



**SARAWAK
OIL PALMS BERHAD**

Registration No. 196801000358 (7949-M)

ANNUAL REPORT 2022

INSPIRING BREAKTHROUGH GROWING EXCELLENCE



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



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INSPIRING BREAKTHROUGH, GROWING EXCELLENCE

2022 was a fruitful year for Sarawak Oil Palms Berhad where we acted as a durable entity that continue to generate exceptional value to our stakeholders as well as providing excellence products to our worldwide customers.

The blooming colours presented on the cover art signify sustainable growth and evolution to reflect Sarawak Oil Palms' inspiring breakthrough in creating new heights of value to the stakeholders and to grow tremendously while upholding our core values in order to build a better society and managing the environmental impact.



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55TH ANNUAL GENERAL MEETING



DAY & DATE

Thursday, 22 June 2023



TIME

10.00 a.m.



PHYSICAL VENUE

The Conference Room of Imperial Hotel,
Jalan Pos,
98000 Miri,
Sarawak, Malaysia.

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AT A GLANCE



REVENUE

RM5,308.29 mil

FY2021: RM4,431.03 mil



PRE-TAX PROFIT

RM668.79 mil

FY2021: RM712.99 mil



OPERATING PROFIT

RM673.70 mil

FY2021: RM732.92 mil



NET ASSETS

RM3,447.31 mil

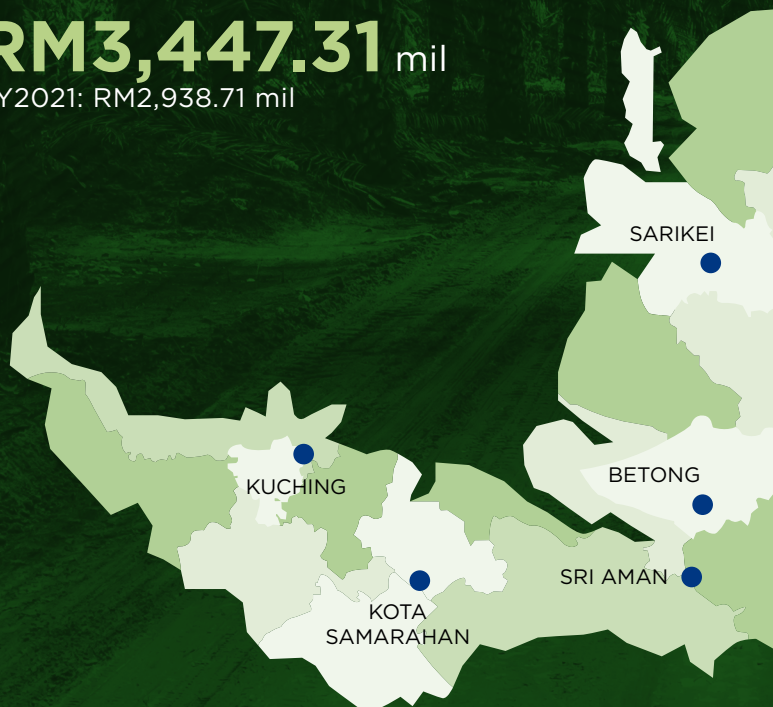
FY2021: RM2,938.71 mil



SHAREHOLDERS' EQUITY

RM3,295.11 mil

FY2021: RM2,802.12 mil



LOCATION OF THE SOPB OPERATIONAL UNITS

1

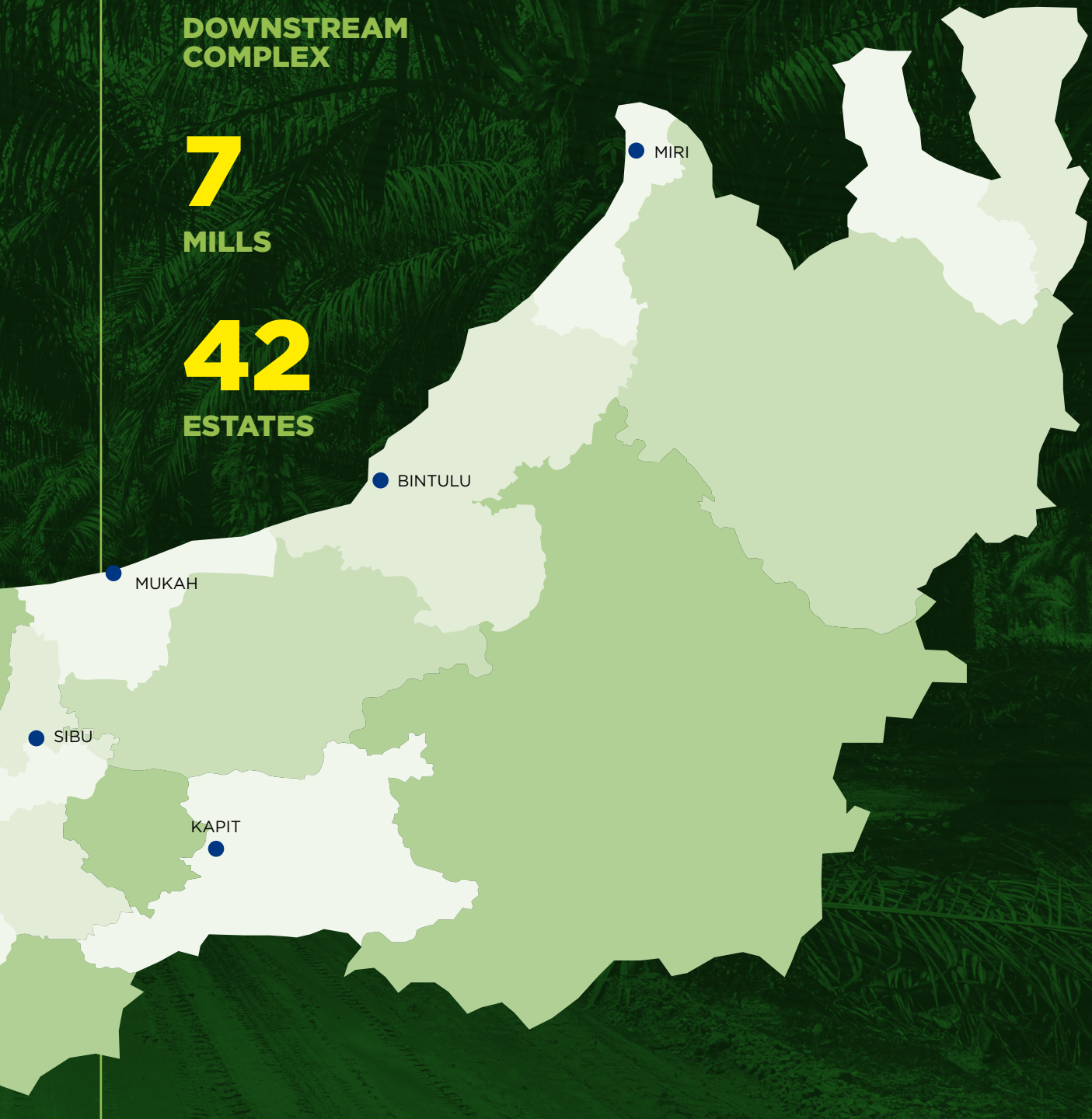
DOWNSTREAM
COMPLEX

7

MILLS

42

ESTATES



TEN YEARS FINANCIAL RECORD

RESULTS

(RM'000)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Turnover	1,711,402	2,874,718	3,670,787	4,416,122	4,913,351	3,603,898	2,971,870	2,778,603	4,431,026	5,308,285
Profit before taxation	139,631	160,136	123,762	195,960	351,458	108,997	131,308	302,199	712,989	668,789
Profit after taxation	100,636	123,399	91,903	142,288	252,290	67,907	91,592	220,158	541,499	504,250
Total shareholders' fund	1,231,619	1,330,724	1,403,784	1,874,679	2,108,168	2,142,636	2,203,365	2,378,623	2,802,119	3,295,111
Total assets	2,467,148	2,719,927	3,030,413	4,332,737	4,289,652	4,126,013	4,182,321	4,258,087	4,656,852	4,893,976
Total borrowings	825,636	931,424	1,101,849	1,188,332	1,412,881	1,271,854	1,236,272	1,109,012	1,017,789	760,954
Issued & paid-up capital	438,253	439,498	441,307	570,111	819,860	820,085	820,091	820,982	823,162	914,474
Dividend (Net of tax)	19,693	21,963	21,997	22,090	28,540	34,252	28,544	28,546	57,168	71,212








TEN YEARS FINANCIAL RECORD

FINANCIAL STATISTICS

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Profit before taxation/ turnover (%)	8.2	5.6	3.4	4.4	7.2	3.0	4.4	10.9	16.1	12.6
Gross dividend (sen/ share)	6.00	5.00	5.00	5.00	5.00	6.00	5.00	5.00	10.00	10.00
Net earnings per share (sen) - Basic*	13.99	17.52	12.69	18.70	27.21	7.30	10.45	23.83	59.48	54.65
Net earnings per share (sen) - Diluted*	13.83	17.36	12.64	18.68	27.17	7.30	10.45	23.83	59.32	54.53
Net tangible assets per share (RM)*	1.87	2.01	2.11	2.00	2.27	2.31	2.38	2.58	3.07	3.51

* For comparative purpose, the net earnings per share and net assets per share had been adjusted to reflect the bonus issue of one bonus share for every two existing ordinary shares which was completed on 19 July 2022

PALM PRODUCTS AVERAGE REALISED PRICES

Refined Palm Products (RM/ MT)	Crude Palm Oil (RM/ MT)	Palm Kernel Oil (RM/ MT)	Palm Kernel Cake (RM/ MT)	Palm Kernel (RM/ MT)
				
2018: 2,316	2018: 2,287	2018: 3,686	2018: 475	2018: 1,657
2019: 2,215	2019: 2,122	2019: 2,517	2019: 402	2019: 1,137
2020: 2,809	2020: 2,729	2020: 3,223	2020: 540	2020: 1,950
2021: 4,521	2021: 4,430	2021: 5,932	2021: 645	2021: 2,671
2022: 5,348	2022: 5,151	2022: 6,156	2022: 796	2022: 2,902

TEN YEARS CROP RECORD



PLANTED HECTARAGE, PRODUCTION AND PRODUCE PRICES

OIL PALMS (Ha)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Mature	55,426	59,997	61,049	77,115	78,607	80,772	79,872	81,198	81,809	81,312
Immature	8,104	3,380	2,468	10,629	9,380	7,614	7,699	6,766	5,173	3,175
Total	63,530	63,377	63,517	87,744	87,987	88,386	87,571	87,964	86,982	84,487
Area Under Development, Reserves, Unplanted, Building Sites, etc	9,123	9,276	9,136	32,553	32,311	33,575	34,423	34,030	35,845	38,533
Total Area Under Lease	72,653	72,653	72,653	120,297	120,298	121,961	121,994	121,994	122,827	123,020

FFB CROP (Tonnes)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Estate Crop	959,499	1,049,076	1,133,961	1,010,836	1,374,712	1,340,474	1,341,979	1,358,049	1,246,249	1,193,846
Outside Crop	853,066	770,991	692,580	603,405	669,525	756,692	727,410	688,210	727,658	751,750
	1,812,565	1,820,067	1,826,541	1,614,241	2,044,237	2,097,166	2,069,389	2,046,259	1,973,907	1,945,596
Crude Palm Oil (Produced)	364,600	367,015	355,468	315,221	411,930	419,356	416,682	390,481	384,253	373,998
Palm Kernels (Produced)	78,712	79,606	76,406	66,288	84,490	87,492	88,344	84,414	83,968	83,007
	443,312	446,621	431,874	381,509	496,420	506,848	505,026	474,895	468,221	457,005

YIELD AND EXTRACTION RATE	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Tonnes FFB/ Mature Hectare	17.09	17.50	18.55	16.79	17.07	16.40	16.57	16.58	15.23	14.50
Crude Palm Oil/ FFB	20.14%	20.26%	19.88%	19.97%	20.65%	20.53%	20.72%	19.70%	20.10%	19.96%
Palm Kernels/ FFB	4.35%	4.39%	4.27%	4.20%	4.23%	4.28%	4.39%	4.26%	4.39%	4.43%

TEN YEARS CROP RECORD



PLANTED AREA STATISTICS

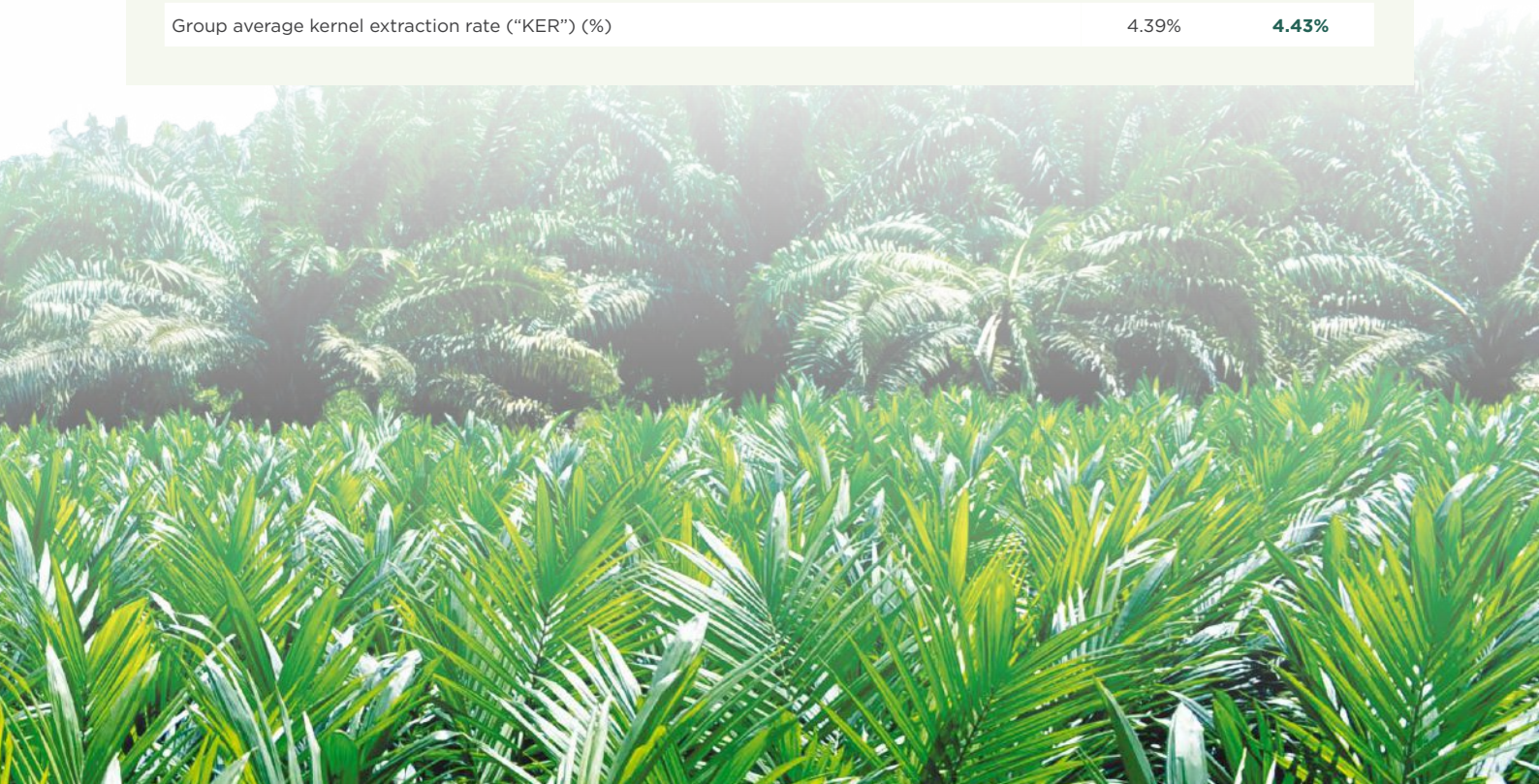
PALM AGE (Yrs)

Immature (Below 4 yrs) 	As at 31/12/2021	As at 31/12/2022
	5,173 Area (HA)	3,175 Area (HA)
Young (4-10 yrs) 	As at 31/12/2021	As at 31/12/2022
	18,361 Area (HA)	14,304 Area (HA)
Prime (11-20 yrs) 	As at 31/12/2021	As at 31/12/2022
	57,088 Area (HA)	56,847 Area (HA)
Old (21 yrs & above) 	As at 31/12/2021	As at 31/12/2022
	6,360 Area (HA)	10,161 Area (HA)

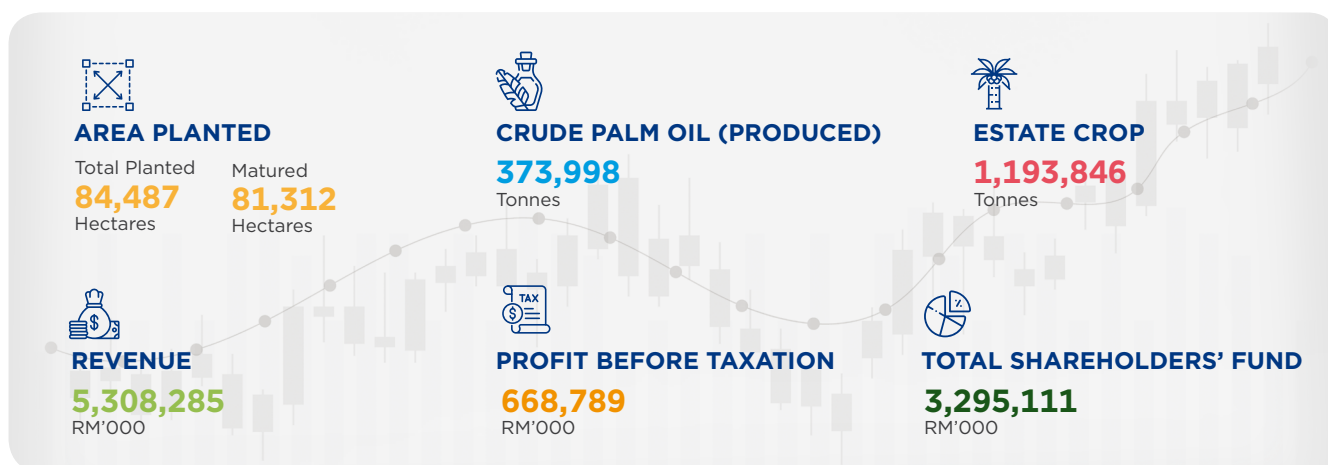
FFB PRODUCTION AND EXTRACTION RATES

2021 → 2022

Group FFB production (mt)	1,246,249	1,193,846
Total FFB processed (mt)	1,911,247	1,873,766
Group CPO production (mt)	384,253	373,998
Group Palm Kernel production (mt)	83,968	83,007
Group FFB average yield (mt/ ha)	15.23	14.50
Group average oil extraction rate ("OER") (%)	20.10%	19.96%
Group average kernel extraction rate ("KER") (%)	4.39%	4.43%



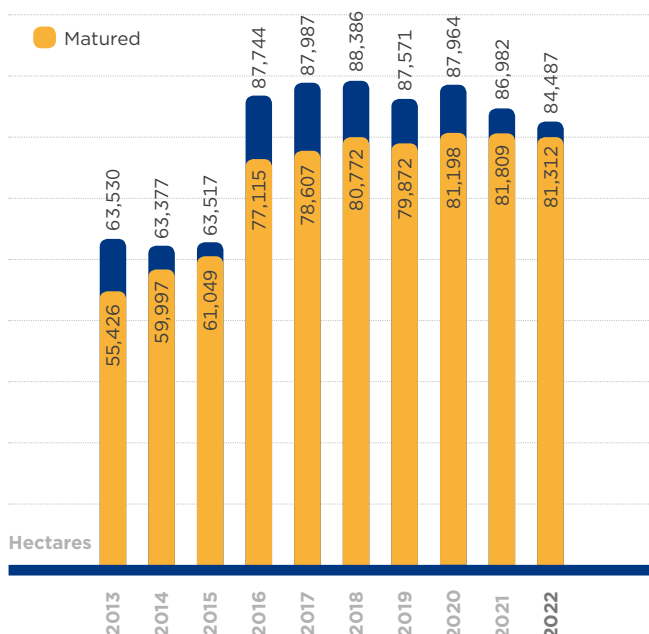
TEN YEARS STATISTICAL HIGHLIGHTS



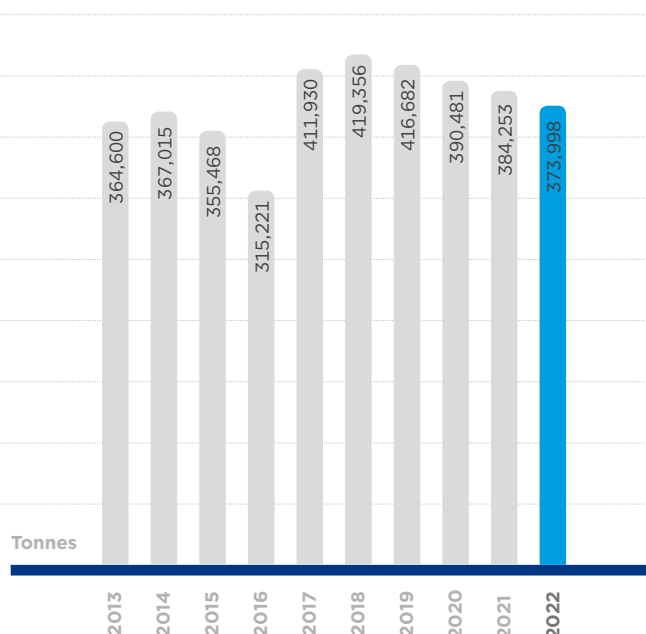
AREA PLANTED

■ Immature

■ Matured



CRUDE PALM OIL (PRODUCED)



