default.

14. Derivatives

	2020			2019		
	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	202,706	2,702	17,816	206,814	9,149	25,016
- Commodity swaps	164,629	-	23,807	77,915	-	9,168
- Forward currency contracts	153,674	4,442	-	153,674	2,234	-
Derivatives used for hedging						
- Cash flow hedges	200,000	-	8,516	200,000	-	2,978
Total derivatives		7,144	50,139		11,383	37,162
Less: Current portion		(7,144)	(45,311)		(11,383)	(35,271)
Non-current portion		-	4,828		-	1,891

14. Derivatives (continued)

	2020 Nominal Amount RM'000	2020 Assets RM'000	2020 Liabilities RM'000	2019 Nominal Amount RM'000	2019 Assets RM'000	2019 Liabilities RM'000
Company						
Current portion						
Derivatives at fair value through profit or loss						
Commodity swaps	164,629	-	23,807	77,915	-	9,168
Total derivatives		-	23,807		-	9,168

a) Derivatives not designated as hedging instruments

The Group uses forward commodity contracts, forward currency contracts and commodity swaps 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.

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.

15. Other investments

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Fixed deposits with original maturities exceeding three months	304,836	74,358	198,555	67,358

16. Cash and cash equivalents

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Cash on hand and at banks	199,339	262,179	62,116	106,642
Fixed deposits with original maturities not exceeding three months	442,970	493,529	89,849	132,386
	642,309	755,708	151,965	239,028
Fixed deposit pledged to bank	100	100	-	-
	642,409	755,808	151,965	239,028

17. Capital and reserves – Group and Company

17.1 Share capital

	2020 Amount RM'000	2020 Number of shares '000	2019 Amount RM'000	2019 Number of shares '000
Ordinary shares				
Issued and fully paid shares with no par value classified as equity instruments:				
At 1 January	820,091	570,876	820,085	570,874
Exercise of share options	749	246	5	2
Transfer from employee share option reserve	142	-	1	-
At 31 December	820,982	571,122	820,091	570,876

During the financial year, the Company increased its issued and paid-up ordinary share capital from 570,876,346 to 571,121,846 by way of the issuance of 245,500 ordinary shares for cash pursuant to the Company's Employee Share Options Scheme ("ESOS") at an average exercise price of RM3.05 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).

17.2 Other reserves – Group

	Hedge reserve RM'000	Foreign currency translation reserve RM'000	Total RM'000
At 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 and 1 January 2020	(2,263)	407	(1,856)
Other comprehensive income:			
Exchange differences on translation of the financial statements of foreign entities	-	(478)	(478)
Fair value adjustment on cash flow hedge	(4,209)	-	(4,209)
At 31 December 2020	(6,472)	(71)	(6,543)

17. Capital and reserves – Group and Company (continued)

17.2 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.

18. Employee benefit

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Employee share option reserve				
At 1 January	20,366	15,805	20,366	15,805
Share options granted under ESOS				
Recognised in profit or loss	3,646	4,562	1,277	1,644
Charged to subsidiaries	-	-	2,369	2,918
Transfer to share capital arising from exercise of share options	(142)	(1)	(142)	(1)
At 31 December	23,870	20,366	23,870	20,366

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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31 DECEMBER 2020 (CONT'D)

18. Employee benefit (continued)

The salient features of the ESOS are as follows: (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:

	2020	**2019**
Fair value of share options at the following grant dates (RM):		
17 April 2020	0.93	-
3 April 2019	-	0.91
Weighted average share price (RM)	2.52	2.44
Weighted average exercise price (RM)	2.23	2.21
Expected volatility (%) *	55.29	52.41
Expected life (years)	3	3
Risk free rate (%)	3.25	3.75
Expected dividend yield (%)	-	-

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 expected volatility is based on 2 years average historical volatility.*

18. Employee benefit (continued)

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	Outstanding 31 December '000	Exercisable 31 December '000
2020						
2020 options	-	685	(7)	(86)	592	100
2019 options	1,469	-	(89)	(208)	1,172	338
2018 options	1,201	-	(7)	(66)	1,128	507
2017 options	33,691	-	(143)	(900)	32,648	22,384
WAEP (RM)	3.53	2.23	3.05	3.25	3.52	3.56
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

(i) Details of share options outstanding at the end of the year:

Grant date	WAEP RM	Exercisable period
2020	2.23	17.4.2020-18.09.2027
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 245,500 (2019: 2,200) ordinary shares at an average price of RM3.05 (2019: RM2.21) each. The related weighted average share price at the date of exercise was RM3.80 (2019: 3.03).

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31 DECEMBER 2020 (CONT'D)

19. Loans and borrowings

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Non-current					
Secured:					
Hire purchase financing	19.1	5,777	5,647	32	409
Term loans		690,003	784,718	300,000	300,000
Sukuk Murabahah	19.2	19,384	-	20,000	-
		715,164	790,365	320,032	300,409
Unsecured:					
Term loans		-	10,764	-	-
		715,164	801,129	320,032	300,409
Current					
Secured:					
Hire purchase financing	19.1	6,612	6,526	377	427
Revolving credits		50,000	69,500	-	-
Term loans		108,272	101,791	-	-
		164,884	177,817	377	427
Unsecured:					
Revolving credits		-	4,000	-	-
Bank overdraft		-	7,651	-	-
Bankers acceptances/ short term loans		216,174	231,525	-	-
Term loans		12,790	14,150	-	-
		228,964	257,326	-	-
		393,848	435,143	377	427
Total loans and borrowings		1,109,012	1,236,272	320,409	300,836

19.1 Hire purchase financing

Hire purchase financing are payable as follows:

	Payment RM'000	Interest/ Profit RM'000	Principal RM'000
Group			
2020			
Less than one year	7,086	474	6,612
Between one and two years	4,184	191	3,993
Between two and five years	1,815	31	1,784
	13,085	696	12,389

19. Loans and borrowings – Group (continued)

19.1 Hire purchase financing (continued)

	Payment RM'000	Interest/ Profit RM'000	Principal RM'000
Group (continued)			
2019			
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
Company			
2020			
Less than one year	388	11	377
Between one and two years	32	-	32
Between two and five years	-	-	-
	420	11	409
2019			
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

19.2 Sukuk Murabahah

During the year, the Group has secured and entered into a Sukuk Murabahah Programme for the issuance of Sukuk Murabahah of up to a nominal value of RM1.00 billion with a tenure of up to 20 years from the first issue date.