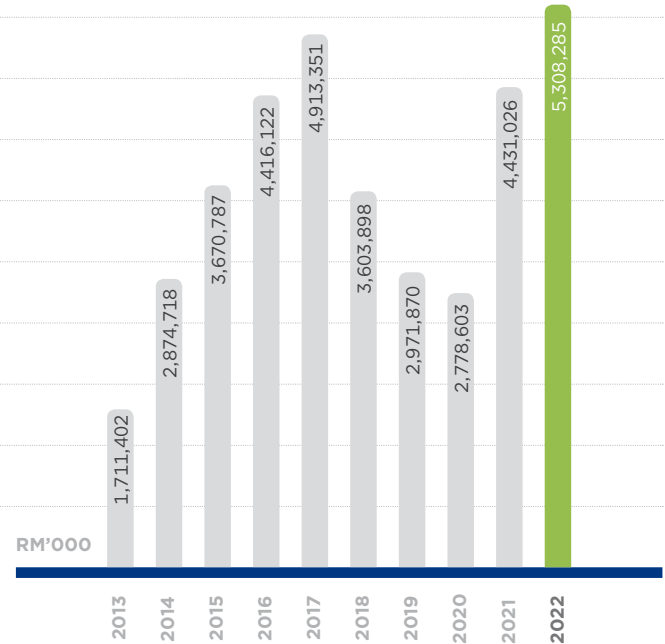
TEN YEARS STATISTICAL HIGHLIGHTS



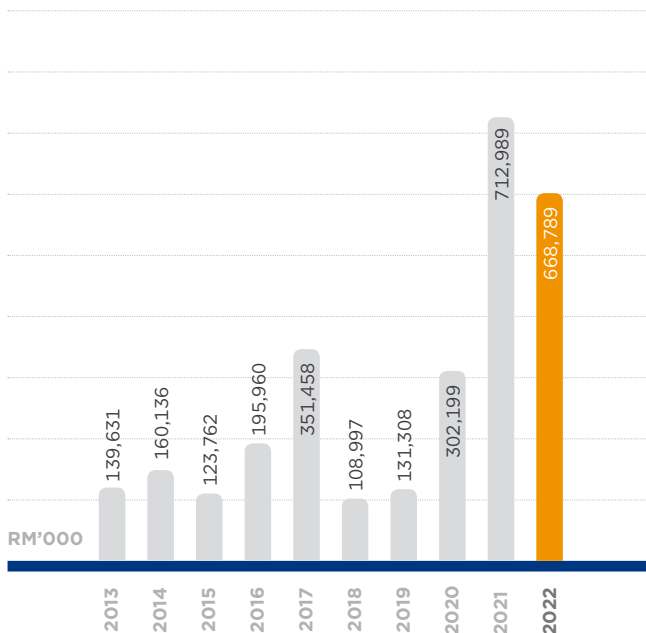
ESTATE CROP



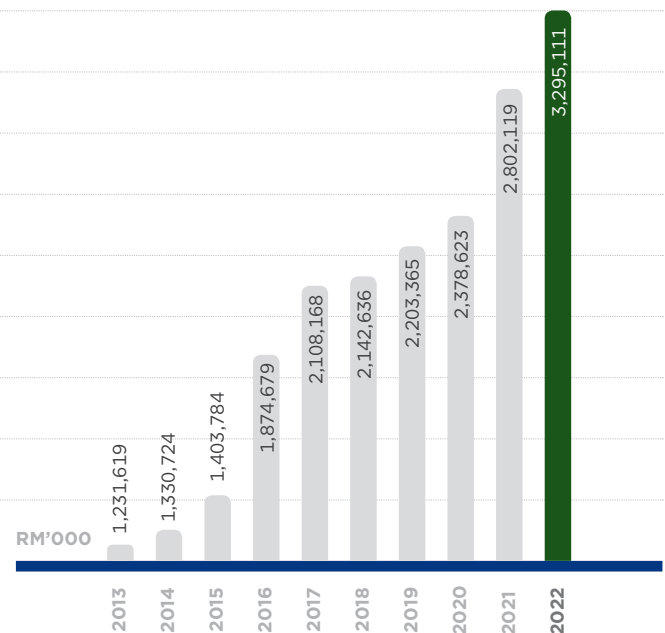
REVENUE



PROFIT BEFORE TAXATION



TOTAL SHAREHOLDERS' FUND



CORPORATE INFORMATION



BOARD OF DIRECTORS

- | | |
|---|---|
| <p>1 Ling Lu Kuang
<i>(Group Executive Chairman)</i></p> <p>2 Ling Chiong Sing</p> <p>3 Ling Pau Pau</p> <p>4 Tang Tiong Ing</p> <p>5 Datu Monaliza Binti Zaidel</p> <p>6 Hasmawati Binti Sapawi</p> <p>7 Bibi Umizah Binti Osman
<i>(Appointed on 1 March 2023)</i></p> | <p>8 Kamri Bin Ramlee
<i>(Demised on 24 September 2022)</i></p> <p>9 Fong Yoo Kaw @ Fong Yee Kow, Victor</p> <p>10 Perpetua Phang
<i>(Appointed on 31 December 2022)</i></p> <p>11 Dr. Lai Yew Hock, Dominic
<i>(Resigned on 31 December 2022)</i></p> <p>12 Chua Chen San</p> |
|---|---|

CORPORATE INFORMATION



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

(Resigned on 31 December 2022)

Chua Chen San

Independent Non-Executive

Ling Pau Pau

Non-Independent Non-Executive

Perpetua Phang

Independent Non-Executive

(Appointed on 31 December 2022)



INVESTMENT COMMITTEE

Ling Lu Kuang

Chairman

Fong Yoo Kaw @ Fong Yee Kow, Victor

Independent Non-Executive

Dr. Lai Yew Hock, Dominic

Independent Non-Executive

(Resigned on 31 December 2022)

Chua Chen San

Independent Non-Executive

(Appointed on 31 December 2022)

Datu 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

(Resigned on 31 December 2022)

Chua Chen San

Independent Non-Executive

(Appointed on 31 December 2022)

Tang Tiong Ing

Non-Independent Non-Executive



ESOS COMMITTEE

Ling Lu Kuang

Chairman

Chua Chen San

Independent Non-Executive

Fong Yoo Kaw @ Fong Yee Kow, Victor

Independent Non-Executive

(Appointed on 31 December 2022)

Dr. Lai Yew Hock, Dominic

Independent Non-Executive

(Resigned on 31 December 2022)

Datu Monaliza Binti Zaidel

Non-Independent Non-Executive

(Appointed on 31 December 2022)

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

(Resigned on 31 December 2022)

Chua Chen San

Independent Non-Executive

(Appointed on 31 December 2022)

Datu Monaliza Binti Zaidel

Non-Independent Non-Executive



GROUP BUSINESS ADVISOR

Tan Sri Datuk Ling Chiong Ho



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) 436 969
Fax : (6085) 432 929



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 : (6085) 321 912
Fax : (6085) 321 962



PRINCIPAL BANKERS

AmBank (M) Berhad
AmBank Islamic Berhad
CIMB Bank Berhad
Hong Leong Bank Berhad
Malayan Banking Berhad
OCBC Al-Amin Bank Berhad
OCBC Bank (Malaysia) Berhad
Public Bank Berhad
United Overseas Bank (Malaysia) Bhd



STOCK EXCHANGE LISTING

The Main Board
Bursa Malaysia



STOCK NAME

SOP



STOCK CODE

5126



DOMICILE

MALAYSIA

PROFILE OF BOARD OF DIRECTORS

LING LU KUANG

Group Executive Chairman



Date of Appointment

01 March 2022



Board Meeting Attended

■ ■ ■ ■ ■ 5/5



A Malaysian citizen, aged 46, was appointed as a Non-Independent Non-Executive Director on 27 June 2008. On 01 March 2022, he is appointed as Group Executive Chairman. He is also appointed as Chairman of Group Management, ESOS, MRGF, and Investment Committees on 01 March 2022. He graduated from the University of Auckland with Bachelor of Commerce degree double majoring in management and operation management. He had more than 15 years working experience as executive director actively involved in managerial role in several companies of various divisions of Shin Yang Group of companies including timber manufacturing, marketing, construction, property development, infrastructure, oil palm and reforestation. Currently he is the Non-Executive Director of some companies of Shin Yang Group which involved in domestic and international shipping, property development, property management and hotel business.

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

He has attended all five Board Meetings held during the financial year ended 31 December 2022. 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 BOARD OF DIRECTORS

LING CHIONG SING

Non-Independent

Non-Executive Director



Date of Appointment

01 December 2006



Board Meeting Attended

■ ■ ■ ■ ■ 5/5



Malaysian



66



Male

A Malaysian citizen, aged 66, was appointed as Non-Independent Non-Executive Director on 01 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 Business Advisor 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 was elected as the Chairman of the Miri Chinese Chamber of Commerce and Industry for term of 2021 – 2023. He has been nominated and appointed as a permanent council member of Sarawak Timber Association since March 2010.

He has attended all five Board Meetings held during the financial year ended 31 December 2022. 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 BOARD OF DIRECTORS

LING PAU PAU

Non-Independent

Non-Executive Director



Date of Appointment

01 March 2022



Board Meeting Attended

■ ■ ■ ■ 4/4



A Malaysian citizen, aged 48, was appointed to the Board of SOPB as a Non-Independent Non-Executive Director on 01 March 2022. Recently, she serves as a member of Group Audit and Risk Management Committee. She graduated from University of Auckland New Zealand with Bachelor of Commerce in Accounting and Finance. She is a Chartered Accountant (Malaysia) and is a member of several professional bodies including the Malaysian Institute of Accountants, Certified Practicing Accountants of Australia.

She is currently the Finance Manager of Shin Yang Group of Companies. She joined Shin Yang Group of Companies since year 2004. Prior to year 2004, she was the audit senior of Ernst & Young, Sarawak and was deployed to undertake various portfolios involving supporting, planning, execution and delivery of audit engagements. She has more than 20 years working experience in financial and auditing (including accounting, tax, finance, treasury, and statutory reporting).

She is the daughter of Tan Sri Datuk Ling Chiong Ho who is the Group Business Advisor of SOPB, sister to the Group Executive Chairman, Mr. Ling Lu Kuang and is deemed a connected party to the major shareholder of the Company. She is deemed interested in various transactions between the SOPB Group and certain companies carried out in the ordinary course of business by virtue of her common directorships and/ or shareholdings in these companies.

She has attended all four Board Meetings held during the financial year ended 31 December 2022 after her appointment. 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 BOARD OF DIRECTORS

TANG TIONG ING

Non-Independent

Non-Executive Director



Date of Appointment

16 June 1995



Board Meeting Attended

■ ■ ■ ■ ■ 5/5



Malaysian



64



Male

A Malaysian citizen, aged 64, has been a Non-Independent Non-Executive Director since 16 June 1995. He serves as a member of the Group Audit and Risk Management Committee and Nomination Committee. He graduated from University of Malaya with Bachelor in Accounting with Honours. He is a Chartered Accountant (Malaysia) and is a member of several professional bodies including the Malaysian Institute of Accountants, Chartered Tax Institute of Malaysia and Fellow Certified Practicing Accountants of Australia and Malaysian Association of Company Secretaries.

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

He has attended all five Board Meetings held during the financial year ended 31 December 2022. 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 BOARD OF DIRECTORS

DATU MONALIZA BINTI ZAIDEL

Non-Independent

Non-Executive Director



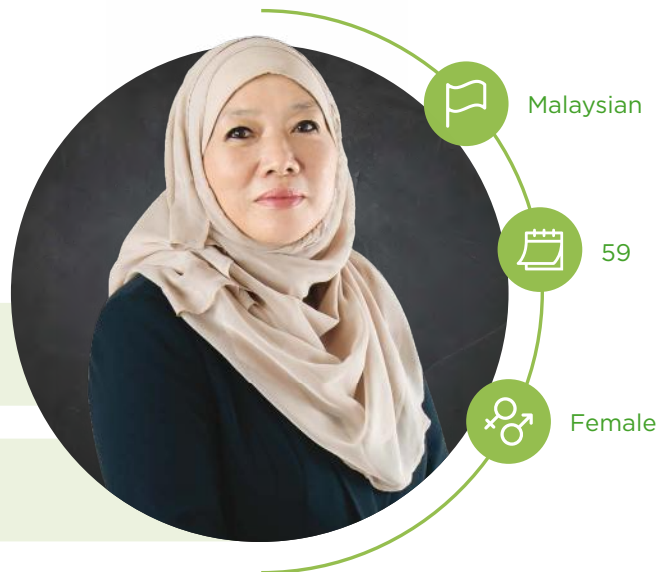
Date of Appointment

26 July 2018



Board Meeting Attended

■ ■ ■ ■ ■ 5/5



A Malaysian citizen, aged 59, was appointed to the Board of SOPB as a Non-Independent Non-Executive Director on 26 July 2018. She serves as a member of the Remuneration Committee, Investment Committee and ESOS 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 in October 2005. She was seconded to LCDA Holdings Sdn. Bhd. from 26 March 2007 until October 2009 as a Senior Manager of Property Management Division, to Jabatan Ketua Menteri ("JKM") from November 2010 until 01 May 2012 as a Deputy

Director in Innovation Unit and to LCDA Holdings Sdn. Bhd. from 02 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 from April 2017 to 31 December 2019. She was promoted as Chief Executive Officer and Director of LCDA Holdings Sdn Bhd and Acting General Manager of Land Custody and Development Authority on 01 January 2020. She is currently holding the post of General Manager of Land Custody and Development Authority since 01 October 2021.

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 five Board Meetings held during the financial year ended 31 December 2022. 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 BOARD OF DIRECTORS

HASMAWATI BINTI SAPAWI

Non-Independent

Non-Executive Director



Date of Appointment

29 July 2021



Board Meeting Attended

■ ■ ■ ■ □ 4/5



Malaysian



55



Female

A Malaysian citizen, aged 55, was appointed as a Non-Independent Non-Executive Director to the Board of SOPB on 29 July 2021. 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 the Deputy State Financial Secretary and prior to that she held the post of the Director of Corporate Services & Investment Division at SFSO since April 2008 to June 2021, 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 has attended four out of five Board Meetings held during the financial year ended 31 December 2022. 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.

PROFILE OF BOARD OF DIRECTORS

BIBI UMIZAH BINTI OSMAN

Non-Independent

Non-Executive Director

(Appointed as Director on 01 March 2023)



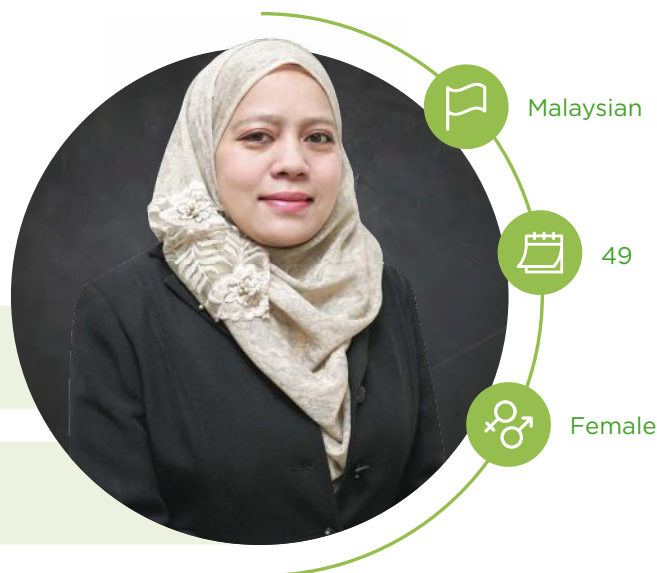
Date of Appointment

01 March 2023



Board Meeting Attended

N/A



A Malaysian citizen, aged 49, was appointed as a Non-Independent Non-Executive Director on 01 March 2023. She holds a degree in LLB (Hons) from International Islamic University of Malaysia, Kuala Lumpur ("IIUM") and also a Master of Science (Human Resource Development) from Universiti Malaysia Sarawak ("UNIMAS"). She started her career as Legal practitioner with Messrs. Abdul Rahim, Razak Tready Fadillah & Co. Advocates both Civil and Syariah matter from 2000 to 2003. On 01 April 2003, she joined LCDA Holdings Sdn Bhd ("LHSB") as Legal Executive until early 2017. In 2017 till 2018, she has been appointed as Senior Manager, Human Resource Division of LHSB. On September 2018 until 30 September 2022, she has been tasked to lead Land Management Division of LHSB and on 01 October 2022, she has been appointed as Senior Manager Legal and Secretarial Division and also covering for Senior Manager post for Land Management

Division. She is an appointed representative of LCDA Holdings Sdn Bhd, a 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.

PROFILE OF BOARD OF DIRECTORS

KAMRI BIN RAMLEE

Non-Independent

Non-Executive Director

(Demised on 24 September 2022)



Date of Appointment

01 April 2011



Board Meeting Attended

■ ■ ■ □ 3/4



Malaysian



63



Male

A Malaysian citizen, aged 63, was appointed as a Non-Independent Non-Executive Director on 01 April 2011. He held 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 was 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 was an appointed representative of LCDA Holdings Sdn Bhd, a substantial shareholder of SOPB and does not have any conflict of interest with SOPB.

He had attended three out of four Board Meetings held during the financial year ended 31 December 2022. He had not been convicted of any offence within the past 5 years and had not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

PROFILE OF BOARD OF DIRECTORS

FONG YOO KAW @ FONG YEE KOW, VICTOR

Independent Non-Executive Director


Date of Appointment

28 April 2014


Board Meeting Attended

■ ■ ■ ■ ■ 5/5



Malaysian



70



Male

A Malaysian citizen, aged 70, 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 a member of the Investment Committee and ESOS Committee.

He received his education in Malaysia and in New Zealand where 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 upon graduation and spent 4 years working there before returning to Malaysia. From 1979 to 1989, he was Group Financial Controller with a Sarawak-based group of companies before joining the international professional services firm of EY in 1989. He was with EY for over 20 years and retired as a Partner in 2010.

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

He has attended all five Board Meetings held during the financial year ended 31 December 2022. 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 BOARD OF DIRECTORS

PERPETUA PHANG

Independent Non-Executive Director

(Appointed as Director on 31 December 2022)



Date of Appointment

31 December 2022



Board Meeting Attended

N/A



Malaysian



66



Female

A Malaysian citizen, aged 66, was appointed as an Independent Non-Executive Director on 31 December 2022. She serves as a member of the Group Audit and Risk Management Committee.

She graduated from the University of Hull, England with a Bachelor of Laws (Honours) in 1980 and was called to the Degree of Utter Barrister and admitted to the Bar of England and Wales in 1981. In the same year, she was admitted to practise in the High Court of Borneo (now called the High Court of Sabah and Sarawak). She is also an Accredited Mediator.

She joined Reddi & Company, Advocates in 1981 and currently is a senior partner of the firm overseeing the banking, corporate and commercial division. 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.

PROFILE OF BOARD OF DIRECTORS

DR. LAI YEW HOCK, DOMINIC

Independent Non-Executive Director

(Resigned as Director on 31 December 2022)



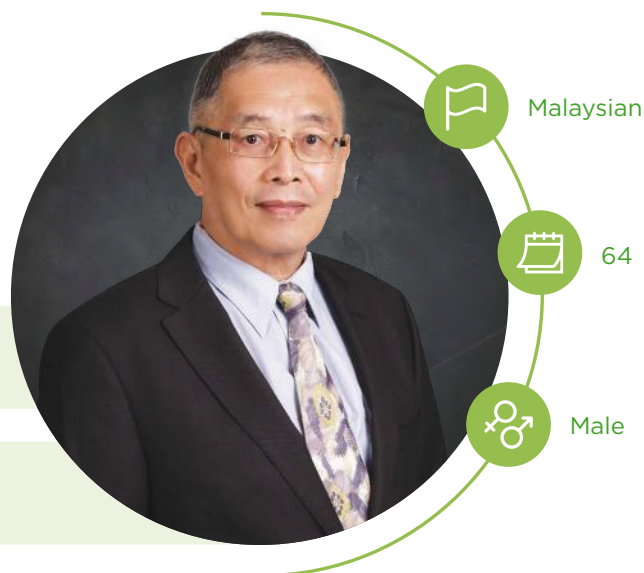
Date of Appointment

24 February 2000



Board Meeting Attended

■ ■ ■ ■ ■ 5/5



Malaysian



64



Male

A Malaysian citizen, aged 64, 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 doctorate thesis is on Corporate Governance. He is also a Commissioner for Oaths, a Notary Public and an Accredited Mediator. He started his own legal firm in Miri, Sarawak in May 1992. He is not related to any director and/ or substantial shareholder of SOPB and does not have any conflict of interest with SOPB.

He has attended all five Board Meetings held during the financial year ended 31 December 2022. 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 BOARD OF DIRECTORS

CHUA CHEN SAN

Independent Non-Executive Director



Date of Appointment

01 March 2016



Board Meeting Attended

■ ■ ■ ■ ■ 5/5



Malaysian



62



Male

A Malaysian citizen, aged 62, was appointed as an Independent Non-Executive Director on 01 March 2016. He serves as a member of the Group Audit and Risk Management, Nomination Committee, Remuneration Committee, Investment Committee and ESOS Committees. He graduated with a Bachelor of Commerce degree from the University of Canterbury, New Zealand in 1986. He 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 in Andy Chia & Co, Chartered Accountants, and Director of ACCO Tax Services Sdn Bhd. He is not related to any director and/or substantial shareholder of SOPB and does not have any conflict of interest with SOPB.

He has attended all five Board Meetings held during the financial year ended 31 December 2022. 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



Malaysian



60



Male



**Year of Joining
SOP Group:**

1996

WONG HEE KWONG

Group Chief Executive Officer

A Malaysian citizen, aged 60, was appointed as the Chief Executive Officer of Sarawak Oil Palms Berhad ("SOPB") in 1998 and was subsequently redesignated as Group Chief Executive Officer in 2010. He is a Chartered Accountant (Malaysia), a member of the Malaysian Institute of Accountants and Fellow member of Association of Chartered Certified Accountants ("FCCA"), U.K. He worked in KPMG, EON Finance Berhad and a Government linked company before joining SOPB Group as the Group Finance Manager and Company Secretary in April 1996. His professional experiences include accounting, secretarial, management consultancy, taxation and banking and finance. Currently, he is a council member of Malaysian Palm Oil Association ("MPOA") and also a Board member of Trustees of Malaysian Palm Oil Council ("MPOC").

He is not related to any director or substantial shareholder of SOPB and does not have any conflict of interest with SOPB. His direct interests in the shares and share options under the Employee Share Option Scheme of SOPB at year end are 3,733,950 shares and 2,337,450 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.

PROFILE OF KEY SENIOR MANAGEMENT



Malaysian



51



Male



**Year of Joining
SOP Group:**

1998

ERIC KIU KWONG SENG

Chief Operating Officer

A Malaysian citizen, aged 51, was appointed as the Company Secretary in 1998 and has about 24 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.). Currently, he is the Chairman of Sarawak Oil Palm Plantation Owners Association since 2021.

He is the son-in-law of Tan Sri Datuk Ling Chiong Ho who is the Group Business Advisor 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.



Malaysian



66



Male



**Year of Joining
SOP Group:**

1976

PANG SENG NAM

Regional Plantation Controller

A Malaysian citizen, aged 66, was appointed as the Regional Plantation Controller of the group in 2020. He obtained HSC from College Tun Datuk Hj Openg in 1975 and started his career with SOPB in 1976 as the first batch of Agricultural Cadet. He obtained the Advance Associate Diploma of the Incorporated Society of Planters ("AISP") in 1980. He left SOPB in 2000 and served with two other local prominent plantation groups in senior capacity. He re-joined SOPB in 2007. His professional experience includes land development in oil palm plantation, and replanting in both mineral and peat environment.

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 to 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



Malaysian



44



Male



**Year of Joining
SOP Group:**

2010

THO KHENG CHIANG

Chief Financial Officer cum General Manager

A Malaysian citizen, aged 44, 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.



Malaysian



45



Male



**Year of Joining
SOP Group:**

2004

WONG SIEH TUNG

Head of Trading Operations cum General Manager

A Malaysia citizen, aged 45, was appointed as the Head of Trading Operations in Year 2018 and redesignated as Head of Trading Operations cum General Manager (Special Assignment in Milling) in 2021. He is a Chartered Accountant (Malaysia), a member of Malaysia Institute of Accountants, Fellow member of Association Chartered Certified Accountants ("FCCA"), UK and member of Financial Planning Association of Malaysia ("CFP"). He started his career with Liew & Co, Miri and Shin Yang Plantations after which he joined SOPB as the Accounts Executive in year 2004. His professional experiences include accounting, audit and assurance.

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 to 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



Malaysian



48



Male



**Year of Joining
SOP Group:**

2012

LING TIONG ING

Assistant Head of Support & Services

A Malaysia citizen, aged 48, was appointed as the Assistant Head of Support & Services in Year 2017. He is a Chartered Accountant (Malaysia), a member of the Malaysian Institute of Accountants and a Fellow membership of CPA Australia. He also holds a Master of Business Administration (with a specialisation in Accounting) from University of Southern Queensland, Australia. He started his career with Ernst & Young, Miri, Piasau Slipways Sdn Bhd, Baker Hughes (Malaysia) Sdn Bhd and a local company before joining SOPB as the Internal Audit Manager in year 2012. His professional experiences include accounting, audit and assurance.

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 to 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



+ 19.8%

FY2022 RM5,308 million



For the financial year 2022, SOPB has posted a lower after-tax profits of **RM504 million** against the last year's after-tax profits of RM541 million.

LING LU KUANG

Group Executive Chairman



CHAIRMAN'S
STATEMENT**SUSTAINABILITY**

**A transparent,
proactive and
prudent approach**

in furtherance of its
sustainability agendas

**PROSPECT**

**Reduce labour
dependency**

in plantation operations

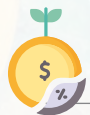
On behalf of the Board of Directors of Sarawak Oil Palms Berhad and its subsidiaries ("the Group"), it gives me much pleasure to present to you the Annual Report of our Group for the financial year ended 31 December 2022.

For the financial year 2022, SOPB has posted a lower after-tax profits of RM504 million against the last year's after-tax profits of RM541 million.

The Group's Fresh Fruit Bunch ("FFB") production for the year declined by 4% compared to preceding year due to severe shortage of harvesters and also backlog of upkeep and maintenance of the plantation in the aftermath of the 2-year COVID-19 pandemic. Costs of production had also increased significantly arising from all-time high fertilizers prices, higher wages and overall increase in prices of all other operating costs.

Palm products prices began to trend downward in the second quarter of year 2022, and by third quarter, crude palm oil ("CPO") had dropped to about RM3,500 per mt from its earlier record-high price of about RM7,000 per mt. The average price of crude palm oil ("CPO") realized by the Group during the year was RM5,151 per mt (year 2021: RM4,430 per mt).

Further details on our operational and financial review can be found in the Management Discussion and Analysis on pages 32 to 37.

**DIVIDEND**

During the year, a bonus share issue exercise of one bonus share for two existing ordinary shares was completed and a total of 296,721,158 bonus shares were issued to the shareholders.

The Group will continue to take a prudent approach by setting aside adequate reserve funds for future developments as well as to cushion against any adverse market conditions. On the other hand, the Board is also mindful of the continuous support and loyalty of its shareholders. To this end, dividend payment to the shareholders would improve gradually.

For the year 2022, a special single-tier interim dividend of 4 sen per ordinary share was declared and paid on 06 October 2022. The Board also propose a final single-tier dividend of 6 sen per ordinary share for the financial year ended 31 December 2022 for shareholders' approval at the Annual General Meeting to be convened.

CHAIRMAN'S STATEMENT



CHAIRMAN'S STATEMENT



SUSTAINABILITY

Environmental, Social, and Governance Sustainability ("ESG") are the foci of our contemporary society and it requires concerted efforts from every stratum of the society to fully achieve the intended goals of ESG.

Our Group will continue to embrace and embed ESG principles, and adopt a transparent, proactive and prudent approach in furtherance of its sustainability agendas in 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 responsibilities to the local communities.

At environmental fronts, conservation and biodiversity projects are ongoing with the collaboration of both local and foreign research bodies as well as universities.

More details on our sustainability agendas, milestones and attainments could be found in the Sustainability Report from pages 38 to 112.



PROSPECT

Challenges which oil palm industry would continue to encounter include plantation labour shortages, rising costs of production, tariff and non-tariff trade restrictions and volatile palm products prices.

To minimize adverse impacts arising from these challenges, the Group will continue to intensify its programmes to raise workforce competency, efficiency and productivity, enhance its plantation worker retention programmes, and adopt mechanization to reduce labour dependency in plantation operations. The Group will also continue to monitor the efficacy of manuring programmes of its plantations and closely monitor the movement of commodity prices.



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.

LING LU KUANG
GROUP EXECUTIVE CHAIRMAN



MANAGEMENT DISCUSSION AND ANALYSIS

This review highlights details on financial and operation information of the Group for the year 2022.

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 FFB production in 2022 was 1,193,846 metric tonnes in comparison with 1,246,249 metric tonnes achieved in 2021. The yield decreased to 14.50 metric tonnes per hectare compared to 15.23 metric tonnes in 2021 due primarily to severe plantation labour shortages particularly the harvesters.

For the milling operations, the Group recorded a comparable oil and kernel extraction rate of 19.96% and 4.43% respectively, against 20.10% and 4.39% in preceding year.

The realised palm products prices in 2022 was higher with the CPO of RM5,151 per metric tonne compared to RM4,430 per metric tonne in 2021.



MANAGEMENT DISCUSSION AND ANALYSIS







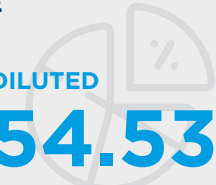
2. FINANCIAL RESULTS

(i) Abridged Group Income Statement

The total revenue of the Group in 2022 was RM5.3 billion compared to RM4.4 billion in 2021. The increase was mainly due to higher prices realized for palm products sold.

The Group had registered a profit after tax of RM504 million in 2022 compared to RM541 million achieved in year 2021. The lower profit against preceding year were mainly due to increase in costs of production and drop in FFB production. However, the impact was partially cushioned by more favorable palm products prices realized.

Abridged Group income statement:

<div><div>REVENUE (RM'MIL)</div><div>5,308</div><div>FY2021: 4,431</div></div> <div></div>	<div><div>PROFIT BEFORE TAX (RM'MIL)</div><div>669</div><div>FY2021: 713</div></div> <div></div>	<div><div>PROFIT AFTER TAX (RM'MIL)</div><div>504</div><div>FY2021: 541</div></div> <div></div>
<div><div>EBITDA (RM'MIL)</div><div>871</div><div>FY2021: 899</div></div> <div></div>	<div><div>EARNINGS PER SHARE (RM'MIL)</div><div><div>BASIC</div><div>54.65</div><div>FY2021: 59.48*</div></div><div><div>DILUTED</div><div>54.53</div><div>FY2021: 59.32*</div></div></div> <div></div>	

* For comparative purpose, the earnings per share as at 31 December 2021 had been adjusted to reflect the bonus issue of 1 bonus share for every 2 existing ordinary shares which was completed on 19 July 2022

MANAGEMENT DISCUSSION AND ANALYSIS

Average Realised Prices for Palm Products:-



(ii) Abridged Group Cash Flow Statement

	2022 RM'million	2021 RM'million
Operating activities		
(i) Cash generated before changes in working capital	872	860
(ii) Cash outflow before changes in working capital and payment of tax and interest	(129)	(400)
Net cash flows from operating activities	743	460
Financing activities		
(i) Net payment for trade financing, loans and borrowings	(266)	(93)
(ii) Proceeds from loans and borrowings	5	-
(iii) Dividend and interest payment	(112)	(96)
(iv) Proceeds from exercise of ESOS	77	2
Net cash flows used in financing activities	(296)	(187)
Investing activities		
(i) Capital expenditure on property, plant and equipment, bearer plants and right-of-use assets	(127)	(152)
(ii) Acquisition of joint venture	-	(2)
(iii) Acquisition of non controlling interests	-	(52)
(iv) Cash inflow from other investing activities	136	87
Net cash flows from/ (used in) investing activities	9	(119)
Net increase in cash and cash equivalents	456	154
Cash and cash equivalents at beginning of year	797	642
Effect of exchange rate changes	1	1
Cash and cash equivalents at end of year	1,254	797

For the year 2022, the Group generated net cash inflow of RM743 million from operating activities comprising cash generated before working capital changes of RM872 million, cash outflow from changes in working capital and net payment of tax and interest of RM129 million.

For financing activities, the changes in trade financing and repayment of loans were RM266 million. Dividend and interest payments were RM80 million and RM32 million respectively. Proceeds from issuance of shares under employee share option scheme ("ESOS") was RM77 million. With these, the overall cash outflow in financing activities was RM296 million.

MANAGEMENT DISCUSSION AND ANALYSIS

(ii) Abridged Group Cash Flow Statement (continued)

For investing activities, the Group incurred a capital expenditure of RM127 million in the replanting, upkeep and maintenance of immature palms, upgrade of palm oil mills and expansion on downstream plants. The cash inflows for other investing activities was RM136 million which consisted primarily of upliftment of fixed deposits under other investments and interest income from fixed deposits placements.

The overall net increase in cash and cash equivalents for the financial year under review was RM456 million compared to RM154 million recorded in year 2021.

(iii) Abridged Group Statement of Financial Position

	2022 RM'million	2021 RM'million
Assets		
Non-current assets		
Property, plant and equipment	1,092	1,074
Bearer plants	865	921
Right-of-use assets	504	513
Other non-current assets	251	268
	2,712	2,776
Current assets		
Biological assets	22	34
Other current assets	906	1,050
Cash and bank balances	1,254	797
	2,182	1,881
Total assets	4,894	4,657
Equity and liabilities		
Share capital	914	823
Reserves	2,381	1,979
Non-controlling interests	152	137
Total equity	3,447	2,939
Non-current liabilities		
Loans and borrowings	446	522
Other non-current liabilities	404	393
	850	915
Current liabilities		
Loans and borrowings	315	496
Other current liabilities	282	307
	597	803
Total liabilities	1,447	1,718
Total equity and liabilities	4,894	4,657

As of the financial year ended 31 December 2022, the Group's total assets and liabilities was RM4,894 million and RM1,447 million respectively. Total equity stood at RM3,447 million and the gross gearing of the Group was at 0.22 times.

MANAGEMENT DISCUSSION AND ANALYSIS

3. REVIEW OF OPERATIONS

(i) Plantation Segment

(a) Plantation Areas Statistics

Palm Age (years)	As at 31.12.2022		As at 31.12.2021	
	Area (Ha)	%	Area (Ha)	%
Immature (below 4 years)	3,175	4%	5,173	6%
Young (4-10 years)	14,304	17%	18,361	21%
Prime (11-20 years)	56,847	67%	57,088	66%
Old (21 years & above)	10,161	12%	6,360	7%
Total	84,487	100%	86,982	100%

As of 31 December 2022, the Group's total planted area was 84,487 hectares compared to 86,982 hectares in 2021. A total of 2,384 hectares was replanted in 2022 compared to 513 hectares in 2021. The Group's weighted average palm age was 13.47 years.

(b) FFB Production and Extraction rates

		2022	2021
Group total mature area	Ha	81,312	81,809
Group FFB production	mt	1,193,846	1,246,249
Group FFB processed	mt	1,873,766	1,911,247
Group CPO production	mt	373,998	384,253
Group PK production	mt	83,007	83,968
Group FFB average yield	mt/ ha	14.50	15.23
Group average oil extraction rate ("OER")	%	19.96%	20.10%
Group average kernel extraction rate ("KER")	%	4.43%	4.39%

In 2022, the total Group's FFB production was 1,193,846 metric tonnes, which is equivalent to yield per hectare of 14.50 metric tonnes. The oil extraction rate and kernel extraction rate attained was 19.96% and 4.43% respectively. With these, the Group registered oil per hectare of 2.89 metric tonnes against 3.06 metric tonnes in the preceding year.

A total of 1,873,766 metric tonnes of FFB was processed by the mills, representing an approximately 64% of the mill capacity utilisation rate.

MANAGEMENT DISCUSSION AND ANALYSIS

3. REVIEW OF OPERATIONS (CONTINUED)

(ii) Downstream Segment

For downstream segment, the refinery and other downstream activities contributed a lower profit in year 2022. This was mainly attributed to the lower refining margin with the increase in costs of production. The refinery performance nevertheless would be very much dependent refining margin driven by costs of production and movements of world edible oil prices.

The Group continued to expand its market and product range in palm oil value-added products. However, its contribution to the overall revenue and profitability of the Group remained insignificant.

(iii) Property Development Segment

The property markets in Sarawak remains soft in year 2022 and the Group did not launch any new project. The overall take up rate of previously launched projects was approximately 76% in year 2022. The contribution from property development segment remains insignificant to the Group.



4. OUTLOOK FOR 2023

Shortage of plantation labour, high prices of agriculture materials, increase of labour wages, climatic factors and geopolitical conflicts impact on edible oils supplies are some of the challenges faced by oil palm industry in Malaysia. The Group remains cautious as to the uncertainty of the global edible oil supply-demand dynamics and geopolitical headwinds. The business environment is expected to be challenging and the Group will continue to drive for operational improvement and cost-efficient structure to surmount the various challenges facing the Group.

SUSTAINABILITY REPORT 2022



ABOUT THIS REPORT

We are pleased to present the 2022 Sustainability Report of Sarawak Oil Palms Berhad (“SOPB”) and its subsidiaries (“Group”) as follows to our stakeholders encompassing the Economic, Environment and Social (“EES”) performance of the Group for the reporting period from 01 January 2022 to 31 December 2022.

SUSTAINABILITY REPORT 2022



SUSTAINABILITY GOVERNANCE



ENVIRONMENT



SOCIAL



MARKETPLACE

This is the 6th report published annually in accordance with Bursa Malaysia Sustainability Toolkit (2nd edition published in 2018), with enhanced disclosures, wherever available, as per Bursa Malaysia Sustainability Toolkit (3rd edition published in 2022). This report is also in line with Global Reporting Initiative (“GRI”) Standards: Core Option and Sustainable Development Goals (“SDGs”).

EXTERNAL ASSURANCE

This report has been approved by the Group Management Committee and Board of Directors.

No external assurance was conducted during this reporting period.

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

Sarawak Oil Palms Berhad

Contact Person:

Mr Galau Melayong
Head of Sustainability
Sustainability Department

Telephone:

+6085-617966 (Ext 3201)
+6019-8850998

SUSTAINABILITY REPORT 2022

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SUSTAINABILITY
REPORT 2022GROUP CHIEF
EXECUTIVE
OFFICER'S
STATEMENT TO
STAKEHOLDERS**DEAR
STAKEHOLDERS,**

We are pleased to present the Group's 2022 Sustainability Report that is prepared in accordance with the Bursa Malaysia Sustainability Reporting Guide and the Global Reporting Initiative ("GRI") Standards: Core Option and the Sustainable Development Goals ("SDGs"). The fundamental sustainability issues reviewed in this report are identified through our triennial Materiality Assessment.

This Sustainability Report narrates our sustainability strategies that are implemented through practices encompassing environmental, social and sustainability governance aspects of our workplace as well as that of our supply chain partners. In presenting this report, we take cognizance of the industry's contemporary requirements and also benchmark ourselves against the prevailing standards practiced by the industry.

The Group will continue to disseminate our sustainability commitments with relevant stakeholders such as our employees, customers, local communities, suppliers and other relevant parties. By doing so, the Group seeks to accomplish its sustainability objectives through consistent mutual supports, comprehension and dedication from all the stakeholders.

Year 2022 signified a new dawn with the COVID-19 infections in Malaysia brought under control and the nationwide Movement Control Order ("MCO") lifted that allowed the Group to recover lost grounds and operational backlogs, and to reconnect with supply chain partners. In retrospect, the pandemic has compelled the Group to review its business strategies critically so as to be remain resilient while upholding sustainability commitments to the stakeholders.

SUSTAINABILITY REPORT 2022

The Group remain positive on the longer-term outlook for oil palms despite the plantation sector continues to face serious labour shortages where more time is needed train the new workers to perform up to the desired operational and productivity levels.

The Group recognises that long-term success of its operations depends on proper management of the natural resources bases and ecosystems which are fundamental for all sustainable food and agricultural systems. The Group remains committed to environmental preservation through biodiversity conservation, mitigation of negative impacts by reducing greenhouse gases emissions, optimizing water and energy usage, and efficient management of wastes.

The Group advocates that sustainable palm oil be produced in a manner that excludes conversion of high conservation value ("HCV") areas, minimizes greenhouse gases ("GHG") emissions, applies responsible agriculture practices and protects the rights of workers and the local communities. As a pledge of these commitments, the Group had launched our Oil Palms Sustainability Policy ("OPSP") on No Deforestation, No Peat and No Exploitation ("NDPE") in 2019. The OPSP is an integration of the Group's existing policies including Environmental Sustainability Policy, Social and Community Policy, Occupational Safety and Health Policy and Whistle-Blowing Policy & Procedure.

Thereon, the Group have made progresses towards transparency and traceability, and determined to achieve higher sustainability milestones.

The Group will always abide by the sustainability commitments declared in the OPSP and to conduct businesses as a good steward of the environment and social agenda while pursuing better economic returns.

Moving forward, the Group will also continue to strive for improvements and conduct periodic reviews to identify gaps and comply with new requirements as and when necessary, so as to keep pace with the prevailing regulations and trends. The Group encourages feedbacks from all stakeholders while continuing its journey to be a globally recognised sustainable player in the oil palm industry.

As with previous years, all operating units of the Group is Malaysian Sustainable Palm Oil ("MSPO") certified. The implementation of the Principles and Criteria set out in the MSPO Standards has been a valuable guide in respect of the Group's sustainability journey. With the implementation of MSPO Trace, the Group has been able to monitor the traceability status within its supply chain so as to ensure that our fresh fruit bunches ("FFB"), crude palm oil ("CPO") and palm kernel ("PK") are fully traceable. These have enabled the Group to market its products based on quality and sustainability credentials.

Last but not least, the Group will continue to uphold its commitments towards social welfare and to improve the well-being of the employees. These include continual upgrading of housing quarters and residential amenities, as well as conduct of regular meetings between the respective site management and employees to address any identifiable gaps. These empathetic approaches towards meeting the social needs of employees provided adequate support and relief to their livelihood during the pandemic period.

On behalf of the Group, I would like to extend my sincere appreciation to our stakeholders for their staunch support, participation and encouragement which enable us to scale greater heights each year.

The details of our progresses and initiatives are further reported from pages 38 to 112.

One Team, One Mind, One Heart.

WONG HEE KWONG
GROUP CHIEF EXECUTIVE OFFICER

SUSTAINABILITY REPORT 2022

SUSTAINABILITY GOVERNANCE

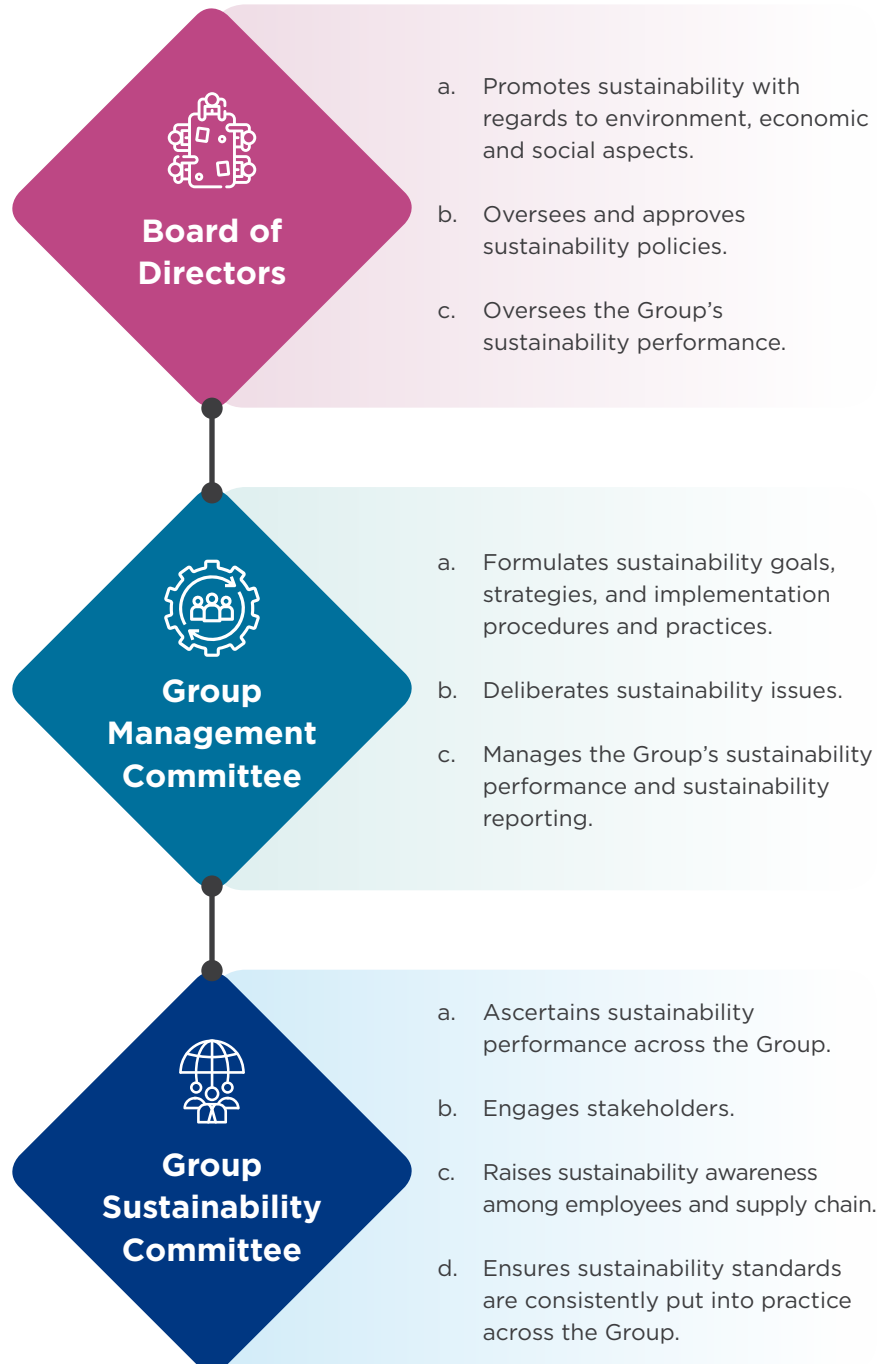
SUSTAINABILITY GOVERNANCE STRUCTURE

The Group's Sustainability Governance Structure is a top-down approach with oversight from the Board of Directors who sets the policies and directions based on macroeconomic indicators in relation to the state of sustainability desired with the approval of sustainability policies.