The tenure of the Sukuk Murabahah Programme is 20 years from the first issue date of the Sukuk Murabahah under the Sukuk Murabahah Programme. The Sukuk Murabahah may be issued in series and shall have a tenure of more than one year and up to 20 years from the Issue Date. All Sukuk Murabahah shall mature upon the expiry of the Sukuk Murabahah Programme Tenure.

OCBC Al-Amin Bank Berhad ("OCBC") has made available Sukuk Murabahah of up to RM400 million in nominal value to be issued (whether in one or more series) under the Sukuk Murabahah Programme during the availability period for the Sukuk Murabahah to be subscribed for by OCBC.

The first issuance of RM20 million out of the RM400 million Sukuk Murabahah to be subscribed by OCBC under the Sukuk Murabahah programme was on 6 November 2020. The first issuance was within ninety (90) days after the date of fulfilment of the conditions precedent defined in the Sukuk Murabahah programme.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020 (CONT'D)

19. Loans and borrowings – Group (continued)

19.2 Sukuk Murabahah (continued)

(i) Repayment terms of the Sukuk Murabahah programme

The OCBC Sukuk Murabahah shall be issued with each Tranche having a tenure as stated below, and which shall be redeemed based on the following redemption schedule:

Tenure of each Tranche of Sukuk Murabahah	Percentage Nominal Value of each Series of OCBC Sukuk Murabahah
6 years	Twenty per cent. (20%)
7 years	Twenty per cent. (20%)
8 years	Twenty per cent. (20%)
9 years	Twenty per cent. (20%)
10 years	Twenty per cent. (20%)
Total	One hundred per cent. (100%)

(ii) Periodic profit payment terms under the Sukuk Murabahah programme

The periodic profit rate is determined prior to the issuance of the Sukuk Murabahah. Sukuk Murabahah is issued with periodic profit payments which are payable quarterly. The periodic profit payments are determined based on pricing spread above OCBC's three months cost of fund for the 10 years tenure.

(iii) Securities

OCBC Sukuk Murabahah is secured by third party first land charge over the leasehold lands of the subsidiaries with total planted area of not less than 14,011.95 hectares.

19.3 Securities

Banker's acceptance and foreign currency trade loans are secured by a corporate guarantee provided by the Company.

Revolving credits are secured by charges over certain leasehold land and palm oil mill of the Group.

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 are charged to secure the hire purchase facilities of the Group (see Note 3).

20. Government grants

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cost:				
At 1 January	18,908	16,160	648	-
Received during the year	78	2,748	78	648
At 31 December	18,986	18,908	726	648
Accumulated amortisation:				
At 1 January	1,989	1,194	-	-
Amortisation for the year (Note 23)	917	795	121	-
At 31 December	2,906	1,989	121	-
Net carrying amount:				
At 31 December	16,080	16,919	605	648
Current	868	796	73	-
Non-current	15,212	16,123	532	648
	16,080	16,919	605	648

The government grant of RM15,630,000 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.

During the year, a research project in relation to crude palm oil washing facilities which was acquired in FY2019 was completed, hence, amortisation of government grant was recognised as 'other income" in profit or loss over the useful life of the plant. Total grant received in relation to the research project was RM726,000.

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21. Trade and other payables

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Current					
Trade					
Trade payables	21.1	82,150	92,695	26,538	20,336
Amount due to subsidiaries		-	-	21,310	27,427
		82,150	92,695	47,848	47,763
Non-trade					
Amount due to subsidiaries		-	-	310	1,054
Retention sums payable to contractors		4,587	6,976	1,425	1,356
Deposits received					
- Others		195	383	90	99
- Subsidiary		-	-	713	713
Other payables and accrued expenses	21.1	122,398	114,314	46,193	34,691
		127,180	121,673	48,731	37,913
Total		209,330	214,368	96,579	85,676

21.1 Trade and other payables

Included in trade and other payables of the Group and of the Company are the amounts of RM9,456,000 (2019: RM7,577,000) and RM3,460,000 (2019: RM3,734,000) respectively due to companies in which certain Directors of the Company have substantial financial interest.

22. Revenue

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Revenue from contracts with customers	2,778,603	2,971,870	1,013,057	865,264
Other revenue				
Dividend income from subsidiaries	-	-	14,335	20,621
	2,778,603	2,971,870	1,027,392	885,885

22. Revenue (continued)

22.1 Disaggregation of revenue

	Oil palm operations		Property development		Total	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Group						
Major products and service lines						
Sales of oil palm based products and other related income	2,765,157	2,961,352	-	-	2,765,157	2,961,352
Sales of properties under construction	-	-	-	6,552	-	6,552
Sales of completed properties	-	-	13,446	3,966	13,446	3,966
	2,765,157	2,961,352	13,446	10,518	2,778,603	2,971,870
Geographical markets						
Malaysia	690,897	696,146	13,446	10,518	704,343	706,664
Asia-Pacific	1,521,799	1,794,512	-	-	1,521,799	1,794,512
Others	552,461	470,694	-	-	552,461	470,694
	2,765,157	2,961,352	13,446	10,518	2,778,603	2,971,870
Timing and recognition						
At a point in time	2,765,157	2,961,352	13,446	3,966	2,778,603	2,965,318
Over time	-	-	-	6,552	-	6,552
	2,765,157	2,961,352	13,446	10,518	2,778,603	2,971,870

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020 (CONT'D)

22. Revenue (continued)

22.1 Disaggregation of revenue (continued)

Company	**2020 RM'000**	**2019 RM'000**
Major products and service lines		
Sales of oil palm based products	1,013,057	865,264
Geographical markets		
Malaysia	1,013,057	865,264
Timing of recognition		
At a point in time	1,013,057	865,264
Revenue from contracts with customers	1,013,057	865,264
Other revenue	14,335	20,621
Total	1,027,392	885,885

22.2 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.	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.