The Group Management Committee ("GMC"), headed by Group Executive Chairman, comprises Senior Management personnel and Heads of Department formulates, sets strategies and procedures for the implementation of sustainability policies. GMC also deliberates on the current sustainability challenges and manages the Group's sustainability performance and reporting.

The Group Sustainability Committee ("GSC") which consists of Heads of Operational units ensures the implementation of approved sustainability procedures are embedded into the Group's operational activities. The GSC meets quarterly to review the progress of sustainability programs as well as to provide updates on current issues.

Consultants are engaged, where necessary, to provide reviews and updates on contemporary sustainability issues to ensure that latest sustainability standards are adhered to. GSC also ensures that sustainability standards are consistently practised across the Group.



SUSTAINABILITY REPORT 2022

MATERIALITY MATRIX

The Group's Sustainability Reporting Team conducted the first sustainability materiality assessment in 2017 and a second cycle of materiality assessment in 2021 with reference to the guidelines under the Bursa Malaysia Sustainability Toolkit: Materiality Assessment 2018 (2nd Edition). It forms the basis for reporting of Economic, Environment and Social ("EES") performance of the operations of the Group for the reporting period from 01 January 2022 to 31 December 2022.

The key Sustainability Material Matters identified in Materiality Assessment 2022 are illustrated in the diagram as follows:



SUSTAINABILITY REPORT 2022

In September 2022, Bursa Malaysia issued 3rd Edition of the Bursa Malaysia Sustainability Toolkit to enable listed issuers to enhance their corporate governance practices, disclosures and reporting. The Group will conduct the third cycle of Materiality Assessment in 2023 based on the revised Sustainability Toolkit for Annual Report 2023.

Nevertheless, the Annual Report 2022 will incorporate the existing available information for enhanced disclosures as stipulated in the 3rd Edition of the Bursa Malaysia Sustainability Reporting Guide.

Bursa Malaysia's publications are available at the following link:

<https://bursasustain.bursamalaysia.com/droplet-details/resources/sustainability-reporting-guide-3rd-edition>

SUSTAINABILITY GOVERNANCE

- Sustainability Governance Structure
- Sustainability Certifications
- Grievance Mechanism



ENVIRONMENT

- Peatland Protection & Management
- Biodiversity & Conservation
- Carbon Footprint
- Sustainable Energy Management
- Effluent & Water Management
- Waste Management



SOCIAL

- Protection of Human Rights
- Employee Occupational & Safety
- Commitment to Our Local Communities
- Rights of Indigenous People



MARKETPLACE

- Suppliers' Sustainability Commitment
- Food Safety
- Economic Performance
- Business Ethical Practices
- Traceability & Supply Chain



SUSTAINABILITY REPORT 2022

SUSTAINABILITY POLICIES

The Group's Sustainability Policies are the framework and basis for the Group and our supply chain partners to gain mutual understanding on sustainability agenda and collaboration to achieve sustainability goals. As such, the Group has established various policies to lay out the framework of our approaches to sustainable development and management of sustainability agenda such as Environmental Sustainability Policy, Occupational Safety & Health Policy, Social and Community Policy and Oil Palms Sustainability Policy ("OPSP").

Our Environmental Sustainability Policy affirms our commitment to the conservation and preservation of our surrounding environment. We are mindful that certain operational aspects of our estates and processing facilities can have detrimental environmental impacts if they are not managed properly. As such, we have adopted Zero Burning Policy in all of our oil palms cultivation, maintenance and harvesting activities. At palm oil milling and refining operations, we move towards Zero Waste Management. In addition, palm oil mill effluent ("POME") undergoes waste treatment processes in accordance to the applicable laws and regulations before it is discharged into nearby rivers or waterways.

Concurrently, we have established measures to mitigate the negative impacts to the environment such as the reduction of greenhouse gases emissions with the construction of methane capture facilities at the mills, using biomass to generate renewable energy.

Our Occupational Safety and Health Policy has been established since 1999 and was further updated and revised in 2017. It is in full compliance to the Occupational Safety and Health Act 1994 to ensure the safety and health of our workers in all operational units with the provision of a safe and conducive work environment.

The Social & Community Policy was established in 2014 and affirms the Group's commitment to protect and respect human rights for all employees including that of the local communities living near to our operations.

In order to deliver on our sustainability commitments, these policies are reviewed periodically and implemented accordingly. The Group's OPSP was launched in January 2019 as the integral of all our current policies and further affirms our commitments to sustainability principles of

NDPE which are applied throughout the Group's supply chain.

The adoption of the OPSP helps to ensure that the Group's palm products are sustainably produced without compromising on quality. Palm products are sourced from areas without deforestation, with High Conservation Value ("HCV") protected, and produced according to Good Agricultural Practices ("GAP"). The Group will not condone any new oil palms development without adequate HCV assessment, High Carbon Stock Approach ("HCSA") and on peats regardless of depth.

With respect to the social commitment, we support the Universal Declaration of Human Rights where all employees are treated fairly. Local, migrant and temporary workers have the freedom of association and the right to bargain collectively. We seek to eliminate all forms of illegal, forced, bonded, compulsory or child labour by adopting responsible recruitment practices throughout our recruitment process.

We have adopted the Free, Prior, and Informed Consent ("FPIC") Procedure to recognise the rights of the indigenous people and the local communities which is complemented by our Grievance Mechanism that is publicly available. The Whistle-Blowing Procedure is also an avenue for anyone to share his concerns and report any wrongdoings.

The 2022 MSPO standards mandate high conservation value concepts in accordance with the MSPO HCV guidelines. Other critical requirements include policies that commit to no deforestation, no peat development and no exploitation. Methods for measuring greenhouse gas ("GHG") emissions, land-use change Protocol 29, which outlines the International Labour Organisation ("ILO") labour standards had also been launched. Our Group has taken part in several MPOCC pilot audits, providing an objective evaluation along our supply chain based on these revised standards.

In order to promote sustainability throughout our supply chain, suppliers are urged to attain MSPO certification with full support from the Group. We believe this certification system has the potential to significantly enhance the supply chain sustainability by ensuring a commitment to sustainability implementation, evaluation, and progress demonstration thereby form the groundwork for a compliant, greener and credible supply chain.

SUSTAINABILITY REPORT 2022



SUSTAINABILITY COMMITMENTS AND SUSTAINABLE DEVELOPMENT GOALS

All United Nations (“UN”) member states adopted the Sustainable Development Goals (“SDGs”) in 2015, comprising of 17 goals to achieve the 2030 Agenda for Sustainable Development. The SDGs serve as a collective call to action for nations and societies to collaborate towards a sustainable future, which includes the elimination of poverty, improvement in health and education, sustainable economic growth, and addressing the challenges posed by climate change.






As a certified MSPO entity, we uphold the belief that the seven principles of MSPO certification strike a fair balance between the need for sustainability, economic growth, and attainment of the 2030 Agenda.

Overall, there are eleven SDGs adopted by the Group.






Summary of ESG Impact of the Group’s Operational Activities and Mitigation Strategies on SDGs.

Pillar	Material Matter	Why is it material to SOPB?	Our Response	Progress in 2022	SDGs adopted by SOPB
Environment 	<ul style="list-style-type: none"> Peatland Protection & Management Biodiversity & Conservation 	<p>I) Deforestation and other unsustainable practices have many negative consequences for people and the environment. We are therefore fully committed to protect forests and peatlands and uphold human and community rights.</p>	<p>I) OPSP was launched in 2019 as a declaration of our commitment to No Deforestation of HCV areas within our land bank and that of our suppliers.</p>	<p>I) We conduct all operations with established in-house policies and procedures following industry’s best practices.</p>	
		<p>II) Nature is critical to living creatures survival: nature provides oxygen, regulates weather patterns, pollinates crops and produces food, but it is under increasing stress.</p>	<p>II) Conservation – Collaborate with subjects’ experts from international and local universities to conduct research on flora and fauna in our unplanted areas, including riparian reserves.</p> <p>III) We acknowledge that anthropological intervention has to impact on wildlife on earth.</p>	<p>II) Results of the research findings as principle guides for us to review and improve our operation modes and business strategies.</p> <p>III) On-going. We have continuous engagements with our palms product suppliers to monitor their compliance to our OPSP launched in 2019.</p>	




SUSTAINABILITY REPORT 2022

Pillar	Material Matter	Why is it material to SOPB?	Our Response	Progress in 2022	SDGs adopted by SOPB
Environment 	<ul style="list-style-type: none"> Carbon Footprint Sustainable Energy Management 	Oil palms cultivation, processing of FFB into CPO, refining the CPO into industrial/ consumer products and products distribution activities emit GHG. It is critical to optimise our energy efficiency to manage our carbon footprint and minimise our impact on climate change.	<p>I) OPSP was launched in January 2019 to demonstrate our commitment on No Deforestation, No Peat and No Exploitation (“NDPE”) applicable across own operations and our palm products suppliers.</p> <p>II) We commit to reduce GHG emissions with the installation of methane capture facilities to reduce emissions at all mills.</p> <p>III) To install the Electrostatic Precipitators (“ESP”) in all mills and refinery to reduce dust emissions.</p> <p>III) To-date 4 Palm Oil Mills (“POM”) had been installed with ESP, whilst installation of the ESP for remaining 3 POMs are in progress.</p>	<p>I) On-going. We have continuous engagements with our buyers and suppliers to monitor NDPE compliance throughout our supply chain.</p> <p>II) Out of seven (7) mills, One (1) mill is fully commissioned; one (1) is scheduled to be commissioned in 2023; three (3) are under construction; one (1) in tendering process; lastly one (1) is to commence construction in 2024.</p>	
	<ul style="list-style-type: none"> Effluent & Water management 	Water is a scarce resource. Efficient water management is critical to prevent stress on the water ecosystem.	<p>I) Complement water supply through rainwater harvesting facilities.</p> <p>II) Installation of water treatment plants in our operation units.</p>	<p>I) Quantify water usage as a step to manage water resources.</p> <p>II) All workers are provided with potable water supply.</p>	 
	<ul style="list-style-type: none"> Waste Management 	Our operations generated waste and wastewater are treated before discharged to prevent environmental contamination.	<p>I) Our approaches to waste management are to reduce, recycle or reuse as much as possible.</p>	<p>I) Waste and by-products generated from our operations are identified, segregated and managed accordingly.</p>	



SUSTAINABILITY REPORT 2022

Pillar	Material Matter	Why is it material to SOPB?	Our Response	Progress in 2022	SDGs adopted by SOPB
Social 	<ul style="list-style-type: none"> Protection of Human Rights 	<p>Our workforce is core to our operations. Employee are fairly treated with respect aligns with our core values.</p>	<p>I) The Social & Community Policy has been established since 2014 affirms the Group's commitment to protect and respect human rights for all employees including the local communities.</p> <p>II) The Group respects and recognizes the rights of all workers including contract, temporary and migrant workers and that they have the liberty to freedom of association and the right to bargain collectively.</p>	<p>I) To date, no child under the age of 18 years old is employed to work within the Group.</p> <p>II) All children staying within our Group estates or mills have been provided with access to proper education.</p>	 
	<ul style="list-style-type: none"> Employee Occupational & Safety 	<p>Good health and safety measures reduce risk of accidents. A safe and healthy working environment promotes the wellbeing of employees and boosts productivity.</p>	<p>I) Occupational Safety and Health Policy has been established since 1999 and updated in 2022 to ensure that workers in all operational units are provided with safe and conducive working environment.</p> <p>II) All workers are provided with Protective Personal Equipment ("PPE") free of charge according to jobs assigned.</p>	<p>I) Total accident rate had decreased by 22% compared to 2021.</p> <p>II) Zero fatality for 2022.</p> <p>III) All workers in estates and mills are provided with potable water supply, subsidized electricity and free housing quarter, recreational facilities, clinic, community learning center and places of worship.</p>	 




SUSTAINABILITY REPORT 2022

Pillar	Material Matter	Why is it material to SOPB?	Our Response	Progress in 2022	SDGs adopted by SOPB
Social 			<p>III) Job related Safety and Health trainings are conducted by both internal and external trainers for all employees to achieve minimal injuries and zero fatality.</p> <p>IV) To provide comfortable housing quarters and amenities to our employees at the operational units.</p> <p>V) To systematically upgrade the living quarters of our employees at the operational units.</p> <p>VI) All clinics are provided with adequate medicine and medical supplies free of charge to all employees and their dependents.</p>	<p>IV) Management has established a 5-Year plan to upgrade the living quarters progressively as to elevate the living quarters and surrounding amenities standard for a better and more conducive living environment.</p>	
	<ul style="list-style-type: none"> Commitment to Our Local Communities 	<p>The local community is interconnected to our operations. It is crucial to support the community for long term mutual sustainable growth.</p>	<p>I) Allow local communities to benefit from our estates' access roads built by the Group and maintenance of feeder roads to their longhouses, thus enable them to develop their own lands with cash crops like oil palms and sell their FFB.</p>	<p>I) Achieved and ongoing. Our access roads ease the local communities accessibility to government schools, clinics, healthcare, and delivery of crops to marketable places.</p>	 

SUSTAINABILITY REPORT 2022







Pillar	Material Matter	Why is it material to SOPB?	Our Response	Progress in 2022	SDGs adopted by SOPB
Social 			<p>II) Carry out various Community Corporate Responsibilities ("CSR") projects like Vison Care Program, Young Achievement Awards ("YAA") reach out to students from nearby longhouses within the proximity of the Group's estates.</p> <p>III) Ensure all CSR projects initiated by the Group enhance local community welfare and provide better accessibility to quality education and healthcare.</p>	<p>II) All CSR programs are ongoing and carried out in collaboration with various government agencies and private medical practitioner for community benefits.</p>	
	<ul style="list-style-type: none"> Rights of Indigenous People 	<p>The local community is interconnected to our operations. It is crucial to support the community for long term mutual sustainable growth.</p>	<p>I) Our group has adopted the Free, Prior, and Informed Consent ("FPIC") Procedure to recognise the rights of the indigenous and the local communities complemented by our Grievance Mechanism that is publicly available.</p> <p>II) Regular engagements with local communities.</p> <p>III) Grievance Mechanism that is publicly available.</p> <p>IV) Annual MSPO surveillance certifications served as an alternative channel and avenue to hear their verdict/ grievances, if any.</p>		

SUSTAINABILITY REPORT 2022






Pillar	Material Matter	Why is it material to SOPB?	Our Response	Progress in 2022	SDGs adopted by SOPB
Sustainability Governance 	<ul style="list-style-type: none"> Grievance Mechanism 	<p>Communication and dialogue with internal and external stakeholders are the key to promote transparency and implementation of our policy along the supply chain.</p>	<p>I) Whistle-Blowing Policy & Procedure has been established since January 2019 to serve as a proper channel for anyone to convey any concern or report improper act or practice within the Group.</p> <p>II) This policy also allows anyone to express complaint and grievance in relation to Group's operations or sustainability issues concerning our palm product suppliers.</p> <p>III) Complaint and Grievance Procedure has been made available to allow anyone to lodge a complaint or grievance, suggest or highlight any vital matter which will be escalated to the management level for intervention.</p>	<p>I) 'Suggestion/ Complaint Forms' and the 'Suggestion Box' have been made available throughout all the Group's operational units.</p> <p>II) All the grievances raised are disclosed in our grievance list with updates on actions taken to address them.</p>	
	<ul style="list-style-type: none"> Sustainability Certifications 	<p>I) Certifications is a third-party verification of our commitments towards sustainability practices.</p> <p>II) Certification also provides credibility that our products are sourced and produced in a sustainable manner.</p>	<p>I) All operational units are required to be MSPO and MSPO Supply Chain Certification Standard ("SCCS") certified.</p> <p>II) All eligible plantations, mills and refineries are to be certified under International Sustainability & Carbon Certification ("ISCC") standards.</p>	<p>I) All SOPB operational units are MSPO and MSPO SCCS certified.</p> <p>II) Six out of seven POMs are ISCC EU & Plus certified since 2017.</p>	

SUSTAINABILITY

REPORT 2022

Pillar	Material Matter	Why is it material to SOPB?	Our Response	Progress in 2022	SDGs adopted by SOPB
Sustainability Governance 			III) Our palms product suppliers are required to be MSPO and MSPO SCCS certified. III) Actively engage and assist our suppliers (smallholders and out-growers) to comply with to our OPSP and as well as to be MSPO certified.		
	Marketplace 	<ul style="list-style-type: none"> Traceability & Supply Chain Suppliers' Sustainability Commitment 	In order to produce high quality palm products, it is important to ensure that the sourcing and production of products are done in a safe and sustainable manner throughout our supply chain. I) The Group has launched an online Sustainability Dashboard since 2019 as a communication channel to provide updates on our traceability status. II) The Group has also established a Supplier Engagement Procedure since 2019 to ensure that our suppliers (including smallholders and out-growers) to comply with our sourcing Policy, including to be MSPO certified.	I) The Group has achieved full traceability throughout our supply chain. II) The FFB sourced from Group's own plantations and third-party estates are 100% traceable.	
	<ul style="list-style-type: none"> Food Safety 	Globally, food safety and authenticity are receiving greater focus with the increasing volume of food supplies required to meet the growing demand. As a food producer, we are obliged to provide consumers with safe, high quality and nutritious products.	I) We apply for certification by various accreditation agencies on food safety and product quality assurance in all our processing and manufacturing facilities. II) We acknowledge the responsibility placed on us as a food producer that is safe for consumption under various accreditation schemes so as to provide assurance to our consumers.	I) The Group continually ensures that palm oil products delivered to customers and consumers meet the stringent standards of food safety, product quality and are sustainable and traceable. II) Our products and processes are certified by various international standards as follows: ISO 9001, ISO 22000, ISO 17025, HACCP, GMP, GMP+, HALAL, MeSTI, FDA and KOSHER.	  

SUSTAINABILITY REPORT 2022

Pillar	Material Matter	Why is it material to SOPB?	Our Response	Progress in 2022	SDGs adopted by SOPB
Marketplace 	<ul style="list-style-type: none"> Economic Performance 	Sustainable business growth is essential to maintain long-term shared values with stakeholders.	I) Incorporate and promote ESG across all business activities. I) The Group has established policies, procedures and relevant code of conduct to guide all business activities towards achieving economic resilience with integrity.		
	<ul style="list-style-type: none"> Business Ethical Practices 	Good ethical business practices can strengthen the trust with our stakeholders, safeguard their interests in an effective and transparent manner. I) The Group's Code of Business Conduct and Ethics has been established and cascaded to all employees and directors. The code signifies the commitment in promoting good business conduct and maintaining a healthy corporate culture. II) The Group upholds the Anti-Bribery and Corruption Act.			  

SUSTAINABILITY REPORT 2022

SUSTAINABILITY CERTIFICATIONS

Malaysian Sustainable Palm Oil ("MSPO") Certification

The Group remains committed to be recognized as a practitioner of sustainable agriculture and we have implemented the MSPO Standards as the primary sustainability standards.

Pursuant to our OPSP, we require all our palm products suppliers to obtain MSPO certification as we believe that MSPO can help our suppliers to comply with the requirements of our OPSP.

By assisting our suppliers including smallholders to be MSPO certified, it would certainly help to ensure palms products produced in our processing facilities are through the monitoring process of supplying chain certification remains challenging.

The MSPO Certification Scheme is the national scheme in Malaysia for oil palms plantations, independent and organised smallholders and palm oil processing facilities to be certified against the requirements of the MSPO Standards. <https://www.mpocc.org.my/about-mspo>

In 2019, we achieved full MSPO certification for all the Group's estates, palm oil mills, refinery and fractionation plant, kernel crushing plant, biodiesel plant and phytonutrient plant.

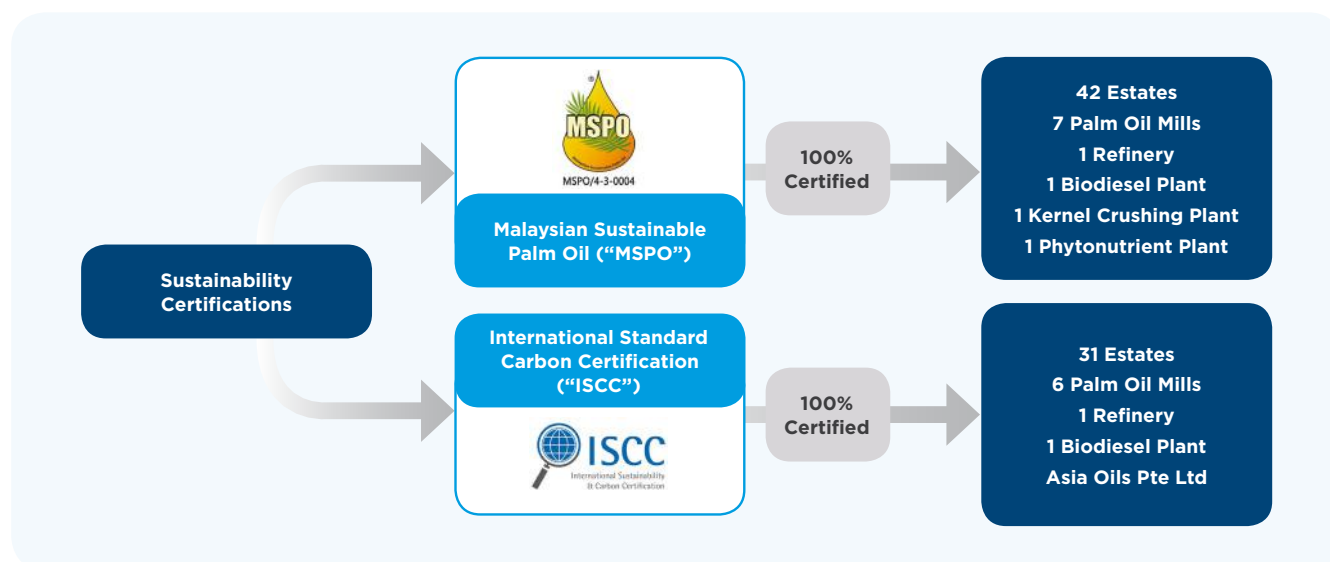
In 2022, annual surveillance and or recertification audits were carried out as scheduled. The scope of certification covers MSPO Part 3 General Principles for Oil Palms Plantations and Organized Smallholders, MSPO Part 4 General Principles for Palm Oil Mills and MSPO Supply Chain Certification Standard ("SCCS").

As of 31 December 2022, all of our third-party supplying mills are MSPO certified.

International Sustainability & Carbon Certification ("ISCC")

The Group also commits to ISCC certification which was premised on an open multi-stakeholder approach that guides a certified entity in producing sustainable raw materials and products, promote traceability within the supply chain and as well as reducing the greenhouse gases emissions.

Ongoing adoption of ISCC system in our operations demonstrates that the Group takes responsibility to ensure that our production processes minimize impacts and damages to the environment, and that the raw materials are traceable, harvested or sourced in a socially responsible manner. All these aspects are covered under the ISCC standards and our compliance assures that we are delivering on the sustainability commitments made to our stakeholders.






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

SUSTAINABILITY REPORT 2022





STAKEHOLDER ENGAGEMENT

Multi-stakeholders' collaboration is certainly required to achieve desired sustainability objectives. We mobilise our employees to engage with all stakeholders such as local and indigenous communities, customers and NGOs. Meaningful balanced progress could be achieved through constructive dialogues and with transparent time-bound commitments. Through such dialogues, we also disseminate our sustainability policies to our supply chain and seek their collaboration.



All enquiries raised by our stakeholders are recorded and monitored closely. Our stakeholders engagements involved both virtual and physical meetings.

Stakeholders	Engagement Modes	Areas of Concerns	Frequency	Anticipated Outcomes
Employees 	Management meeting	Human & worker's rights	Annually/ As needed	To understand, assimilate and uphold the commitments and targets laid out in SOPB's OPSP
	Events and functions	Social welfare		
	Staff meetings and internal trainings	Sustainability updates		
		Safety & health		
	Internal communication via newsletters and intranet	SOPB's sustainability performance updates		
	Recreational activities	Training and development opportunities		
Customers 	Meetings, briefing sessions and seminars	Product quality and food safety	As needed	Acceptance of the Group's commitments and practices in line with sustainability policies
	Engagement surveys	Price competitiveness		
	Site visits to operational units	NDPE policy implementation		
		High conservation value areas protection		
		Sustainability practices for all operational units		
		Traceability		
Government & Regulators 	Field visits and dialogue sessions	Compliance status to regulatory requirements	As needed	Recognition of the Group's commitments, policies and procedures
	Events and seminars	Human & worker's rights		
	Publications via newsletters and website	Shortage of workforce		

SUSTAINABILITY REPORT 2022

Stakeholders	Engagement Modes	Areas of Concerns	Frequency	Anticipated Outcomes
Smallholders, Outgrowers & Local Communities 	CSR activities Dialogues and workshops Seminars	Certification requirements Sustainability commitments Market expectations and requirements	Annually/ As needed	Stronger rapport and support for the Group's policies by smallholders, outgrowers and local communities
Non-governmental Organizations ("NGOs") 	Teleconference Email One-to-one meetings Field visits Documentation review	Sustainability policies and practices Human & worker's rights Supply chain traceability	As needed	Acknowledgement and acceptance of the Group's policies, procedures and progress on sustainability
Schools & Universities 	Career fairs Site visits Internships Awards Seminars & workshops	Career opportunities and scholarships Development of oil palms industry Sustainability commitments Research collaboration and deliverables	Annually/ As needed	Better understanding of the oil palms sector Participation in the development of oil palms sector Render financial assistance to those in need
Certification Bodies 	Sustainability certifications	Certification requirements Compliance to related acts and laws Sustainability commitments	Annually	Compliance to certification requirements Assurance to stakeholders on supply chain monitoring and compliance to the Group's policies

SUSTAINABILITY REPORT 2022

Stakeholders	Engagement Modes	Areas of Concerns	Frequency	Anticipated Outcomes
Shareholders, Investors & Banks 	Site visits	Sustainability certifications	Quarterly/ As needed	Assurance of the Group's sustainability commitments and progress
	Quarterly updates	Implementation and progress of commitments		
	Briefing sessions			
Suppliers 	Surveys/ Questionnaire	Business ethics	Annually/ As needed	Full compliance to the Group's OPSP
	One-to-one meeting/ Webinar	Compliance to relevant laws		Stronger rapport with the suppliers to address concerns raised by buyers
	Contract bidding and tendering	Market requirements on sustainability		

Stakeholders' Engagement in 2022

The Group participated in an outreach programme, AgriCop 2022, organized by the Sarawak Department of Agriculture held from 20-21 October 2022 at the Long Atip, Baram District, Sarawak. The event was officiated by the Minister of Modernisation of Agriculture and Regional Development, Sarawak, and well attended by 250 community members.

During the outreach programme, the Group representative shared practical experience on application of technology and sustainability in oil palm plantations in a presentation titled "*Kemampanan Kelapa Sawit*" (that is "Sustainable Oil Palms") which is the adoption of Good Agricultural Practices ("GAP") and certification under the MSPO.

SUSTAINABILITY REPORT 2022

ENVIRONMENT



The Group is working continuously to improve our environmental performance. We adhere strictly to No Deforestation and No New Development on Peat soils regardless of its depth since 2019 and focus on the optimisation of inputs in our quest to reduce GHGs and waste.

In addition to complying with applicable laws and regulations, we strive to conform to the most stringent environmental standards. Our operations are directly managed in-house by well-qualified and experienced professional managers with sheer range of technical knowledge and expertise in respective operation, all of which are subject to certification by leading certification schemes. Our internal environmental management procedures are benchmarked and in line with the industry's best practices and environmental management system ("EMS"). Being sensitive to the current environmental concerns, we are actively evaluating and adopting new sustainability requirements relevant to the industry such as participating in discussions and approaches on climate change, life cycle analysis ("LCA") and carbon neutrality.

NO DEFORESTATION AND NO DEVELOPMENT ON PEAT

The Group launched our integrated OPSP in 2019 as a declaration of our commitment to No Deforestation of HCV areas within our land bank and that of our suppliers. Any new development will have to undergo HCV and HCSA assessments in line with the National and State Agricultural Land Use Policy. We are working closely with

our suppliers, contractors, other industry stakeholders and customers to implement this policy, create awareness and deliver on our commitment to sustainable palm oil production.

The Group stays true to our commitments and is fully compliant to the OPSP as we acknowledge that deforestation and other unsustainable practices have many negative consequences for people and the environment. We are therefore fully committed to protect forests and peatlands and uphold human and community rights. We conduct all operations with established in-house policies and procedures following industry's best practices. We have completed third-party HCV assessments for all our post-2005 plantings to guide us on the management of our internal environmental resources and enhance our understanding of the aspirations of the local communities in our landscape.

Our palm product suppliers are kept informed of the need to comply with our OPSP or bear the consequence of being excluded from our supply chain. To ensure that they are adhering to our OPSP, we actively engage them by providing tailored solutions and technical assistance to build up their capacity and enhance their environmental performance. We engage our suppliers and buyers alike addressing consumer sentiments through constructive dialogues. Through such exchanges, we hope to focus on near and long terms sustainability concerns, identify gaps and develop time-bound plans to meet leading global market requirements.

SUSTAINABILITY REPORT 2022

In order to monitor our progress in the implementation of our OPSP, we have established the Sustainability Policy Implementation Plan in 2019 to communicate our strategy to achieve our NDPE vision and goals leading up to 2020 and beyond. Internally, the Group has adopted a self-monitoring posture on any deforestation within our supply chain leveraging on the GFW platform. In 2022, we had also used Satelligence as a way to monitor deforestation and fire in our landscape.

PEATLAND MANAGEMENT PRACTICES

The Group maintains the designated water and pH level in peat estates with proper drainage, water gates or tidal gates.

Subsidence poles and piezometers are installed in strategic locations in the estates so that peat subsidence and water level of the estates could be regularly monitored, and ground water level could be managed and maintained at certain desired level.

In year 2022, one of our estates was the research site for a post-doctorate research studies on “Photosynthetic response to soil drainage level for soil carbon emissions for oil palms”. The research studies were carried out by post-doctorate researchers for University of Exeter, UK, in collaboration with MPOB. The findings from this single study site suggested that maintaining ground water level closer to the surface has the potential of reducing carbon emission without compromising crop yields.

For replanting of oil palms on peat soil estates, a drainability study of the proposed area will be conducted by external consultants one year before replanting. The study will characterize the soil profile and determine the viability for the upcoming oil palms planting. For areas that are identified as less viable, other appropriate plans will be formulated for the management of the land.



Subsidence post and piezometer installed at a peat estate

SOIL CONSERVATION & RECYCLING BIOMASS

The Group has adopted a nutrient recycling practice by returning oil palms organic by-products back into the field such as stacking pruned fronds, applying decanter cakes and mulching of empty fruit bunches on the palms. These practices have improved soil fertility and maintain soil health as the decomposing of organic biomass enhances the accumulation of soil organic matters and releases nutrients. Additionally, the Group has committed towards zero use of paraquat chemical and has not used it since several years ago.

Sarawak experiences high annual rainfall of 3,500mm to 4,500mm. As such, the Group has adopted the practice of planting fast-growing beneficial leguminous cover crops (“LCC”) such as *Mucuna bracteata* to provide immediate ground cover to reduce surface runoff. The LCC are planted immediately after the replanting of young oil palms in both mineral and peat estates. Besides, nitrogen fixation with soil bacteria takes place at LCC plant roots which help to provide essential organic matters to the young oil palms.

ZERO BURNING POLICY

In all replanting activities, the Group practises a Zero Burning Policy where all the palm trunks are felled, chipped, mulched and left in-site for decomposition. This helps to avoid haze emission and also promote natural retention and regeneration of nutrients in maintaining organic balance of the soil.

There was no hotspots/ fire detected in the company estates and surrounding landscape or smallholders during the year.

INTEGRATED PEST MANAGEMENT (“IPM”)

IPM is the use of holistic and compatible methods of pest and disease control to reduce crop damage and to increase productivity.

The Group adopts the IPM approach in pest management which involves biological control of pests with the introduction of beneficial nectar producing plants namely *Cassia cobanensis*, *Tunera subulata* and *Antigonon leptopus* to provide natural food sources and shelters for predators of insects.

SUSTAINABILITY REPORT 2022

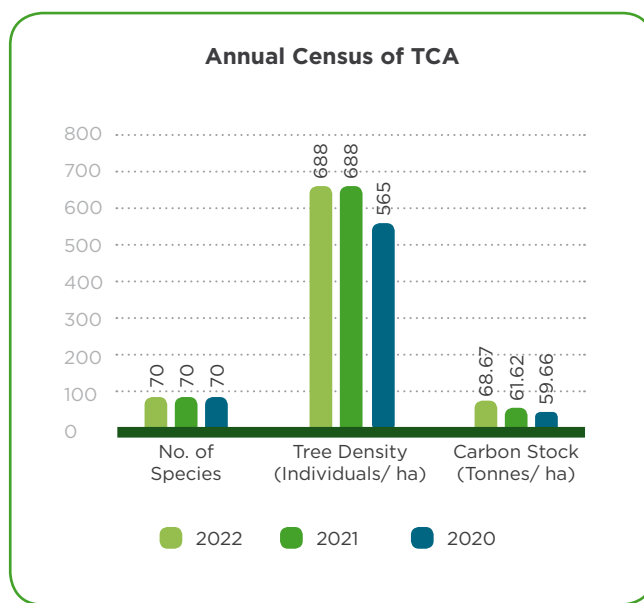
In a situation where pest outbreak is unavoidable, the use of biological insecticides is preferred over the use of selective chemicals depending on the severity of outbreak. By choosing insecticides with suitable properties and using correct application techniques, biological balance is not adversely affected.

At the estates, regular trainings are conducted both in classroom and at fields aiming at imparting knowledge of pests life cycle, their ecology and their natural enemies. A systematic monitoring or census system is also put in place to ensure that control measures are implemented at the most appropriate time. These measures reduce significantly the total amount of insecticides required without affecting the efficacy of the pest control.

BIODIVERSITY AND CONSERVATION

Tinbarap Conservation Area (“TCA”)

Since the inception of TCA in 2015, continuous efforts has been made to monitor the growth and recovery of the forest through an annual census in the permanent plots. The results of the census depicted below shows that the species, tree density and carbon stock have remained satisfactory.



Species Biodiversity at Murum Estate

In year 2022, one of the Group’s estates, i.e. Murum Estate, was the site for a post-graduate research team from University of Newcastle, UK, researching on species biodiversity. A variety of mammals, reptiles and birds are found and tabulated as below.

Family	Common Name	Scientific Name	Status	
			IUCN Redlist	SWLPO, 1998
Mammals				
Cercopithecidae	Long-tailed Macaque	<i>Macaca fascicularis</i>	EN	P
	Pig-tailed Macaque	<i>Macaca nemestrina</i>	EN	P
	Silvered Langur	<i>Trachypithecus cristatus</i>	VU	TP
Cervidae	Red Muntjac	<i>Muntiacus muntjak</i>	LC	
	Sambar Deer	<i>Rusa unicolor</i>	VU	
	Yellow Muntjac	<i>Muntiacus atherodes</i>	NT	
Erinaceidae	Moonrat	<i>Echinosorex gymnura</i>	LC	
Felidae	Bornean Leopard Cat	<i>Prionailurus bengalensis</i>	LC	P
Hystriidae	Bornean Porcupine	<i>Thecurus crassispinis</i>	LC	P
	Long-tailed Porcupine	<i>Trichys fasciculata</i>	LC	P
	Malayan Porcupine	<i>Hystrix brachyura</i>	LC	P

SUSTAINABILITY REPORT 2022

Family	Common Name	Scientific Name	Status	
			IUCN Redlist	SWLPO, 1998
Mammals				
Mustelidae	Malay Weasel	<i>Mustela nudipes</i>	LC	
	Small Clawed Otter	<i>Aonyx cinereus</i>	VU	P
	Yellow-throated Marten	<i>Martes flavigula</i>	LC	
Sciuridae	Bornean Mountain Ground Squirrel	<i>Dremomys everetti</i>	LC	
	Giant Squirrel	<i>Ratufa affinis</i>	NT	TP
	Least Pygmy Squirrel	<i>Exilisciurus exilis</i>		
	Low’s Squirrel	<i>Sundasciurus lowii</i>	LC	
	Plantain Squirrel	<i>Callosciurus notatus</i>	LC	
Suidae	Bearded Pig	<i>Sus barbatus</i>	VU	
Tragulidae	Greater Mousedeer	<i>Tragulus napu</i>	LC	
	Lesser Mousedeer	<i>Tragulus kanchil</i>	LC	
Tupaiaidae	Mountain Treeshrew	<i>Tupaia montana</i>	LC	P
	Painted Treeshrew	<i>Tupaia picta</i>	LC	P
	Splendid Treeshrew	<i>Tupaia splendidula</i>	LC	P
Ursidae	Sun Bear	<i>Helarctos malayanus</i>	VU	P
Viverridae	Banded Civet	<i>Hemigalus derbynus</i>	NT	P
	Hose’s Civet	<i>Diplogale hosei</i>	VU	P
	Malay Civet	<i>Viverra zangalunga</i>	LC	P
Birds				
Cisticolidae	Dark-necked Tailorbird	<i>Orthotomus atrogularis</i>	LC	
Columbidae	Emerald Dove	<i>Chalcophaps indica</i>	LC	
Cuculidae	Greater Coucal	<i>Centropus sinensis</i>	LC	
Estrildidae	Dusky Munia	<i>Lonchura fuscans</i>	LC	
Muscicapidae	Oriental Magpie Robin	<i>Copsychus saularis</i>	LC	
	Siberian Blue Robin	<i>Larvivora cyane</i>	LC	
	White-rumped Shama	<i>Kittacincla malabarica</i>	LC	
Nectariniidae	Little Spiderhunter	<i>Arachnothera longirostra</i>	LC	
Pachycephalidae	Bornean Whistler	<i>Pachycephala hypoxantha</i>	LC	
	White-vented Whistler	<i>Pachycephala homeyeri</i>	LC	
Pellorneidae	Black-capped Babbler	<i>Pellorneum nigrocapitatum</i>	LC	

SUSTAINABILITY REPORT 2022

Family	Common Name	Scientific Name	Status	
			IUCN Redlist	SWLPO, 1998
Birds				
Phasianidae	Crested Partridge	<i>Rollulus rouloul</i>	VU	P
	Great Argus	<i>Argusianus argus</i>	VU	TP
Pittidae	Garnet Pitta	<i>Erythropitta granatina</i>	NT	
Pycnonotidae	Hairy-backed Bulbul	<i>Tricholestes criniger</i>	LC	
	Red-eyed Bulbul	<i>Pycnonotus brunneus</i>	LC	
	Yellow-bellied Bulbul	<i>Alophoixus phaeocephalus</i>	LC	
	Yellow-vented Bulbul	<i>Pycnonotus goiavier</i>	LC	
Rallidae	White-breasted Waterhen	<i>Amaurornis phoenicurus</i>	LC	
Rhipiduridae	Pied Fantail	<i>Rhipidura javanica</i>	LC	
Turdidae	Island Thrush	<i>Turdus poliocephalus</i>	LC	
	Owl(UID)			P
Reptiles				
Scincidae	Borneo Skink	<i>Dasia vittata</i>	LC	
Varanidae	Monitor Lizard	<i>Varanus sp.</i>		P
Total				
28	53		NT: 4 VU: 8 EN: 2	P: 16 TP: 4
NT: Near Threaten	VU: Vulnerable	EN: Endangered	P: Protected	TP: Totally Protected

SUSTAINABILITY REPORT 2022

Banded Civet*Hemigalus derbynus***Bornean Leopard Cat***Prionailurus bengalensis***Bornean Porcupine***Thecurus crassispinis***Greentree Mousedeer***Tragulus napu***Red Muntjac***Muntiacus muntjac***Crested Partridge***Rollulus rouloul***Sambar Deer***Rusa unicolor***Small Clawed Otter***Aonyx cinereus***Yellow Muntjac***Muntiacus atherodes*

SUSTAINABILITY REPORT 2022

Anuran Biodiversity at Sabaju Estate

In year 2022, an under-graduate research studies from Van Hall Larenstein, University of Applied Sciences, the Netherlands, conducted a studies on frogs at Sabaju Estate.

A variety of frogs found in the studies is tabulated as below.

Family	Common Name	Scientific Name	Status	
			IUCN Redlist	SWLPO, 1998
Dicroglossidae	Lesser Swamp Frog	<i>Limnonectes paramacrodon</i>	NT	
	Grass Frog	<i>Fejervarya Limnocharis</i>	LC	
Ranidae	Brown Kerangas Frog	<i>Hylarana baramica</i>	LC	
	Rough-sided Frog	<i>Hylarana glandulosa</i>	LC	
	Spot-sided Kerangas Frog	<i>Hylarana laterimaculata</i>	LC	
	White-lipped Stream Frog	<i>Hylarana megalonesa</i>	LC	
	Jade-backed Stream Frog	<i>Hylarana raniceps</i>	LC	
Rhacophoridae	Collet's Tree Frog	<i>Polypedates colletti</i>	LC	
	Four-lined Tree Frog	<i>Polypedates leucomystax</i>	LC	
Microhylidae	Lesser Small-mouthed Frog	<i>Microhyla borneensis/ nepenthicola</i>	LC	
Megophryidae	Kanowit Large-eyed Litter Frog	<i>Leptobrachium kanowitense</i>		
Total				
5	11		NT: 1	
NT: Near Threaten				

SUSTAINABILITY REPORT 2022

Summary of collaborations with Universities and Institutions on conservation and biodiversity

UNIVERSITY/ INSTITUTE

University of Exeter

PROJECT TITLE

Oil Palm (*Elaeis guineensis*) plantation on tropical peatland in South East Asia: Photosynthetic response to soil drainage level for mitigation of soil carbon emissions

PROJECT SCOPE

The research focuses on the how the different water table levels at plantations on peat soil affects the photosynthetic ability of the palms.

Water table level was collected using automated water divers coupled with photosynthesis data collected by the Eddy Covariance tower in Sebungan and Sabaju Estate.

The research results indicated that where ground water level was maintained closer to the surface, a higher crop yield was observed.

LOCATION

Sebungan Estate
Sabaju 4 Estate

LEAD RESEARCHER/ DELEGATE

Post-Doctorate Researcher from University of Exeter

STATUS OF PROJECT

Completed



Post-Doctorate Researcher from University of Exeter, in carrying out research at one of our estates with MPOB personnel



Post-Doctorate Researcher team from University of Exeter with researcher from MPOB

SUSTAINABILITY REPORT 2022

UNIVERSITY/ INSTITUTE

University of Tokyo

PROJECT TITLE

Balancing Development of Oil Palm Plantations with Conservation of Tropical Forest Ecosystems

PROJECT SCOPE

In 2015, MPOB, University of Tokyo and the Group signed an agreement to conduct research on the ecosystem dynamics of oil palms.

In year 2022, the research revolves around the transpiration rate of oil palms in Lambir 2 Estate and comparing the data obtained with a tropical forest ecosystem.

It is hypothetical that palm transpiration rate (movement of water from the ground to the atmosphere via the palms) could affect photosynthesis rate of the palms thereby affecting crop yields.

Preliminary findings from the research found that the transpiration rate of the palms at this research site is considered high compared to the expected outcome. Further studies will be conducted to support the effects of transpiration rate on photosynthesis rate.

LOCATION

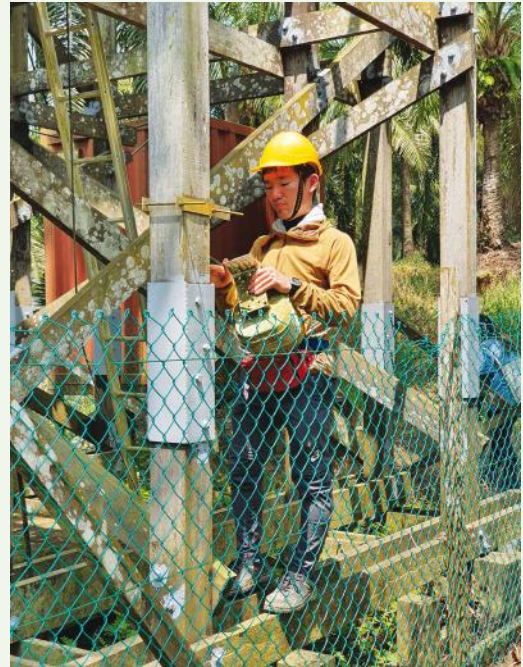
Lambir 2 Estate

LEAD RESEARCHER/ DELEGATE

Doctorate (PhD) researcher

STATUS OF PROJECT

Ongoing



PhD researcher carrying out research

SUSTAINABILITY REPORT 2022

UNIVERSITY/ INSTITUTE

Van Hall Larenstein, University of Applied Sciences (“VHL”)

PROJECT TITLE

The important factors for Anuran conservation in oil palm plantations in Sarawak

PROJECT SCOPE

MPOB, VHL and the Group signed a MoU to conduct a research on the biodiversity of fauna and its contribution to oil palms plantations.