22. Revenue (continued)

22.3 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.

23. Other income

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Gain on disposal of property, plant, and equipment	849	-	686	1,938
Gain on disposal of right-of-use asset	-	165	-	165
Head office charges	-	-	10,380	10,486
Management fee	-	-	220	200
Rental income	779	525	388	2,378
Amortisation of government grant (Note 20)	917	795	121	-
Net gain on foreign exchange	10,804	971	-	131
Miscellaneous	3,580	3,103	2,566	1,372
	16,929	5,559	14,361	16,670

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31 DECEMBER 2020 (CONT'D)

24. Finance income

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Interest income of financial assets calculated using the effective interest method that are at amortised cost:				
- Short-term deposits	19,035	17,994	6,073	4,928
- Current accounts	1,820	4,757	1,505	2,627
- Advances to subsidiaries	-	-	7,950	10,420
Recognised in profit or loss	20,855	22,751	15,528	17,975

25. Finance costs

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Interest expense/profit payments of financial liabilities that are not at fair value through profit or loss:				
- Bank loans	34,393	42,968	11,915	13,227
- Sukuk Murabahah	101	-	101	-
- Bank acceptances	5,212	8,807	-	83
- Hire purchase financing	523	580	29	52
- Revolving credits	2,966	4,235	-	463
- Trust receipts	13	681	-	-
- Interest rate swap	2,419	615	-	-
- Others	368	697	211	174
	45,995	58,583	12,256	13,999
Interest expense on lease liabilities	120	140	144	108
	46,115	58,723	12,400	14,107
Recognised in profit or loss	42,252	54,213	9,929	11,311
Interest expense/profit payments of financial liabilities that are not at fair value through profit or loss capitalised into qualifying assets:				
- property, plant and equipment (Note 3)	1,678	187	286	158
- bearer plants (Note 4)	2,185	4,323	2,185	2,638
	46,115	58,723	12,400	14,107

26. Taxation

Recognised in profit or loss

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Current tax expense				
Malaysian - current year	70,825	31,956	20,700	16,677
- prior year	972	822	788	385
	71,797	32,778	21,488	17,062
Deferred tax expense (Note 10)				
Origination and reversal of temporary differences	13,365	6,880	(3,832)	2,258
Under provision in prior year	(3,121)	58	-	96
	10,244	6,938	(3,832)	2,354
Total taxation	82,041	39,716	17,656	19,416
Reconciliation of taxation				
Profit for the financial year	220,158	91,592	48,952	67,709
Total taxation	82,041	39,716	17,656	19,416
Profit excluding tax	302,199	131,308	66,608	87,125
Income tax calculated using Malaysian tax rate of 24%	72,527	31,514	15,985	20,910
Effect of tax rates in foreign jurisdiction	(280)	(1,134)	-	-
Difference in effective tax rate of equity accounted associates	989	-	-	-
Non-deductible expenses	10,033	8,982	4,323	2,648
Deferred tax not recognised	-	4,200	-	-
Movements in unrecognised deferred tax assets	940	(2,259)	-	-
Reinvestment allowance utilised	-	(1,631)	-	-
Income not subject to taxation	-	(1,133)	(3,440)	(4,949)
Others	(19)	297	-	326
	84,190	38,836	16,868	18,935
Under provision in prior year	(2,149)	880	788	481
Total taxation	82,041	39,716	17,656	19,416

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020 (CONT'D)

27. Profit for the financial year

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit for the financial year are arrived at after charging/(crediting):				
Auditors' remuneration:				
- Statutory audit				
- KPMG PLT	377	377	100	100
- Overseas affiliates of KPMG PLT	158	146	-	-
- (Over)/Underprovision in previous years	-	(8)	-	-
- Non-audit fees:				
- KPMG PLT	18	35	18	35
- Local affiliates of KPMG PLT	108	140	23	49
- Other auditors	103	101	-	-
Material expenses/(income)				
Depreciation of property, plant and equipment (Note 3.2)	82,078	82,609	23,248	25,690
Depreciation of right-of-use assets (Note 5)	9,547	9,491	957	856
Amortisation of intangible assets	16	8	-	-
Amortisation of bearer plants (Note 4)	58,505	57,922	5,407	3,297
(Gain)/Loss on disposal of				
- property, plant and equipment	(849)	163	(686)	(1,938)
- right-of-use assets	-	(165)	-	(165)
- subsidiary	-	-	65	-
Personnel expenses (including key management personnel):				
- Contributions to the state plans	10,352	10,731	3,916	3,604
- Wages, salaries and others	236,699	212,715	56,992	49,365
- Social security contributions	2,613	1,450	666	390
- Share options granted under ESOS	3,646	4,562	1,277	1,644
Property, plant and equipment written off	681	350	162	179
Bearer plants written off	6,387	55	28	55
Inventories written down	1,437	654	1,883	-
Inventories written off	534	3	180	-
Net (gain)/loss on foreign exchange	(10,804)	(971)	4	(131)
Fair value loss on derivatives	11,955	22,743	14,639	9,168
Fair value gain on agricultural produce	(6,728)	(9,809)	(1,413)	(612)
Bad debts written off	-	321	-	-
Expenses arising from leases:				
Expenses relating to short-term leases	2,138	2,671	205	588
Expenses relating to variable lease payments not included in the measurement of lease liabilities	8,895	12,529	-	-
Net loss on impairment of financial instruments:				
Financial assets at amortised cost	2,879	161	9,904	-
Impairment loss on joint venture	3,471	-	-	-