In 2022, an under-graduate was sent by the university to conduct research on Anuran (frogs) conservation.

His studies was mainly to find out what are the main factors that drive the preservation of the Anuran species biodiversity and whether these factors are adversely affected by the conversion of forest to oil palm plantations.

LOCATION

Sabaju Estate

LEAD RESEARCHER/ DELEGATE

Under-graduate

STATUS OF PROJECT

Completed



Researcher collecting samples at night at Sabaju Unplanted Research Area



A Tree Frog in Sabaju Unplanted Research Area

SUSTAINABILITY REPORT 2022

UNIVERSITY/ INSTITUTE

MPOB

PROJECT TITLE

Ecosystem carbon and nitrogen dynamics of tropical peatland in Sebungun and Sabaju Estate

PROJECT SCOPE

Pursuant to the Memorandum of Agreement (“MOA”) signed in 2015 between MPOB and the Group regarding ecosystem carbon and nitrogen dynamics in Sabaju and Sebungun Estate, MPOB commenced the research in October 2022 at these estates.

LOCATION

Sebungun Estate
Sabaju Estate

LEAD RESEARCHER/ DELEGATE

MPOB Officers

STATUS OF PROJECT

Ongoing



MPOB officers conducting their researches

UNIVERSITY/ INSTITUTE

Universiti Malaysia Sarawak (“UNIMAS”), Institute of Biodiversity & Environmental Conservation (“IBEC”)

PROJECT TITLE

Assessing the importance of landscape heterogeneity towards development of biodiversity mapping system in oil palm dominated landscape

PROJECT SCOPE

The first sub-project under this collaboration: Measuring the importance of forest patches strategy on bird biodiversity conservation in oil palm dominated landscape. The project aims to understand how the habitat heterogeneity (oil palm plantations and forest patches) affects avian density and species richness.

LOCATION

Sabaju 4 Estate
Sabaju Unplanted Research Area

LEAD RESEARCHER/ DELEGATE

Post-graduate

STATUS OF PROJECT

Ongoing

SUSTAINABILITY REPORT 2022

UNIVERSITY/ INSTITUTE

Universiti Malaysia Sarawak ("UNIMAS"), Institute of Biodiversity & Environmental Conservation ("IBEC")

PROJECT TITLE

Assessing the importance of landscape heterogeneity towards development of biodiversity mapping system in oil palm dominated landscape

PROJECT SCOPE

Research on thermoregulation of skinks (*Eutropis multifasciata*) and agamid lizards (*Bronchocela cristatella*) in different latitudes, and how these differences affect their home range and movement.

LOCATION

Sebungan Estate

LEAD RESEARCHER/ DELEGATE

Post-graduate

STATUS OF PROJECT

Completed



Researcher released a skink after attaching radio-transmitter



Skink with radio-transmitter attached

SUSTAINABILITY REPORT 2022

UNIVERSITY/ INSTITUTE

Universiti Malaysia Sarawak ("UNIMAS"), Institute of Biodiversity & Environmental Conservation ("IBEC")

PROJECT TITLE

Assessing the importance of landscape heterogeneity towards development of biodiversity mapping system in oil palm dominated landscape

PROJECT SCOPE

A research on "Phenotype plasticity of native and invasive fish species in habitats altered by oil palm plantation" was conducted to study the morphological response by native and invasive fish species in habitats altered by oil palm plantations.

The research aimed to study show how fish species changes their morphological characteristics to survive the changing environment.

LOCATION

Sabaju Estate

LEAD RESEARCHER/ DELEGATE

Post-graduate

STATUS OF PROJECT

Completed



Researchers collecting fish samples



Climbing Perch (*Anabas testudineus*) from the researcher's geometric morphology analysis

SUSTAINABILITY REPORT 2022

UNIVERSITY/ INSTITUTE

University of Newcastle

PROJECT TITLE

Barriers to tree re-establishment in logged tropical rainforest in Borneo

PROJECT SCOPE

In 2021, the Group partially funded a candidate from University of Newcastle under the Collaborative Awards in Science and Engineering ("CASE") Studentship for a PhD Project (<https://nerc.ukri.org/funding/available/postgrad/focused/industrial-case>).

This project focuses on the movements of wildlife and how and where it would be appropriate to re-establish wildlife corridors.

The researcher conducted research at the site/ field for three months at Murum Estate. Currently, she is back in United Kingdom processing the data collected from her field studies.

LOCATION

Murum Estate

LEAD RESEARCHER/ DELEGATE

PhD researcher

STATUS OF PROJECT

Ongoing

EFFLUENT & WATER MANAGEMENT

Effluent is wastewater produced during milling and stored in ponds before being discharged to the surrounding environment or waterways. Wastewater is treated to remove suspended particles before it is discharged.

POME exists in forms of solid, oil, and other particles and has high biochemical oxygen demand ("BOD") and chemical oxygen demand ("COD").

Protection of Riparian Buffer Zone and Slope

Riparian Buffer Zone ("RBZ") refers to the vegetated areas adjacent to streams and rivers that are established to prevent chemical residues, including from fertilizer runoff from entering into water bodies. RBZs that are well maintained have helped to minimize the plantations impact to the natural habitats of flora and fauna along the waterways.

In 2016, the Group's Protection of Riparian Buffer Zone and Slope Policy was reviewed and standardized and has been implemented in all our plantations. Independent accredited environmental consultants were also engaged on quarterly basis to ensure compliance to the parameters set by the regulatory authorities.



Riparian Buffer Zones maintained at the riverside of Penyuan 1 Estate

SUSTAINABILITY REPORT 2022

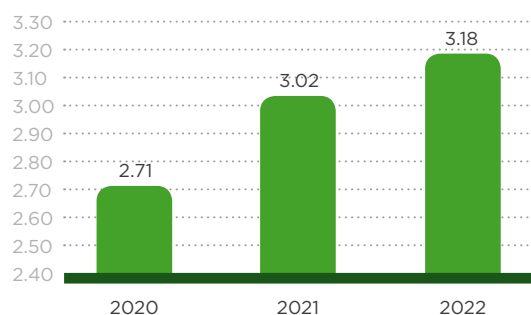
Water Consumption

Water usage is gaining attention due to the importance placed on water footprint ("WF") which is the quantification of water used at specific processes of a product.

The Group places strong emphasis on the requirement to analyse the quantity and quality of water consumed both for domestic uses and industrial purposes.

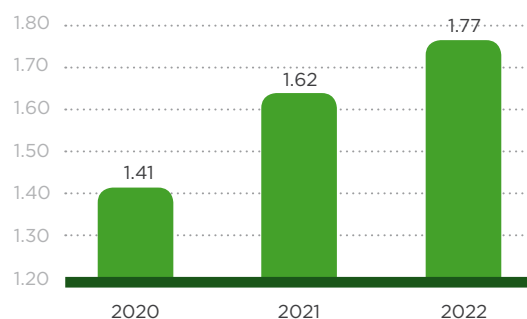
In plantations and palm oil mills, potable water is provided to all employees and their households living in the Group's housing quarters. Water analysis is carried out by internal and external laboratories to ensure that the quality of water meets the requirements under National Standard for Drinking Water.

Water Consumption for Mills Operations (ML)

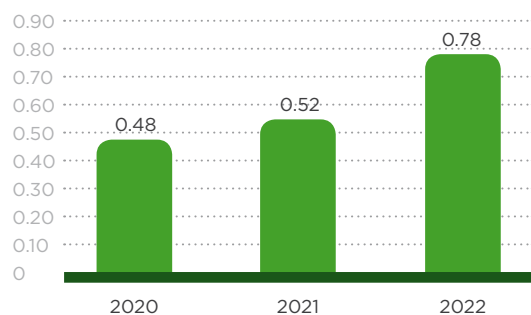


1ML (Megaliter) = 1,000,000 liter

Water (M³) per MT FFB Processed Ratio

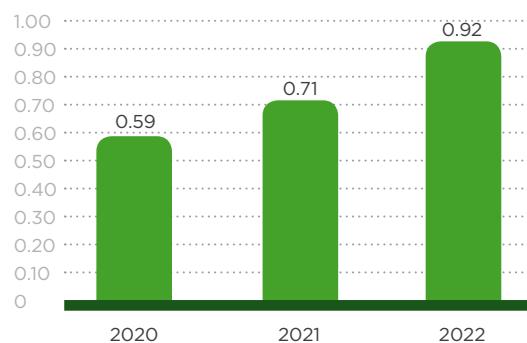


Water Consumption for Downstream (ML)



1ML (Megaliter) = 1,000,000 liter

Water (M³) per MT Refined Product Produced Ratio



SUSTAINABILITY REPORT 2022

In 2022, water consumption per MT of FFB processed and per MT of refined product was comparable with rates from previous years. Nevertheless, we will endeavor to look into areas of improvement.

Effluent Management

The Group complies with the Department of Environment's ("DOE") regulations for waste water discharge.

All POME waste are properly treated in treatment ponds to meet the BOD and COD discharge limits as required by EQ (Prescribed Premises) (Crude Palm Oil) Regulations 1977 - EQ (Prescribed Premises) (Crude Palm Oil) Amendment Regulation 1982 before being released into the waterways.

BOD Level of Effluent from Mills (mg/ L)			
	2020	2021	2022
Average	25.1	21.2	17.3

BOD Level of Effluent from Refinery and Biodiesel Plant (mg/ L)						
	Refinery			Biodiesel Plant		
	2020	2021	2022	2020	2021	2022
Average	8	2.8	1	10.75	3.7	3.5

Year	Total Effluent Discharged (m ³)	
	POME	Downstream Effluent
2020	1,682,871	76,313
2021	1,458,812	104,831
2022	1,648,207	126,134

WASTE MANAGEMENT

The Group adopts a responsible waste management approach. Different types of waste are generated in the production chains and they are reduced, recycled or reused as much as possible. The Group complies with the DOE regulations on waste management and our Environmental Sustainability Policy has been established to affirm our commitment to conserving and preserving the environment in our landscape.

In plantations, waste such as fertilizer bags, pesticide containers and scheduled wastes arose from upkeep and maintenance activities. To avoid contamination to the environment, used packing materials are kept in designated stores and monitored via the respective inventory records. Scheduled wastes from operational units are disposed by licensed collectors in compliance with the DOE standards.

By-products from FFB processing such as Empty Fruit Bunches, fibre and kernel shells are used as biomass fuel for steam generation. Liquid organic by-product, or

POME, contains beneficial nutrients that are treated and applied as land fertilizer.

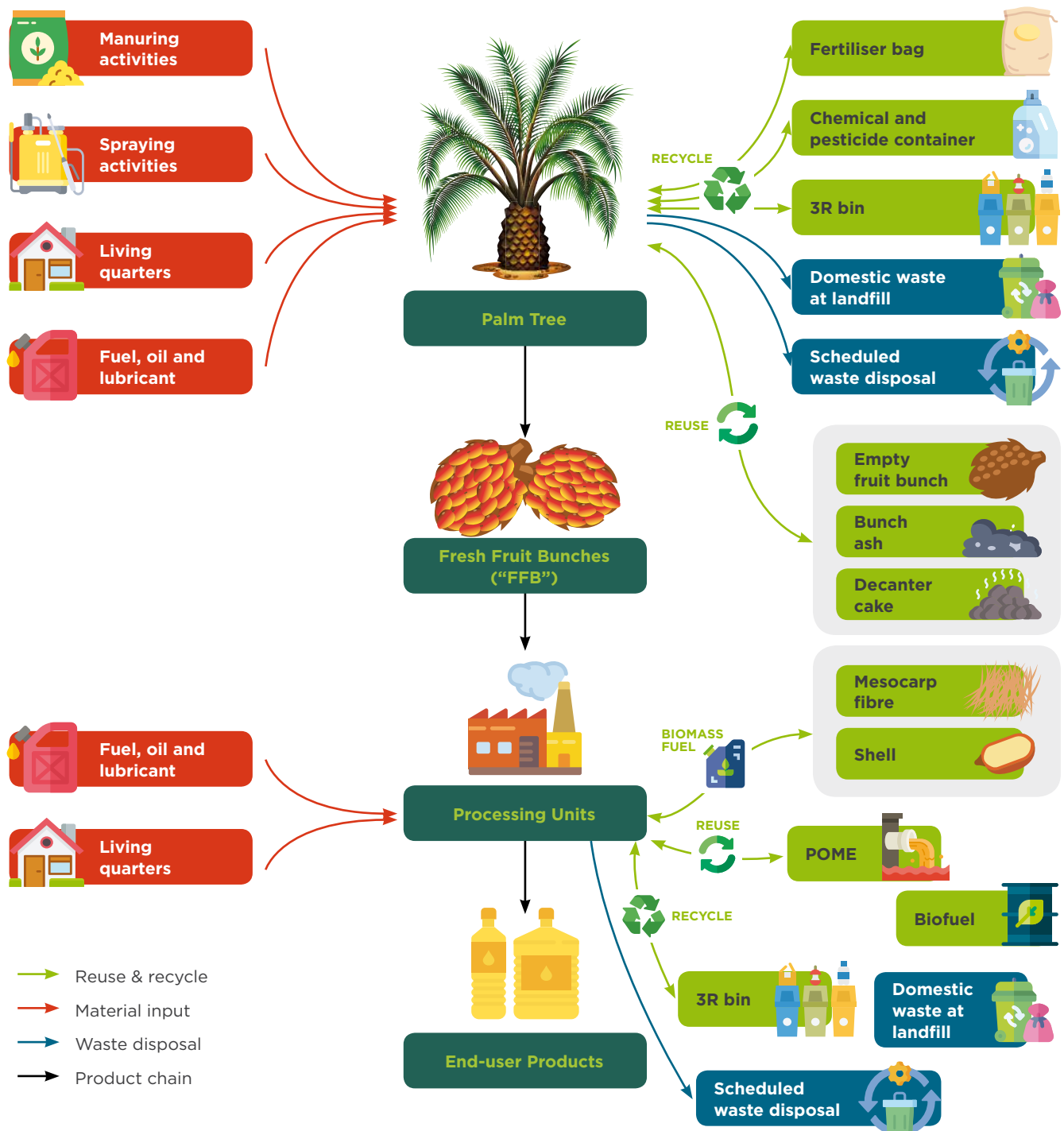
The Group's operating units are registered on the DOE's Electronic Scheduled Waste Information System ("eSWIS") and we have established a schedule for waste storage that is compliant with DOE's regulations. All relevant employees at the operating units are trained in scheduled waste management. We place a high priority in developing our employees' competencies to improve on their skills and knowledge to ensure proper effluent treatment and waste management.

In accordance with the Group's Waste Management Procedure and Waste Management Plan, domestic waste that is biodegradable are disposed of by on-site landfills, while non-biodegradable domestic waste is disposed in government landfill. This requires the employees to be engaged in waste segregation to reduce the quantity of waste sent to landfills. This approach aids in reducing our environmental footprint, while also streamlining the recycling process.

SUSTAINABILITY REPORT 2022

Towards Zero Waste Management

The Group is moving towards zero waste management. We strive to minimise the amount of waste and by-products generated by our operations and are committed to reuse and recycle as much as possible.



SUSTAINABILITY REPORT 2022

The table below shows the waste disposed by category for year 2021 and 2022.

Hazardous wastes

Operation Unit		Lubricant & Hydraulic Oil (SW 305 & SW 306)	Filter/ Contaminated Rags (SW 410)	Used Chemical Container (SW 409)	Used Battery (SW 102)	Mixture Scheduled Waste & Non-scheduled Waste (SW 422)
In Metric Ton (MT)						
Plantation	2021	41.86	5.45	0.29	5.50	0
	2022	83.01	9.08	1.94	11.10	0
Mill	2021	42.11	2.47	1.47	0.49	1.46
	2022	47.16	3.47	1.78	2.33	0.45

CARBON FOOTPRINT INITIATIVES

In addition to aiming the achievement of SDGs related to net zero and climate change mitigation, the Group recognizes the importance of quantifying carbon footprint or greenhouse gases ("GHG") emissions.

Our management and monitoring of GHG covers various stages of production, including FFB production, oil production at palm oil mills, refinery, biodiesel plant and transportation of products.

We compile, quantify and analyze data sets to identify significant sources of emissions and develop mitigation measures. Our GHG emissions value are quantified based on the ISCC 205 methodology which was updated in July 2022 according to the EU Renewable Energy Directive II ("REDII").

The emissions from the Group's respective operating units are as follows:

2022	Unit	Operating Unit			
		Plantation	Mill	Refinery	Biodiesel Plant
Scope 1		105,071	114,717	7,832	54,136
Scope 2	MT CO ₂ eq	0	58	27,444	11,240
Total Emissions		105,071	114,775	35,275	65,376
Emission Intensity	MT CO ₂ eq/ MT Product	0.09	0.25	0.04	0.34

Note:

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

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

SUSTAINABILITY REPORT 2022

The comparison of GHG emissions from the Group's respective operating units from 2020 to 2022 is made as follows:

Operational Unit	Total Greenhouse Gases ("GHG") Emissions Values					
	VALUES (in tonnes CO ₂ eq)					
	2020		2021		2022	
	Scope 1	Scope 2	Scope 1	Scope 2	Scope 1	Scope 2
Plantation	116,270	-	102,734	-	105,071	-
Mill	100,179	-	90,848	-	114,717	58
Refinery	8,153	25,181	7,037	25,942	7,832	27,444
Biodiesel Plant	25,681	3,246	36,794	5,935	54,136	11,240

GHG Intensity (TCO ₂ eq/ MT Product)	Operating Unit			
	Plantation	Mill	Refinery	Biodiesel Plant
2020	0.09	0.21	0.04	0.31
2021	0.08	0.19	0.04	0.26
2022	0.09	0.25	0.04	0.34

GHG intensity per MT of product are comparable over the past 3 years.

Biogas Plant for Methane Capture

Our Metanik Palm Oil Mill ("POM") was the site of the first methane capture facility, commissioned in February 2020. Currently, the next methane capture facility is being constructed at Sabaju POM and is scheduled for commissioning in 2nd half of year 2023. Construction of methane capture facilities at another three palm oils mills are in progress while tendering is in progress for construction of methane capture facility at another palm oil mill. The Group expects to achieve a reduction of 35% in GHG emissions across all our POMs once methane capture installations are completed in all seven POMs by 2024.

Installation of Electrostatic Precipitator ("ESP")

The Group has been installing ESPs at all of its palm oil mills, following the government's revision of the permissible level of dust emissions load limit from 400mg/ m³ to 150 mg/ m³. As of the date of this report, ESPs have been installed in five of the mills, while ESP at the remaining two palm oil mills will be installed in year 2023-2024.

SUSTAINABILITY REPORT 2022

ENERGY MANAGEMENT

The energy consumption in 2022 for the Group's operational units are tabulated as follows:

Energy Consumption within the Group	Consumption (GJ) in 2022			
	Plantation	Mill	Refinery	Biodiesel Plant
a) Non-renewable energy fuel consumed	274,917	92,214	72,553	20,095
b) Renewable fuel consumed	-	9,120	781,925	0.00
c) Electricity, heating, cooling & steam purchased for consumption	-	-	40,036	32,769
d) Self-generated electricity, heating, cooling & steam (which are not consumed)	-	-	-	-
e) Electricity, heating, cooling & steam sold	-	-	-	-
f) Total energy consumption within the group = a) + b) + c) + d) - e)	274,917	101,334	894,515	52,863
g) Energy Intensity (GJ/ MT Product)	0.24	0.22	1.05	0.29

Source of conversion factor:

- 1) 1000 liter > 40.198 GJ (Diesel): <https://www.unitconverters.net/energy/fuel-oil-equivalent-kiloliter-to-gigajoule.htm>
- 2) 1000 kWh > 3.6GJ: <http://convert-to.com/conversion/energy/convert-kwh-to-gj.html>
- 3) PK: 20.09mj/ kg; Fiber: 19.06mj/ kg: MPOB - Slide; MDPI (Multidisciplinary Digital Publishing Institute)

Comparison of Energy Intensity

Energy Intensity (GJ/ MT Product)	Plantation	Mill	Refinery	Biodiesel Plant
2020	0.30	0.23	1.18	0.16
2021	0.28	0.20	0.91	0.27
2022	0.24	0.22	1.05	0.29

The Group will continue to monitor and assess means of more efficient energy consumption so as to manage energy intensity downwards.

SUSTAINABILITY REPORT 2022

SOCIAL

APPROACH TO TAX/ PAYMENTS TO GOVERNMENT

The Group is fully committed to adhering to all applicable tax laws and regulations in the countries in which it operates and make disclosure obligations in accordance to relevant tax laws and regulations.

The Group has in place in-house Accounting & Financial Technical Committee (“AFTC”) headed by its Chief Financial Officer, and with committee members comprised of senior members of accounts & finance team. AFTC is responsible for assessing and monitoring tax risks and other tax-related matters of the Group to ensure its continual compliance with applicable tax laws and regulations. Tax-related briefings by AFTC is presented to the Group Management Committee on quarterly basis. Besides these, the Board is also briefed should there be any foreseeable significant impacts to the Group arising from changes in tax laws/ regulations.

The Group has also in place an established enterprise resource planning (“ERP”) system that embedded strong internal controls, reliable accounting systems and business application software to facilitate compilation and generation of reports to ensure timely disclosure and accurate payment of taxes.

The Group adopts arm’s length principles on intra-group transactions, and transfer pricing documentation are prepared in line with Organisation for Economic Co-operation and Development (“OECD”) guidelines and Transfer Pricing guidelines issued by the countries in which it operates. In addition, Country-by-Country Reporting is submitted in timely manner to relevant authorities.

Accounting & Finance personnel of the Group are required to pursue continued professional education/ training every year. Both in-house training and external training conducted by accredited trainers are available. The areas of training include, amongst others, updates of tax laws/ regulations and contemporary tax issues to ensure competent level of tax-related knowledge & understanding is maintained within the Group. External tax advisors/ consultants are engaged, where necessary, to provide specific tax advisory services/ opinions.

The Group maintains transparent and collaborative relationship with relevant tax authorities. Timely & complete information/ responses are furnished to relevant authorities whenever it is required.

HUMAN RIGHTS

Human Right Assessment

The Group is committed to upholding human rights of all our employees and the local communities in our landscape. We respect and support the Universal Declaration of Human Rights and treat all employees fairly. We respect and recognize the rights of all workers including contract, temporary and migrant workers, and that they have the liberty to freedom of association and the right to bargain collectively.

Non-Discrimination

The Group believes in non-discrimination and is committed to offer equal opportunities to all employees and to prohibit discrimination in hiring, compensation, access to training, promotion, termination or retirement based on ethnic, national origin, caste, religion, sex, age, sexual orientation, union membership or political affiliation.

TOTAL NUMBER OF INCIDENTS OF DISCRIMINATION AND CORRECTIVE ACTIONS TAKEN IN 2022



Total number of incidents
of discrimination being
reported

Nil



Actions being taken

Nil

Employees’ Welfare

The Group, from time to time, upgrade its housing quarters, including converting, improving, modifying existing old buildings, amenities and facilities so as to improve employees’ working environment and quality of life.

The management at each site actively engaged with the employees through regular forums such as “*Mesyuarat Kebajikan dan Alam Sekitar*” to understand the social needs of the employees and thereafter took necessary and prompt actions to address their needs. For medical benefits, the Group provided insurance coverage, free

SUSTAINABILITY REPORT 2022

medical checkups and hospitalization allowance for all employees including plantation workers.

For site medical emergencies, clinics had been set up in many of the Group's estates to provide medical consultation and treatment. Where such facilities are not available, free transport are provided for employees who needed medical treatment to the nearest clinic or government hospital.

Housing and Amenities



Upgrading of and building new housing quarters for our employees are now accelerated after 2 years of slowdown due to COVID-19 pandemic. Tenders for new/ upgrade housing quarters that are in the process of tendering and awarding amounted to RM25 million for the year 2023.

Crèche

The Group has set up crèches as day care centres in all the estates since inception where babies, toddlers and young children are cared for in a safe environment when their parents are out working in the field.

There are 47 crèches operational in 2022.

Early Childhood Education – Community Learning Center (“CLC”)

CLCs are established to provide early childhood education to the children of our employees. All children are taught by competent teachers based on reputable and recognized education syllabus to enable these children to learn and integrate to society better.



Students at Lambir Estate CLC

Number of
Male Students

56

Number of
Female Students

53

Total Number
of Students

109

Child Labour

The Group is committed to upholding human rights of all our employees and that of the local community in our landscape under the Social and Community Policy. Hence, no one under the age of 18 years old is employed by the Group.

Code of Business Conduct and Ethics

The Group's Code of Business Conduct & Ethics was established and revised in 2020 to promote good business conduct and maintain a healthy corporate culture that upholds integrity, honesty, transparency and fairness in the Group. The Code covers compliance to applicable laws, conflict of interest, anti-bribery and corruption, fair dealing and protection of assets and properties. The Group is committed to comply with the all the provisions set out in the Malaysian Anti-Corruption Commission (MACC) Act 2009 and take adequate measures to prevent corrupt practices.

CORE AREAS OF CONDUCT

- Compliance with Applicable Laws
- Conflict of Interest
- Anti-Bribery and Corruption
- Fair Dealing
- Protection of Assets and Funds
- Confidential Information
- Inside Information and Securities Trading
- Business Records and Control
- Health and Safety
- Sexual Harassment
- Fair and Courteous Behavior
- Misconduct
- Whistle-blowing

SUSTAINABILITY REPORT 2022

More details on the revised Code of Business Conduct and Ethics are available at the following link: https://www.sop.com.my/wp-content/uploads/2021/02/Revised_code-of-business-conduct-and-ethics-v2.1-final-Copy.pdf.

Whistle-Blowing and Grievance Mechanisms

The Group believes that receiving feedback from internal and external stakeholders are one of the effective ways to safeguard the integrity of the implementation of our Oil Palms Sustainability Policy.



- **Whistle-Blowing Policy & Procedure**

This policy was established in January 2019 and revised in November 2021 which allows employees and stakeholders to convey any concerns or report any improper act or misconduct within the Group without fear of retaliation. This policy provides an open channel for anyone to express any complaint or grievance in relation to the Group's operations.

Whistleblowing policy containing the authorized personnel's contacts details and method to make anonymous disclosures are listed in the link below: <https://www.sop.com.my/wp-content/uploads/2022/08/WHISTLE-BLOWING-POLICY-PROCEDURE.pdf>.

- **Grievance Mechanism**

Contained in the whistle-blowing policy above, any potential or confirmed breaches of the Group's OPSP or palm product sourcing issues can be brought to the attention of to the Head of Sustainability (085-617966 (Ext 3201)/ sop.sustainability@sopb.com.my). Grievances will be handled and investigated with the utmost care, and its findings will be brought up to

the Group Sustainability Committee's attention and communicated to the stakeholder for resolution.



There had been a cumulative of 30 grievances that have been raised and all of them have been resolved and closed. More information on the grievances is available at the following link: https://www.sop.com.my/sustainability/grievance_list_dynamic.php.

Local Management Complaint and Grievance System

This system provides a mechanism to express one's concerns and have them addressed by the local operation management in a fair and consistent manner. The Group's Complaint and Grievance system encourages local operation management to investigate and address the issues by means of as mediation or conflict resolution as well as offers opportunities for employees to escalate their concerns to higher management levels.

'Suggestion/ Complaint Forms' and physical 'Suggestion Box' are made available in every unit of operations within the Group and this is made known during annual refresher briefings and job orientations. Healthy working relationships between workers and management will uplift employee morale resulting in higher work performance.

SUSTAINABILITY REPORT 2022

Sexual Harassment Policy

The Group strives to create a harmonious and maintain a work environment that is free from any form of sexual harassment. Since inception of the Policy, the Group had received several reports alleging occurrence of sexual harassment. When a harassment case is reported, the Group Human Resource Department would investigate to determine if further sanctions are needed or if law enforcement actions need to be taken. The Group will not tolerate any false and/ or frivolous sexual harassment allegations made against any of its employee and the Group seek to prevent, correct and discipline behavior that violates this Policy.

Food Security

The Group places a high emphasis on the security and availability of food for employees and local communities through its open canteen tendering processes and in-house mini- market outlets. Various checks and comparisons on prices, quality of food, satisfaction surveys and timely follow-ups on issues found are performed to ensure strict compliance with SOPB standards.

OUR WORKPLACE - OCCUPATIONAL SAFETY AND HEALTH ("OSH")

The Group takes a proactive stance in preventing accidents by organizing various programs and activities throughout the year to promote awareness of occupational safety and health issues at respective workplaces. It also aims to reduce number of lost time injuries ("LTI") across all its operations.

These are the key preventive measures for OSH;

Commitment

- Observe and comply with OSH legal requirements.
- Promote and implement good OSH and conducts at the workplace.
- Inculcate a proactive culture by training, supervision and dissemination of information on OSH.
- Upgrading OSH system with digitalization.

System

- Revise OSH policy to support internal safe operating procedures and to ensure proactive management intervention.
- Induction program and refresher courses for employees at all levels.

- Reinforce the importance of safety by mandating near-miss reporting.
- Maintain risk management for effective hazard control at all operation units.
- Maintain clinics to provide medical support especially during emergencies.
- OSH Committee to communicate OSH issues to employees at all operation units.
- Upgrade online OSH system to facilitate more efficient and effective reporting by the respective units.

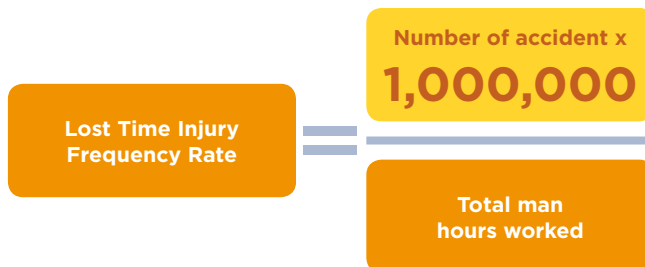
Governance

- Ensure compliance to Occupational Safety and Health Act and code of practice.
- Conduct workplace inspection and documentation audit.
- Investigate all incidents related to OSH.
- Conduct risk assessment in operation units.

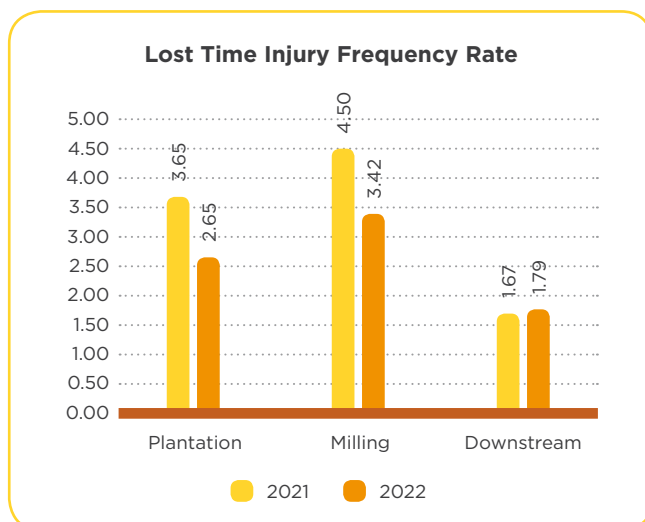
Culture

- Promote OSH programs across all operation units.

Lost Time Injury ("LTI")



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



SUSTAINABILITY REPORT 2022

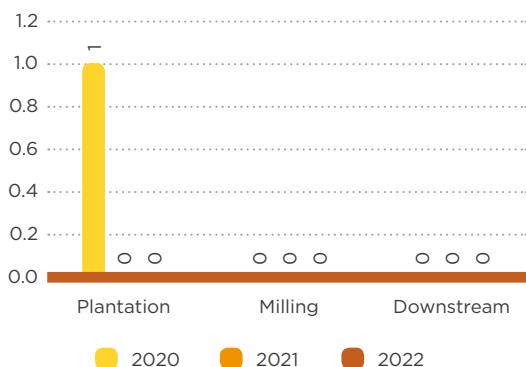
In 2022, the LTI for plantation and mill operations decreased whereas the LTI for downstream operations recorded an increase of 7.19%. The total number of accidents reported was a reduction of 22.22% compared to 2021.

Fatal Accident Rate

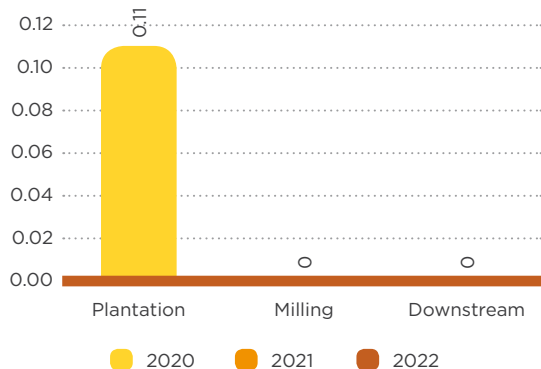
Fatality Rate is calculated based on the following formula (Occupational Safety and Health Act 1994):

$$\text{Fatality Rate} = \frac{\text{No. of fatalities} \times 1,000}{\text{Annual average no. of employees}}$$

Fatality FY2020-2022 across each operation



Fatality Rate FY2020-2022 across the Group



The Safety and Health department proactively enforces the control measures to minimize accidents at the workplace. Ground visits and online monitoring are conducted to ensure that the control measures are implemented.

In 2022, there was no fatality accident reported across the entire operations.

Industrial Hygiene Management

Chemical Health and Risk Assessment

The Group has successfully completed the Chemical Health Risk Assessment ("CHRA") to the thirty-four (34) operation units. CHRA is a program conducted by a competent assessor registered with the Department of Occupational Safety and Health ("DOSH"), in compliance to Occupational Safety and Health (Use and Standard of Exposure of Chemicals Hazardous to Health) Regulations 2000.

The CHRA was conducted based on a Manual of Recommended Practice on Assessment of the Health Risks Arising from the Use of Chemical Hazardous to Health at the Workplace 2017 3rd Edition. Five (5) roles identified and selected for the CHRA namely Sprayer, Mandore, Manurer, Workshop Technician and Storekeeper. Following this, the recommendations listed in the assessor's 2022 report were adopted and are now scheduled to be implemented at the respective workplace.

Personal Chemical Exposure Monitoring

In the first half of 2022, eight (8) operating units in the Murum region underwent Personal Chemical Exposure Monitoring ("PCEM") in accordance with the regulations set forth by the Occupational Safety and Health (Use and Standard of Exposure of Chemicals Hazardous to Health) Regulations 2000. This required air monitoring using an approved method of monitoring and analysis to ensure that the exposure of employees to hazardous chemicals was adequately controlled, based on risk assessments. The results of the monitoring were deemed satisfactory, and the management has committed to continuing to improve and enforce safety measures in order to minimize harm to employees handling these chemicals.

The next PCEM is expected to commence in Q2 2023.

SUSTAINABILITY REPORT 2022

Medical Surveillance

In compliance with the Medical Surveillance 2001 Guidelines, all workers who are directly or indirectly exposed to chemical hazardous to health as listed in Schedule II OSH Act 1994 are required to undergo the Health Surveillance Program as recommended in the CHRA report prepared by the assessor.

The Group has re-appointed the Occupational Health Doctor (“OHD”) providing occupational health check at the clinic in line with the recommendation in the CHRA Report 2021-2022. During the year, all selected 21 workers from the estates and mills who were assessed under the programme, were certified as fit for work.

Noise Risk Assessment

In compliance with the Occupational Safety & Health (Noise Exposure) Regulation 2019 and Industrial Code of Practice for Management of Occupational Noise Exposure and Hearing Conservation 2019, the Group had appointed an accredited assessor to complete the initial noise risk assessment (“NRA”) of 40 estates from the remaining estates in the second half of the 2022. Personal noise exposure monitoring was carried out to workers’ representative from work areas of which being identified as most likely expose exceeding excessive noise of 82dB(A), Daily Noise Exposure Level of 85dB(A), Maximum Level of 115 dB(A) and Peak Level of 140 dB(C). All recommendations for improvements proposed by the competent person have been noted at the respective sites and scheduled for implementation.



Noise Risk Assessment technician measuring sound from vehicle

Safety and Health Training

Training is an integral part of raising OSH awareness among employees and we make it a top priority for our workforce as we endeavour to achieve our target of zero fatalities. As our business activities are labour intensive, the Group takes special care to ensure a safe and healthy working environment and provides incentives to our workforce and the relevant stakeholders across the Group to take part in customised training programs.

All employees are required to attend trainings that could be generic or specialised including those who jobs are related to hazardous activities. Before being deployed to the field, employees are required to undergo training on general health and safety, hazards at the workplace. Personal Protective Equipment (“PPE”) and other safety instructions specific to their roles are provided to ensure safety at work.

A ‘SOP Incident Reporting’ System was launched in-house in 2022 with the primary goal to enable prompt reporting. The system was designed to focus on prevention by encouraging suitable corrective action right from the outset.

SUSTAINABILITY REPORT 2022

Internal and External Training Programs



Firefighting trainings for the Emergency Response Teams



First Aid trainings for employees



Water treatment training by external trainer



Water quality inspection by Ministry of Health officer

OUR WORKPLACE - EDUCATION & TRAINING

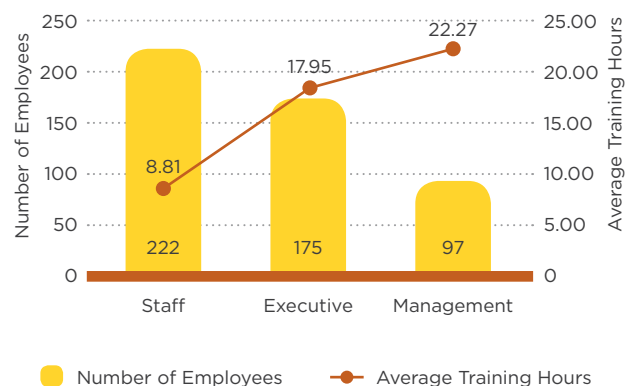
Trainings

Training sessions were held both internally and externally across all operational and support service units. The training curriculum covered a broad range of topics, including company policies such as Social and Community Policy relevant to Human Rights, Occupational Safety & Health, Anti-bribery and corruption, environmental and sustainability-related matters, and relevant agricultural and operational practices.

Year 2022

Category	Number of Employees	Average Training Hours
Staff	222	8.81
Executive	175	17.95
Management	97	22.27

Number of Employees & Average Training Hours by Category



SUSTAINABILITY REPORT 2022

SOP Academy

The SOP Academy was established in 2010 and has since become the main venue for the Group's in-house trainings. It offers a well-organised training programmes where new and existing employees can participate in induction programmes, and refresher courses as well as various learning and development activities.

Various in-house trainings are organised at the Academy throughout the year, particularly the Plantation Induction Programme ("IPP"). New Plantation Trainees undergo the IPP to equip themselves with the skills required to carry out fundamental operational tasks before they are posted to different plantation locations. This is in line with our goal of nurturing highly skilled planters within the Group.



Front view of SOP Academy building

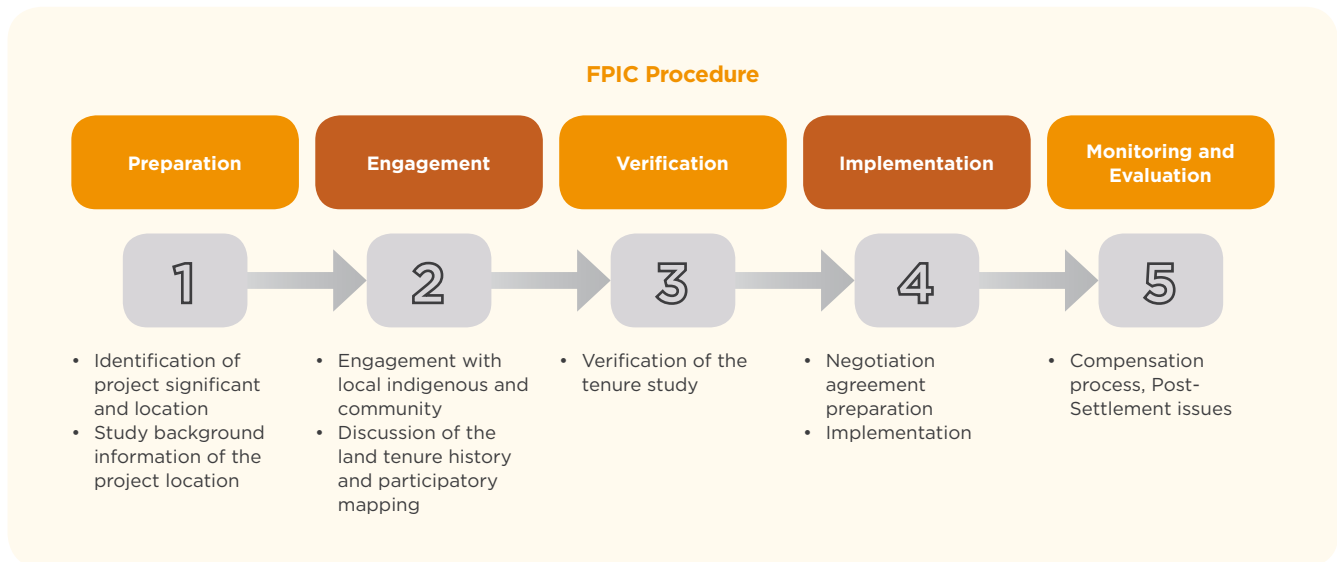
IPP	Executive Level	Supervisory Level	Total
2020	7	12	19
2021	8	30	38
2022	8	27	35

SUSTAINABILITY REPORT 2022

OUR LOCAL COMMUNITIES - FREE, PRIOR AND INFORMED CONSENT ("FPIC") PROCEDURE

In January 2019, the Free, Prior and Informed Consent ("FPIC") Procedure has been established in addition to the launching of the Group's OPSP. More details of this procedure are available at this link:

<https://www.sop.com.my/sustainability/docs/supplychain/SOPB%20FPIC%20Procedure.pdf>



The group adopts the FPIC Procedure before developing any land which belongs to them by virtue of their legal, communal or customary rights. The procedure complements the existing system of reporting procedures to communicate any issues in relation to FPIC that have been directly or indirectly related to our Group's activities. The procedure recognizes the right of the indigenous people and the local community and status of raised grievances can be found in: http://www.sop.com.my/sustainability/grievance_handling.php.

OUR LOCAL COMMUNITIES - HEALTH, EDUCATION PROGRAMS, SOCIAL CONTRIBUTIONS

• Our Commitment to Local Communities

As part of the Group's commitment to the local communities in our landscape, in 2022, we continue to participate in community engagement programs that actively foster the well-being of the local communities in the areas such as healthcare, education and disaster relief.

SUSTAINABILITY REPORT 2022

• Community Healthy & Well-being Programs

I. SOPB Vision Care Project

SOPB Vision Care Project has been carried out in villages and longhouses within the proximity of the Group's operations since 2013 with the aim of raising awareness on vision care. It is conducted annually in collaboration with the Ministry of Health Malaysia and other non-profit organizations to help to diagnose early stage eye diseases and to lower the risk of preventable blindness, particularly among children and elderly folks in rural areas who do not have access to medical care.

Year	Locations	Number of Recipients	Total Value
2022	Batu Lintang, Sri Aman	180	RM17,925
	Sg. Entulang, Lambir, Miri	124	RM14,610
	Long Bedian, Telang Usan	118	RM8,766



An elderly villager underwent a visual acuity check during the eye-screening at SK Paku, Batu Lintang, Sri Aman



Spectacles frames after a visual acuity check during the eye screening at Sg. Entulang, Lambir



Visual acuity check at SK Long Bedian, Telang Usan

SUSTAINABILITY REPORT 2022

II. SOPB Blood Donation Drive

In year 2022, SOPB Blood Donation Drive in collaboration with Miri Blood Transition Unit, Malaysian Red Crescent and Boulevard Shopping mall is part of the Group's initiative to donate blood to the community. It aims to create awareness about safe voluntary blood donation and transfusion that can save lives. The program is held twice every year since 2015 to assist the Blood Transfusion Unit of Miri General Hospital in blood supply during critical periods.

Year	Venue	Number of Pints of Blood
2022	Malaysian Red Crescent, Miri Branch	80
	Boulevard Shopping Mall, Miri	80



SOPB Blood Donation Drive participants from the public and employees

SUSTAINABILITY REPORT 2022

III. Healthy Strides Malaysia

Healthy Strides Malaysia, Therapists Abroad Inc., The Healthy Strides Foundation, in partnership with the Group, have established a well-equipped new paediatric rehabilitation centre in Miri. The centre is supported by renowned researchers, certified paediatric physiotherapists and occupational therapists. Children with neurological conditions and injuries can have access to a high quality of medical care to improve their health and well-being.

The Group is committed to supporting initiatives that build healthier and happier communities for children with neurological conditions. We are proud to support the establishment of a rehabilitation centre in Miri to help children experiencing life-changing benefits of rehabilitation.



Opening ceremony of Healthy Strides Malaysia on 28 August 2022

• Educational Programs

As part of its corporate social responsibility efforts, the Group has implemented noble educational initiatives aimed at recognizing and incentivizing high-achieving students, as well as offering financial and material assistance to students residing in rural areas surrounding our estates. In the year 2022, a total of 41 primary and secondary schools in Sarawak participated in the YAA and SAP programs.