28. Compensations to key management personnel

Compensations to key management personnel are as follows:

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Directors:				
- Fees	822	798	600	600
- Short term employee benefits (including estimated benefits-in-kind)	2,865	2,805	1,953	1,953
- Post employment benefits	262	260	233	233
- Other emoluments	33	47	33	47
	3,982	3,910	2,819	2,833
Other key management personnel:				
- Fees	161	161	-	-
- Short term employee benefits (including estimated benefits-in-kind)	9,128	9,383	8,272	8,519
- Post employment benefits	1,103	1,115	1,036	1,069
- Share options granted under ESOS	809	1,041	809	1,041
	11,201	11,700	10,117	10,629
	15,183	15,610	12,936	13,462

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.

29. Other comprehensive income

	2020 Before tax RM'000	2020 Tax benefit RM	2020 Net of tax RM	2019 Before tax RM	2019 Tax benefit RM	2019 Net of tax RM
Item that is reclassified subsequently to profit or loss						
Cash flow hedge						
- Loss during the year	(5,538)	1,329	(4,209)	(4,785)	1,148	(3,637)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020 (CONT'D)

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:

	2020 RM'000	2019 RM'000
Profit attributable to owners of the Company	204,116	89,456

Weighted average number of ordinary shares

	2020 '000	2019 '000
Weighted average number of ordinary shares at 31 December (basic)	570,925	570,874
Effect of dilution of share options	185	30
Weighted average number of ordinary shares at 31 December (diluted)	571,110	570,904

Basic and diluted earnings per share

	2020 Sen	2019 Sen
Basic earnings per share	35.75	15.67
Diluted earnings per share	35.74	15.67

31. Dividends

Dividends recognised by the Company:

	Sen per share (tax exempt)	Total RM'000	Date of payment
2020			
Final 2019 ordinary	5	28,546	24 July 2020
2019			
Final 2018 ordinary	5	28,544	19 July 2019

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 2020	6	34,267

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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Segment profit	298,557	127,187	2,461	1,582	1,181	2,539	302,199	131,308
Included in the measure of segment profit are:								
Revenue from external customers	2,765,157	2,961,352	13,446	10,518	-	-	2,778,603	2,971,870
Finance income	28,714	33,000	91	171	(7,950)	(10,420)	20,855	22,751
Finance costs	(50,137)	(63,124)	(890)	(965)	8.775	9,876	(42,252)	(54,213)
Write-down of inventories	(1,437)	(654)	-	-	-	-	(1,437)	(654)
Write-off of inventories	(534)	(3)	-	-	-	-	(534)	(3)
Share of loss of equity-accounted joint venture, net of tax	-	-	-	-	(13,963)	(357)	(13,963)	(357)
Depreciation and amortisation	(153,390)	(149,684)	(295)	(346)	-	-	(153,685)	(150,030)
Fair value loss on derivatives	(11,955)	(22,743)	-	-	-	-	(11,955)	(22,743)
Fair value gain/(loss) on agricultural produce	6,728	9,809	-	-	-	-	6,728	9,809
Impairment loss on trade receivables	(2,878)	(161)	(1)	-	-	-	(2,879)	(161)
Bad debts written off	-	(321)	-	-	-	-	-	(321)
Property, plant and equipment written off	(680)	(350)	(1)	-	-	-	(681)	(350)
Bearer plants written off	(6,387)	(55)	-	-	-	-	(6,387)	(55)
Other information								
Segment assets	4,176,911	4,132,977	84,352	95,994	(3,176)	(46,650)	4,258,087	4,182,321
Segment liabilities	1,750,516	1,859,662	36,794	50,898	(32,118)	(43,344)	1,755,192	1,867,216
Included in the measure of segment assets are:								
Additions to property, plant and equipment	82,258	91,394	4	146	-	(145)	82,262	91,395
Additions to bearer plants	30,780	43,248	-	-	-	-	30,780	43,248
Additions to right-of-use assets	521	2,426	-	-	-	-	521	2,426

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 joint venture), intangible assets and deferred tax assets.

	2020 RM'000	2019 RM'000
Revenue		
Malaysia	704,343	706,664
Asia-Pacific	1,521,799	1,794,512
Others	552,461	470,694
	2,778,603	2,971,870
Non-current assets		
Malaysia	2,517,403	2,604,090
Singapore	13,154	13,738
	2,530,557	2,617,828

Major customers

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

	Revenue		
	2020 RM'000	2019 RM'000	Segment
Customer A	469,779	455,047	Plantations
Customer B	312,570	336,916	Plantations
Customer C	-	330,126	Plantations

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
2020					
Financial assets					
Group					
Trade and other receivables	12	190,608	190,608	-	-
Derivative financial assets	14	7,144	-	7,144	-
Other investments	15	304,836	304,836	-	-
Cash and cash equivalents	16	642,409	642,409	-	-
		1,144,997	1,137,853	7,144	-
Company					
Trade and other receivables	12	316,496	316,496	-	-
Other investments	15	198,555	198,555	-	-
Cash and cash equivalents	16	151,965	151,965	-	-
		667,016	667,016	-	-
Financial liabilities					
Group					
Loans and borrowings	19	(1,109,012)	(1,109,012)	-	-
Trade and other payables	21	(209,330)	(209,330)	-	-
Derivative financial liabilities	14	(50,139)	-	(41,623)	(8,516)
		(1,368,481)	(1,318,342)	(41,623)	(8,516)
Company					
Loans and borrowings	19	(320,409)	(320,409)	-	-
Trade and other payables	21	(96,579)	(96,579)	-	-
Derivative financial liabilities	14	(23,807)	-	(23,807)	-
		(440,795)	(416,988)	(23,807)	-

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 assets					
Group					
Trade and other receivables *	12	184,932	184,932	-	-
Derivative financial assets	14	11,383	-	11,383	-
Other investments	15	74,358	74,358	-	-
Cash and cash equivalents	16	755,808	755,808	-	-
		1,026,481	1,015,098	11,383	-
Company					
Trade and other receivables	12	303,545	303,545	-	-
Other investments	15	67,358	67,358	-	-
Cash and cash equivalents	16	239,028	239,028	-	-
		609,931	609,931	-	-
2019					
Financial liabilities					
Group					
Loans and borrowings	19	(1,236,272)	(1,236,272)	-	-
Trade and other payables	21	(214,368)	(214,368)	-	-
Derivative financial liabilities	14	(37,162)	-	(34,184)	(2,978)
		(1,487,802)	(1,450,640)	(34,184)	(2,978)
Company					
Loans and borrowings	19	(300,836)	(300,836)	-	-
Trade and other payables	21	(85,676)	(85,676)	-	-
Derivative financial liabilities	14	(9,168)	-	(9,168)	-
		(395,680)	(386,512)	(9,168)	-

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020 (CONT'D)

33. Financial instruments (continued)

33.2 Net (losses)/gains arising from financial instruments

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Net (losses)/gains on:				
Financial assets at amortised cost				
- impairment loss on trade and other receivables	(2,879)	(161)	(9,904)	-
- bad debts written off	-	(321)	-	-
- interest income and other	20,855	22,751	15,528	17,975
- net gain on foreign exchange	10,827	211	-	131
	28,803	22,480	5,624	18,106
Financial assets at fair value through profit or loss				
Mandatorily required by MFRS 9				
- changes in fair value of derivatives	(4,239)	9,790	-	-
- realised gain on derivatives	-	165	-	-
	(4,239)	9,955	-	-
Financial liabilities at fair value through profit or loss				
Mandatorily required by MFRS 9				
- changes in fair value of derivatives	(7,716)	(32,533)	(14,639)	(9,168)
- realised loss on derivatives	(3,646)	(6,044)	(750)	-
	(11,362)	(38,577)	(15,389)	(9,168)
Financial liabilities measured at amortised cost				
- interest expense/ profit payments	(45,995)	(58,583)	(12,256)	(13,999)
- net gain/(loss) on foreign exchange	(23)	760	(4)	-
	(46,018)	(57,823)	(12,260)	(13,999)
	(32,816)	(63,965)	(22,025)	(5,061)

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. Financial instruments (continued)

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 contract assets (see Note 13.1) have substantially the same risk characteristics as the trade receivables from the same categories of customers.

The Group assess periodically whether any of the trade receivables is credit impaired.

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.

33. Financial instruments (continued)

33.4 Credit risk (continued)

Trade receivables (continued)

Recognition and measurement of impairment losses (continued)

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
2020			
Group			
Current (not past due)	182,637	-	182,637
1 – 30 days past due	741	-	741
31 – 60 days past due	22	-	22
61 – 90 days past due	36	-	36
More than 90 days past due	37	-	37
	183,473	-	183,473
Credit impaired			
Individually impaired	2,382	(2,378)	4
Trade receivables	185,855	(2,378)	183,477
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
Credit impaired			
Individually impaired	289	(289)	-
Trade receivables	161,057	(289)	160,768

33. Financial instruments (continued)

33.4 Credit risk (continued)

Trade receivables (continued)

Recognition and measurement of impairment losses (continued)

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 2019	604
Amount written off	(476)
Net remeasurement of loss allowance	161
Balance at 31 December 2019/1 January 2020	289
Amount written off	(87)
Net remeasurement of loss allowance	2,176
Balance at 31 December 2020	2,378

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 and other investments

The cash and cash equivalents and other investments 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.

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.

33. Financial instruments (continued)

33.4 Credit risk (continued)

Other receivables (continued)

The following table provides information about the exposure the credit risk and ECLs for other receivables.

	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
2020			
Low credit risk	23,698	-	23,698
Credit impaired	703	(703)	-
	24,199	(703)	23,698
2019			
Low credit risk	29,573	-	29,573

Recognition and measurement of impairment losses

Generally, the Group considers other receivables have low credit risk. As the Group is able to determine the timing of payments of the other debtors when they are payable, the Group considers the other receivables to be in default when the other debtors are not able to pay when demanded. The Group considers other receivables to be credit impaired when the other debtor is unlikely to repay its payables to the Group in full.

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

	Credit impaired RM'000	Total RM'000
Balance at 1 January 2019/31 December 2019/1 January 2020	-	-
Net remeasurement of loss allowance	703	703
Balance at 31 December 2020	703	703

33. Financial instruments (continued)

33.4 Credit risk (continued)

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.

The Company has undertaken to provide financial support to certain subsidiaries to enable them to continue to operate as going concerns.

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.

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
2020			
Low credit risk	207,786	-	207,786
Credit impaired	65,000	(9,904)	55,096
	272,786	(9,904)	262,882
2019			
Low credit risk	254,917	-	254,917

33. Financial instruments (continued)

33.4 Credit risk (continued)

Inter-company loans and advances (continued)

Recognition and measurement of impairment loss (continued)

The movements in the allowance for impairment in respect of inter-company loans and advances during the year are shown below.

	Credit impaired RM'000	Total RM'000
Balance at 1 January 2019/31 December 2019/1 January 2020	-	-
Net measurement of loss allowance	9,904	9,904
Balance at 31 December 2020	9,904	9,904

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 RM202,209,000 (2019: RM196,082,000) 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.

33.5 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.

33. Financial instruments (continued)

33.5 Liquidity risk (continued)

Maturity analysis

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

	Carrying amount RM'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							
2020							
Non-derivative financial liabilities							
Trade and other payables	209,330	-	209,330	209,330	-	-	-
Term loans	811,065	2.87 – 4.45	887,132	157,825	399,978	312,926	16,403
Sukuk Murabahah	19,384	3.75	19,408	636	1,204	4,862	12,706
Revolving credits	50,000	4.65	50,000	50,000	-	-	-
Hire purchase financing	12,389	4.58 – 4.76	13,085	7,086	4,184	1,815	-
Bank acceptances/short term loans	216,174	2.12 – 3.91	216,174	216,174	-	-	-
Lease liabilities	2,164	5	2,752	748	802	473	729
	1,320,506		1,397,881	641,799	406,168	320,076	29,838
Derivative financial liabilities							
Forward commodity contracts	17,816		17,816	17,816	-	-	-
Commodity swaps	23,807		23,807	23,807	-	-	-
Cash flow hedges	8,516		8,516	3,688	3,391	1,437	-
	50,139		50,139	45,311	3,391	1,437	-

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							
2020							
Non-derivative financial liabilities							
Trade and other payables	96,579	-	96,579	96,579	-	-	-
Sukuk Murabahah	20,000	3.75	19,408	636	1,204	4,862	12,706
Term loan	300,000	3.30 – 3.53	313,190	10,581	302,609	-	-
Hire purchase financing	409	4.58 – 4.76	420	388	32	-	-
Lease liabilities	2,363	5	2,950	671	698	668	913
Financial guarantee contracts	-		202,209	202,209	-	-	-
	419,351		634,756	311,064	304,543	5,530	13,619
Derivative financial liabilities							
Commodity swaps	23,807		23,807	23,807	-	-	-

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
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	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)

33.6 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:

	2020		2019	
	USD RM'000	**SGD RM'000**	**USD RM'000**	**SGD RM'000**
Balances recognised in the statement of financial position				
Trade receivables	118,535	-	112,841	-
Borrowings	(73,913)	-	(91,473)	-
Trade and other payables	(988)	(8)	(252)	(9)
	43,634	(8)	21,116	(9)

(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 decreased 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.

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31 DECEMBER 2020 (CONT'D)

33. Financial instruments (continued)

33.6 Market risk (continued)

33.6.1 Currency risk (continued)

(iii) Currency risk sensitivity analysis (continued)

	2020 RM'000	2019 RM'000
USD	(3,316)	(1,605)

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.

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 twelve 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 2020, the swap mature over the next four years following the maturity of a floating rate term loan and has a fixed swap (2019: fixed swap) rate of 4.83% (2019: 4.81%).

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33. Financial instruments (continued)

33.6 Market risk (continued)

33.6.2 Interest rates risk (continued)

Exposure to interest rates risk (continued)

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	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Fixed rate instruments				
Fixed deposits	747,806	567,987	288,404	199,744
Hire purchase financing	(12,389)	(12,173)	(409)	(836)
Banker acceptances/short term loans	(216,174)	(231,525)	-	-
Revolving credits	(50,000)	(73,500)	-	-
Lease liabilities	(2,164)	(2,367)	(2,363)	(2,887)
	467,079	248,422	285,632	196,021
Floating rate instruments				
Term loans	(811,065)	(911,423)	(300,000)	(300,000)
Sukuk Murabahah	(19,384)	-	(20,000)	-
Bank overdraft	-	(7,651)	-	-
Amount due from subsidiaries	-	-	262,882	254,917
	(830,449)	(919,074)	(57,118)	(45,083)

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.

33. Financial instruments (continued)

33.6 Market risk (continued)

33.6.2 Interest rates risk (continued)

Interest rates risk sensitivity analysis (continued)

Cash flow sensitivity analysis for variable rate instruments (continued)

	2020 Profit or loss		2019 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	(6,311)	6,311	(6,985)	6,985
Company				
Floating rate instruments	(434)	434	(343)	343

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 RM200 million (2019: RM200 million) and is settled every quarter, consistent with the interest repayment schedule of the term loan. During the year, loss of RM4,209,000 (2019: loss of RM3,637,000) was recognised in other comprehensive income.

33. Financial instruments (continued)

33.7 Hedging activities (continued)

Interest rate swap (continued)

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
2020					
Interest rate risk					
Interest rate swap					
Net exposure	(6,472)	(8,516)	(3,688)	(3,391)	(1,437)
Fixed interest rate			4.81%	4.81%	4.81%
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%

The following table provides reconciliation by risk category of components of equity and analysis of OCI items, net of tax, resulting from cash flow hedge accounting.

	Hedging reserve RM'000
Balance at 1 January 2019	1,374
Interest rate risk	(3,637)
Balance at 31 December 2019/1 January 2020	(2,263)
Interest rate risk	(4,209)
Balance at 31 December 2020	(6,472)

33.8 Fair value information

The carrying amounts of cash and cash equivalents, other investments, 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 table below analysis after financial instrument at fair value

	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										
2020										
Financial assets										
Forward currency contracts	-	4,442	-	4,442	-	-	-	-	4,442	4,442
Forward commodity contracts	-	2,702	-	2,702	-	-	-	-	2,702	2,702
	-	7,144	-	7,144	-	-	-	-	7,144	7,144
Financial liabilities										
Cash flow hedges	-	(8,516)	-	(8,516)	-	-	-	-	(8,516)	(8,516)
Commodity swaps	-	(23,807)	-	(23,807)	-	-	-	-	(23,806)	(23,806)
Forward commodity contracts	-	(17,816)	-	(17,816)	-	-	-	-	(17,816)	(17,816)
Term loans	-	-	-	-	-	-	(690,003)	(690,003)	(690,003)	(690,003)
Sukuk Murabahah	-	-	-	-	-	-	(19,384)	(19,384)	(19,384)	(19,384)
Hire purchase financing	-	-	-	-	-	-	(5,485)	(5,485)	(5,485)	(5,777)
	-	(50,139)	-	(50,139)	-	-	(714,872)	(714,872)	(765,011)	(765,303)

33. Financial instruments (continued)

33.8 Fair value information (continued)

The table below analysis after financial instrument at fair value (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
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)

The table below analysis after financial instrument at fair value (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										
2020										
Financial liabilities										
Commodity swaps	-	(23,807)	-	(23,807)	-	-	-	-	(23,807)	(23,807)
Term loan	-	-	-	-	-	-	(300,000)	(300,000)	(300,000)	(300,000)
Hire purchase financing	-	-	-	-	-	-	(30)	(30)	(30)	(32)
Sukuk Murabahah	-	-	-	-	-	-	(20,000)	(20,000)	(20,000)	(20,000)
	-	(23,807)	-	(23,807)	-	-	(320,030)	(320,030)	(343,837)	(343,839)
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)

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 and forward commodity 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 (2019: no transfer in either directions).

Level 3 fair value

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020 (CONT'D)

33. Financial instruments (continued)

33.8 Fair value information (continued)

Level 3 fair value (continued)

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
Sukuk Murabahah - secured	Discounted cash flows using a rate based on the current market rate of borrowing of the Group at the reporting date (2020: 3.30%, 2019: Nil)
Term loans	The fair value of term loans approximate their carrying amounts as these are variable rate borrowings.
Hire purchase financing	Discounted cash flows using a rate based on the current market rate of borrowing of the Group at the reporting date (2020: 3.97%, 2019: 4.77%)

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	
	2020 RM'000	2019 RM'000
Total loans and borrowings (Note 19)	1,109,012	1,236,272
Lease liabilities	2,164	2,367
Less: Other investments (Note 15)	(304,836)	(74,358)
Less: Cash and cash equivalents (Note 16)	(642,409)	(755,808)
Net debt	163,931	408,473
Total equity	2,502,895	2,315,105
Net debt-to-equity ratio	0.07	0.18

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

35. Capital commitments

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Contracted but not provided for				
Property, plant and equipment	68,447	19,872	14,702	3,138
Bearer plants	3,345	11,799	417	1,488
	71,792	31,671	15,119	4,626

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.

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 for one leave granted on a question of law arising out the cross appeals in respect of the numbered patches of land. The Federal Court heard the parties' submissions and arguments in full on 14 August 2020, and the matter was adjourned until notification by the Federal Court of a date for delivery of decision.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020 (CONT'D)

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 28) and those disclosed elsewhere in the financial statements, are shown below.

Transaction with its subsidiaries

	Company	
	2020 RM'000	2019 RM'000
Dividend income	(14,335)	(20,621)
Head office charges	(10,380)	(10,686)
Management fee	(220)	(200)
Rental expense	491	495
Corporate service fee	3,459	3,284
Purchase of goods and services	21,352	24,588
Purchase of oil palm fresh fruit bunches	439,781	348,987
Sales of goods and services	(1,009,221)	(865,891)
Sales of property, plant and equipment	(790)	(5,686)
Purchase of property, plant and equipment	772	1,089

37. Related parties (continued)

Transaction in which certain Directors and their close family members have or deemed to have substantial interest

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Purchase of oil palm fresh fruit bunches	66,364	59,245	54,584	52,177
Sale of goods and services	(1)	-	-	-
Transport services	8,705	10,246	2,340	2,627
Purchase of property, plant and equipment	10,940	3,998	765	1,032
Purchase of goods and services	25,784	31,222	1,764	1,991

The balances related to the above transactions are shown in Notes 12 and 21. 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 Incorporation of SOP Capital Sdn. Bhd.

Details of the subsidiary incorporated during the last 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

38. Acquisition of subsidiary and non-controlling interest (continued)

38.2 Acquisition of non-controlling interest – Avantsar Sdn. Bhd. (formerly known as SOP Developments Sdn. Bhd. and SOP Pelita Developments Sdn. Bhd.)

On 2 September 2020, the Group acquired an additional 35% interest in Avantsar Sdn. Bhd. (formerly known as SOP Developments Sdn. Bhd. and SOP Pelita Developments Sdn. Bhd.) for RM1, increasing its ownership from 65% to 100%. The carrying amount of net assets in the Group's financial statements on the date of acquisition was RM41,705 in deficit. The Group recognised an increase in non-controlling interest of RM20,000 and a decrease in retained earnings of RM20,000.

The following summarises the effect of changes in the equity interest in Avantsar Sdn. Bhd. (formerly known as SOP Developments Sdn. Bhd. and SOP Pelita Developments Sdn. Bhd.) that is attributable to owners of the Company:

	Group 2020 RM'000
Equity interest at 1 January 2020	(33)
Effect of increase in Company's ownership interest	(20)
Share of comprehensive loss	(8)
Equity interest at 31 December 2020	(61)

39. Significant event during the year

On 11 March 2020, the World Health Organisation declared the Coronavirus ("Covid-19") outbreak as a pandemic in recognition of its rapid spread across the globe. The Covid-19 outbreak has resulted in travel restrictions, lockdown and other precautionary measures imposed in various countries. The emergence of the Covid-19 outbreak has brought significant economic uncertainties in Malaysia and markets in which the Company operates.

In developing the disclosures, the Company has performed an assessment of the overall impact of the situation on the Company's operations, including the recoverability of the carrying amounts of assets and liabilities and concluded that there is no material adverse effects on the financial statements for the financial year ended 31 December 2020.

The Company is unable to reasonably estimate the financial impact of these events on their financial position, results of operations or cash flows in the next financial year due to the uncertainty of the future outcome of the current events. It is however certain that the worldwide measures against the spread of the corona virus will have direct and indirect effects on its operations. The Company will continuously monitor the impact to minimise the impact of the outbreak on the Company's operations.

PROPERTIES OF THE GROUP
AS AT 31 DECEMBER 2020

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 2020 (RM'000)	Net Book Value As at 31 Dec 2019 (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	14	243,179	228,338
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	19		
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.	36		
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	14	42,506	45,431
Tibus Estate Lot 157, Suai	2003	Leasehold 60 years	2063	1,499	Oil Palm Estate		64,422	66,109
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		42,624	44,551
Taniku Estate Jalan Pujut 7, Permyjaya KM 9 East of Miri	2003	Leasehold 60 years	2058	4,858	Oil Palm Estate		96,540	106,282
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	12		

PROPERTIES OF THE GROUP AS AT 31 DECEMBER 2020
(Cont'd)

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 2020 (RM'000)	Net Book Value As at 31 Dec 2019 (RM'000)
Karabungan Estate KM 48, Miri – Bintulu Road, Miri	2005	Leasehold 60 years	2058	2,023	Oil Palm Estate		23,200	24,465
Tatau Estate KM 40, Bintulu – Sibu Road, Off KM 13, Tatau	2008	Leasehold 99 years	2103	3,840	Oil Palm Estate		184,224	190,346
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	9		
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	7	246,632	257,244
Batu Lintang Estate Ulu Undop NCR, Sri Aman District	2008	NCR Native Land 60 years	NA	2,334	Oil Palm Estate		45,394	49,639
Sabaju Estate KM 53, Bintulu – Miri, KM 31 Bakun Road	2010	Leasehold 99 years	2114	4,011	Oil Palm Estate		67,670	69,971
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	6 to 9	262,947	275,641
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		27,039	27,022
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	9	688,617	688,251
Singapore Office 133 New Bridge Road, #20-09/10 Chinatown Point, Singapore 059413	2016	Leasehold 99 years	2079	-	Office Unit - 223 sq.m.	29	13,187	13,425

ANALYSIS OF SHAREHOLDINGS
AS AT 20 APRIL 2021

SHARE CAPITAL

Authorised	:	5,000,000,000 Ordinary Shares
Issued and Fully Paid	:	571,418,146 Ordinary Shares
Voting Rights	:	One Vote Per Share

DISTRIBUTION OF SHAREHOLDERS

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Capital
Less than 100	197	4.76	3,543	0
100 – 1,000	904	21.86	531,793	0.09
1,001 – 10,000	2,176	52.62	8,888,163	1.56
10,001 – 100,000	705	17.05	20,255,179	3.54
100,001 to less than 5% of issued shares	148	3.58	152,407,098	26.67
5% and above of issued shares	5	0.13	389,332,370	68.14
TOTAL	**4,135**	**100.00**	**571,418,146**	**100.00**

SUBSTANTIAL SHAREHOLDERS

		No. of Shares Held	% of Issued Capital
1.	LCDA HOLDINGS SDN BHD	115,626,600	20.24
2.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT – AMBANK (M) BERHAD FOR SHIN YANG PLANTATION SDN BHD	103,064,478	18.04
3.	CIMB GROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR DBS BANK LTD (SFS-PB)	65,948,870	11.54
4.	SHIN YANG PLANTATION SDN BHD	59,723,422	10.45
5.	STATE FINANCIAL SECRETARY SARAWAK	44,969,000	7.87
6.	TAN SRI DATUK LING CHIONG HO	40,047,600	7.01

ANALYSIS OF SHAREHOLDINGS
AS AT 20 APRIL 2021 (Cont'd)

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]	28.49
Ling Chiong Sing	-	-	162,787,900 [1]	28.49
Ling Lu Kuang	-	-	62,400,000 [2]	10.92
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 20 APRIL 2021

NO.	NAME	NO OF SHARES	SHARES %
1	LCDA HOLDINGS SDN BHD	115,626,600	20.24
2	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT – AMBANK (M) BERHAD FOR SHIN YANG PLANTATION SDN BHD	103,064,478	18.04
3	CIMB GROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR DBS BANK LTD (SFS-PB)	65,948,870	11.54
4	SHIN YANG PLANTATION SDN BHD	59,723,422	10.45
5	STATE FINANCIAL SECRETARY SARAWAK	44,969,000	7.87
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	6,974,488	1.22
11	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR WONG ING YUNG (PB)	3,653,300	0.64
12	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR BANK OF SINGAPORE LIMITED (FOREIGN)	3,480,000	0.61
13	AMANAHRAYA TRUSTEES BERHAD PUBLIC STRATEGIC SMALLCAP FUND	3,358,800	0.59
14	CIMB COMMERCE TRUSTEE BERHAD PUBLIC FOCUS SELECT FUND	2,667,414	0.47
15	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KONG GOON KHING (E-JCL)	2,619,300	0.46
16	CITIGROUP NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LBF)	2,451,800	0.43
17	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	2,329,036	0.41
18	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC TREASURES GROWTH FUND	2,313,257	0.40
19	AMANAHRAYA TRUSTEES BERHAD PUBLIC SMALLCAP FUND	2,272,100	0.40
20	WONG HEE KWONG	2,245,600	0.39
21	CITIGROUP NOMINEES (TEMPATAN) SDN BHD URUSHARTA JAMAAH SDN. BHD. (MAYBANK 2)	2,132,700	0.37
22	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAW KIONG HOLDINGS SDN. BHD.	2,080,500	0.36
23	MAYBANK NOMINEES (TEMPATAN) SDN BHD NATIONAL TRUST FUND (IFM MAYBANK) (412183)	2,008,400	0.35
24	NEOH CHOO EE & COMPANY, SDN. BERHAD	1,750,000	0.31
25	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (PHEIM)	1,521,300	0.27
26	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ERIC KIU KWONG SENG	1,496,457	0.26
27	LEMBAGA TABUNG ANGKATAN TENTERA	1,346,600	0.24
28	ADINAMAJU SDN BHD	1,307,420	0.23
29	CITIGROUP NOMINEES (TEMPATAN) SDN BHD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LEEF)	1,239,800	0.22
30	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (MIDF ABSR EQ)"	1,239,700	0.22

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