I. Excellent Education Award Program: Young Achievers Awards

The Young Achievers Awards (“YAA”) recognizes outstanding secondary school students who

have performed exceptionally well in either Sijil Pelajaran Malaysia (“SPM”) or Sijil Tinggi Pelajaran Malaysia (“STPM”) public examinations. Each recipient is awarded with a certificate of achievement and cash incentive. Through the YAA, the Group hopes to inspire and encourage the youth to strive for academic excellence.

Year	Number of Recipients	Total Value
2022	135 students	RM37,320

II. Student Adoption Programme

The Student Adoption Programme (“SAP”) by the Group provides financial assistance to underprivileged children from 41 schools within the vicinity of the Group’s operations. The programme aims to cater for the educational needs of these children. Eligible student from the low-income families received financial assistance as well as educational stationeries.

Year	Number of Recipients	Total Value
2022	84 students	RM40,563



Recipients of YAA & SAP from SMK Tatau



Representatives of the Group presented cash incentives and educational stationeries to students of SK Kelapa Sawit No. 1, Subis

SUSTAINABILITY REPORT 2022

• Disaster Relief Aid

The Group's Corporate Social Responsibility program includes the establishment of a Disaster Relief Fund which provides relief to the local communities in our landscape who suffer losses due to natural disasters.

I. Uma Sambop, Sg. Asap

The Group donated RM34,400, food rations and personal care items to the fire victims of the Uma Sambop. The fire on 12 July 2022 destroyed and burnt down 86 homes of Uma Sambop Long Semutut, Belaga leaving the residents homeless. The Group promptly came forward and provided relief to ease the plight of the fire victims.



The Group's representatives handing over donations to Chieftain of Uma Sambop

• Social Contributions

I. Cash Contribution to UPM, Kampus Bintulu

The Group made a contribution of RM10,000 as part of the costs to purchase a new ambulance for use by its students in the campus.



The Group's representatives handing over cash contribution to UPM Campus Director

II. SOPB Pre-Christmas Celebration with Smallholders in Sg. Asap, Belaga



The Group's representative receiving a token of appreciation from representative of Long Nanyan

SOPB Pre-Christmas Celebration is a new program that aims to strengthen the cordial relationships with the smallholders and local communities.

The Group organized a Pre-Christmas Celebration together with smallholders in Sg. Asap, Belaga on 03 December 2022. Apart from smallholders, nearby communities, namely from Long Bangan, Uma Sambop, Batu Pilau, and Long Semutut were invited too.

The one-day joyful event was filled with sport activities, karaoke, volleyball friendly matches along with dinner, Christmas mass, choir and Christmas gifts.

Benefits for the Local Communities

• Access Roads for Local Communities

Oil palm cultivation provides a crucial source of income for many rural communities, including indigenous people in Sarawak who have traditionally relied on subsistence crops. The development of Tinbarap estates the Group in early 2000s has brought significant benefits to the local communities, including improved road connectivity, which enables smallholders to transport their fresh fruit bunches easily as well as access to better schools and healthcare facilities. The estates also provide employment opportunities and emergency reliefs to those in need.

SUSTAINABILITY REPORT 2022

The Group has also engaged the services of environmental and social consultants to conduct HCV Assessments for all its estates planted after 2005. This is done in tandem with engaging with local communities through the FPIC process, with the aim of improving its environmental management and understanding the needs of approximate 30,000 populace in this region. Regular engagement with these communities helps to identify challenges and resolves issues related to ecosystem management and also add value to the local landscape there.



Access roads that improved connectivity



Improved connectivity for local communities at Beluru

OUR WORKPLACE - ACTIVITIES & TEAM BUILDING

• Employee Team Building Activities

In year 2022, the Group organized various activities including festive celebrations and sports events to build camaraderie amongst employees and to promote work-life balance.



HQ Staff New Year Luncheon Celebration



Gawai-Raya Celebration

SUSTAINABILITY REPORT 2022



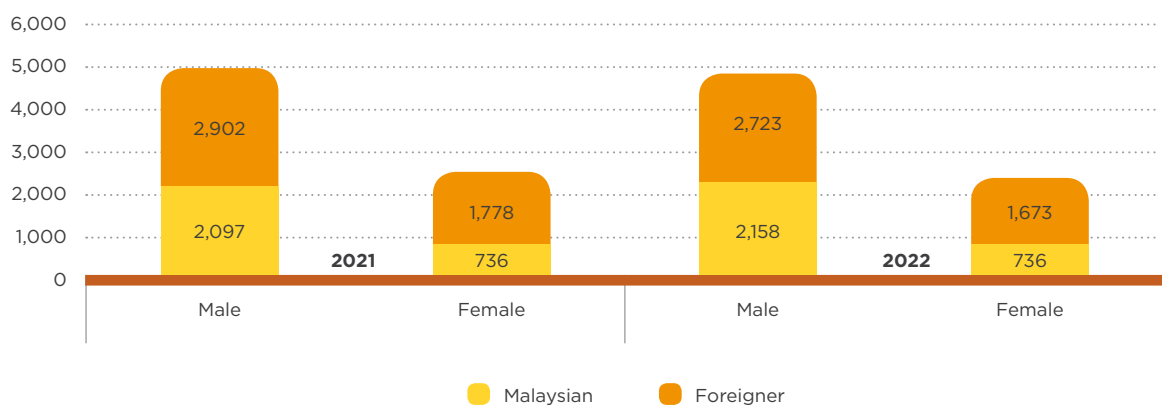
Corporate Movie Night



Futsal Tournament

OUR WORKPLACE - FAIR EMPLOYMENT PRACTICES

Total number of employees by employment contract (permanent and temporary), by gender



SUSTAINABILITY REPORT 2022

Total number of employees by employment contract (permanent and temporary), by gender, job appointment, age group and nationality in 2022

	Job Appointment			
	Male	Percentage	Female	Percentage
Management	158	76.0%	50	24.0%
Executive	185	67.0%	91	33.0%
Staff	1,140	79.3%	297	20.7%
General Worker	3,398	63.3%	1,971	36.7%
Overall	4,881	67.0%	2,409	33.0%

	Age Group					
	Below 30 (<30)	Percentage	30 - 50	Percentage	Above 50 (>50)	Percentage
Management	1	0.5%	151	72.6%	56	26.9%
Executive	79	28.6%	175	63.4%	22	8.0%
Staff	519	36.1%	819	57.0%	99	6.9%
General Worker	1,638	30.5%	3,520	65.6%	211	3.9%
Overall	2,237	30.7%	4,665	64%	388	5.3%

Nationality	No. of Employees
Malaysia	2,894
Indonesia	4,346
Bangladesh	44
Philippines	6
Overall	7,290

PERCENTAGE OF EMPLOYEES THAT ARE CONTRACTORS
OR TEMPORARY STAFF FOR YEAR 2022



Total contractors or temporary staff

48 (2% of the total workforce)

New employees hired for the Group

a) Total number of new employees hired during the reporting period, by age group and gender. The rate shows the distribution of new hires across different age groups

Year	Gender				Total
	Male	Rate	Female	Rate	
2022	955	71.38%	383	28.62%	1,338

SUSTAINABILITY REPORT 2022

Year	Age Group						Total
	Below 30	Rate	30 - 50	Rate	Above 50	Rate	
2022	791	59.12%	525	39.24%	22	1.64%	1,338

Total employees' turnover

- a) Total number of employees' turnover during the reporting period, by gender and age group. The rate shows the distribution of turnover across different age groups

Year	Gender				Total
	Male	Rate	Female	Rate	
2022	1,281	70.27%	542	29.73%	1,823

Year	Age Group						Total
	Below 30	Rate	30 - 50	Rate	Above 50	Rate	
2022	774	42.46%	987	54.14%	62	3.4%	1,823

b) By Function:

Function	Turnover (%)
AP & SG	16.52%
Support and services	18.92%
Operations	18.47%

Parental leave

Parental Leave is one of the employee benefits provided by the Company. The term "parental leave" is defined as Paternity Leave (married male employees) & Maternity Leave (married female employees). Based on the statistics for 2022, the Company has managed to achieve satisfactory return and retention rate.

- a) Total number of employees that were entitled to parental leave, by gender

Year	Gender		Total
	Male	Female	
2021	871	240	1,111
2022	764	246	1,010

- b) Total number of employees that took parental leave, by gender

Year	Gender		Total
	Male	Female	
2021	24	27	51
2022	46	30	76

SUSTAINABILITY REPORT 2022

c) Total number of employees that returned to work in the reporting period after parental leave ended, by gender

Year	Gender		Total
	Male	Female	
2021	24	26	50
2022	46	30	76

d) Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work, by gender

Year	Gender		Total
	Male	Female	
2021	22	23	45
2022	46	30	76

e) Return to work and retention rates of employees that took parental leave, by gender

Return to work rate:

Year	Gender	
	Male	Female
2021	100%	96.29%
2022	100%	100%

Retention rate:

Year	Gender	
	Male	Female
2021	91.67%	85.19%
2022	100%	100%

Minimum notice period regarding operational changes

The Group had provided early notice to employees prior to any implementation of significant changes.

Ratio of basic salary and remuneration of women to men

All employees of the Group receive not less than the minimum wage set by the Malaysian Government (Minimum Wages Order 2022). We also practice gender equality policy on wages payment and remuneration for all of our employees. General workers' average wages are as below:

	2022 (RM)	2021(RM)
Average earning per day	80.83	71.71
Average earning per month	2,101	1,864

SUSTAINABILITY REPORT 2022

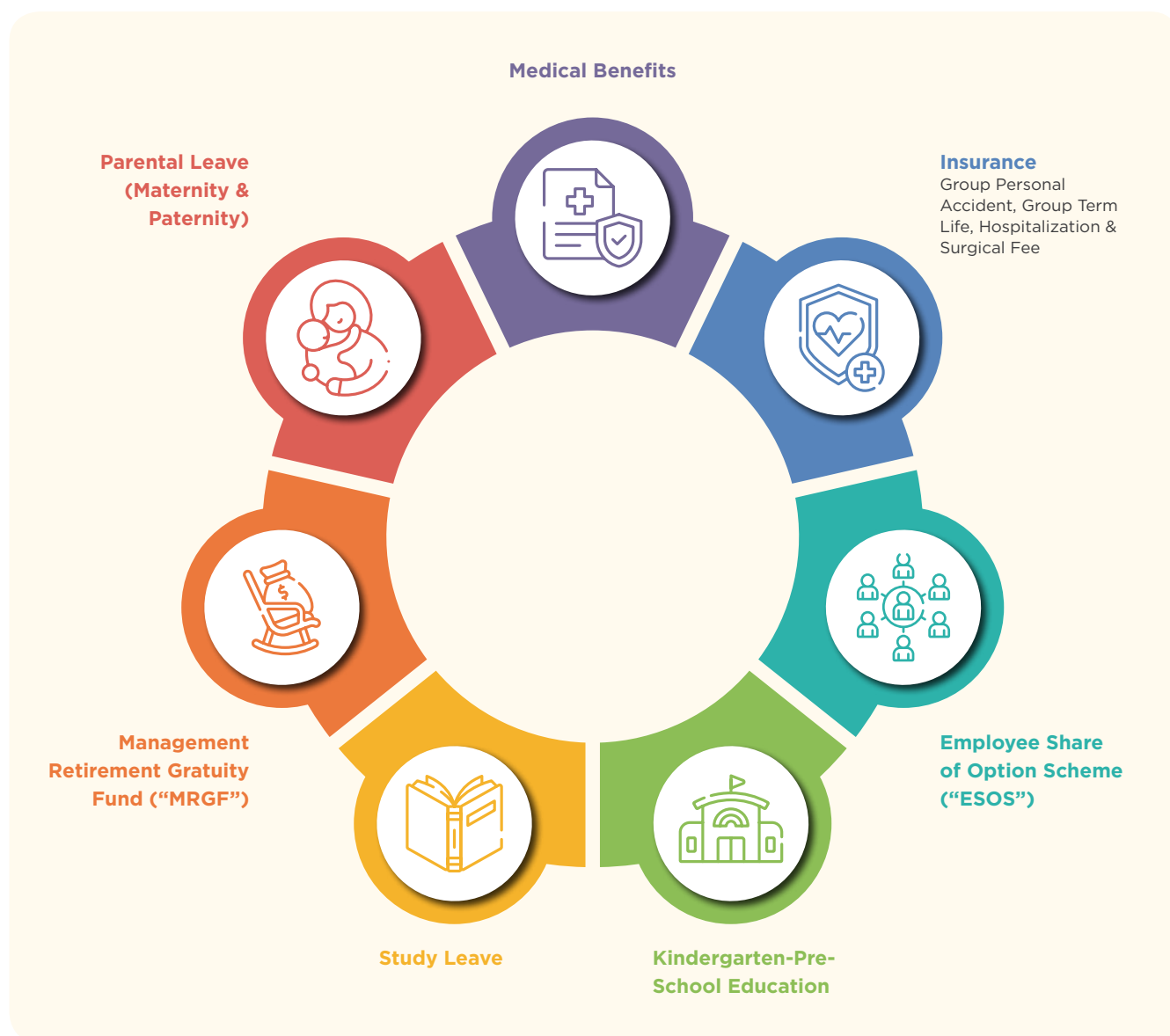
a) Ratio of basic salary and remuneration of female employees to male employees for each employee category, by region

Year 2022

Category	
Executive	1:1.84
Staff	1:1.11
General Worker	1:1.19

Note: The salary and remuneration packages are naturally influenced by the length of employment, physically intensiveness, designation, remoteness of job location and experience of the employees

Benefits provided to full-time employees that were not provided to temporary or part-time employees



SUSTAINABILITY REPORT 2022

MARKETPLACE

LOCATION OF THE SOPB OPERATIONAL UNITS

ESTATE

SARAWAK OIL PALMS BERHAD

- 1 Suai 1 & Division
- 2 Lambir 1 & Lambir 2
- 3 Suai 2

SOPP (BALINGAN) 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

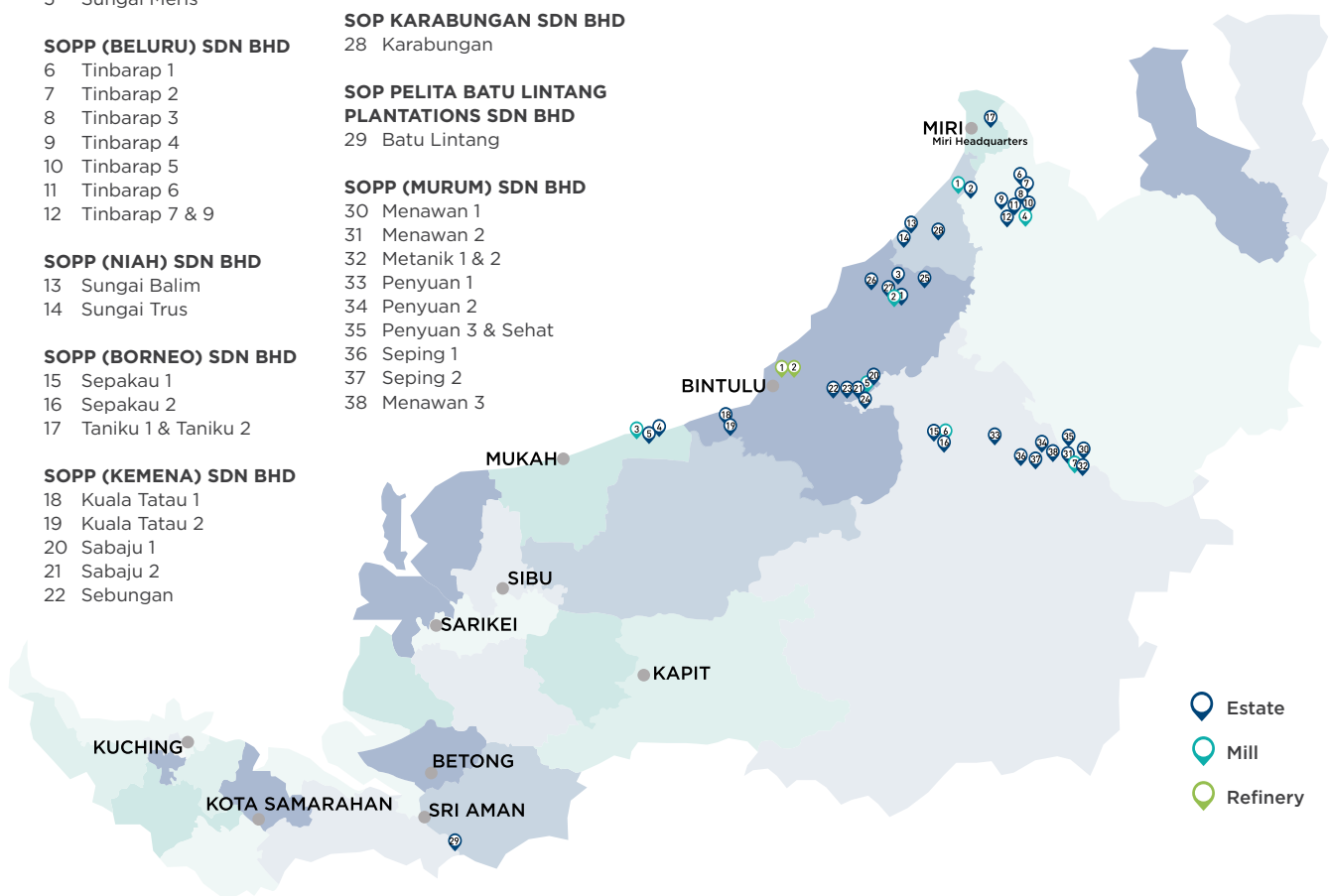
- 30 Menawan 1
- 31 Menawan 2
- 32 Metanik 1 & 2
- 33 Penyuan 1
- 34 Penyuan 2
- 35 Penyuan 3 & Sehat
- 36 Seping 1
- 37 Seping 2
- 38 Menawan 3

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 THE GROUP'S SUPPLY CHAIN

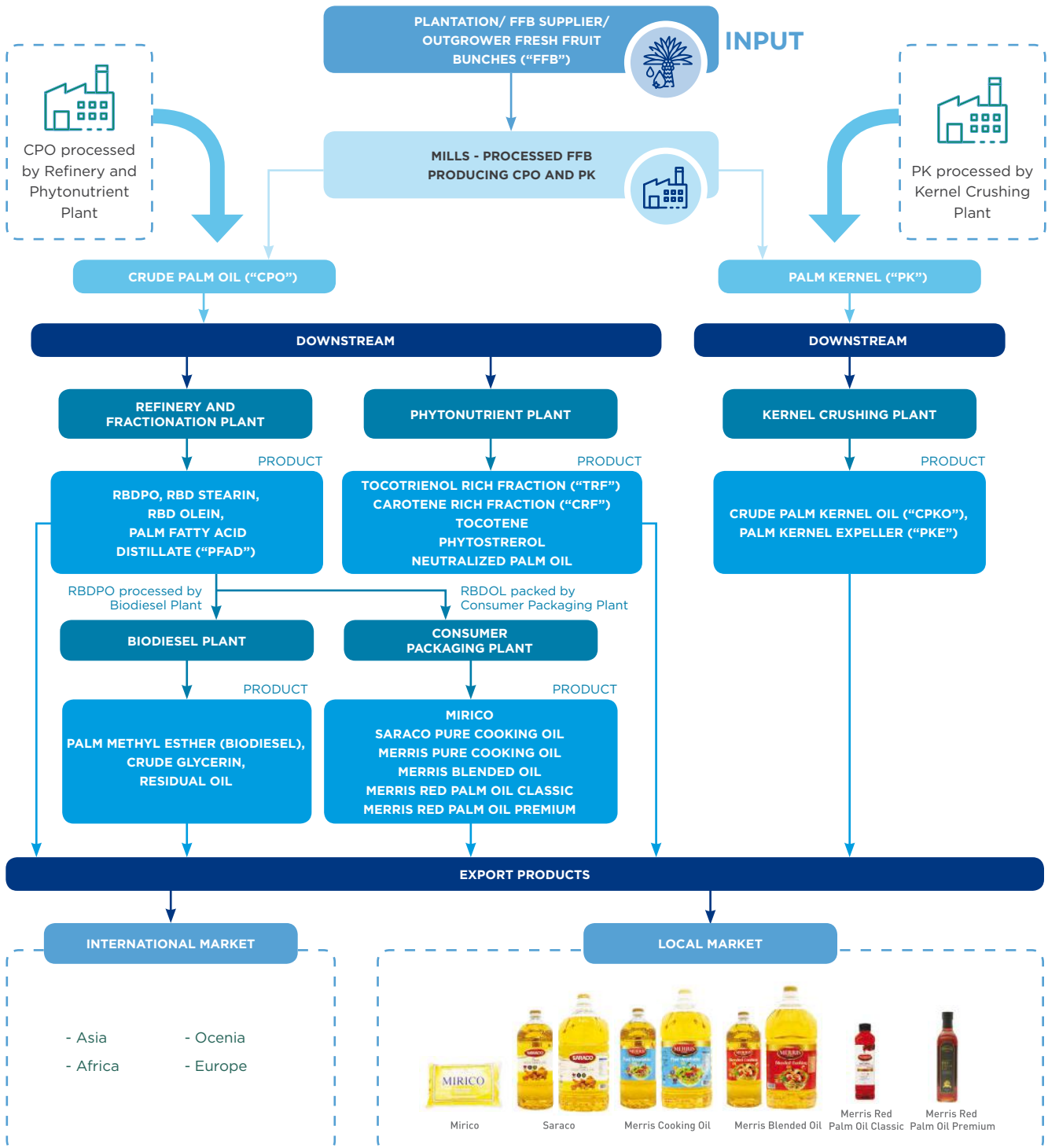
The Group is an integrated oil palms industry player with our operational units spanning oil palms plantations, palm oil mills, refinery, kernel crushing plant, biodiesel plant, phytonutrient plant and consumer packaging plants.

As at 31 December 2022, the Group owns a total land bank of 123,034 hectares with 84,487 hectares planted with oil palms made up of 55% planted on mineral soil and 45% on peat land. The Group owns seven palm oil mills, a refinery, a kernel crushing plant, a biodiesel plant, a phytonutrient plant and 2 consumer packaging plants. The Group's headquarters is located in Miri, Sarawak.

The Group's palm products, consumer products and pharmaceutical products are sold locally and also to international markets through its marketing office in Singapore. We distribute our products to various countries in Asia, Africa, Europe, and the Oceania.

SUSTAINABILITY REPORT 2022

OVERVIEW OF SOPB SUPPLY CHAIN



SUSTAINABILITY

REPORT 2022

OVERVIEW OF THE GROUP'S SUPPLY CHAIN

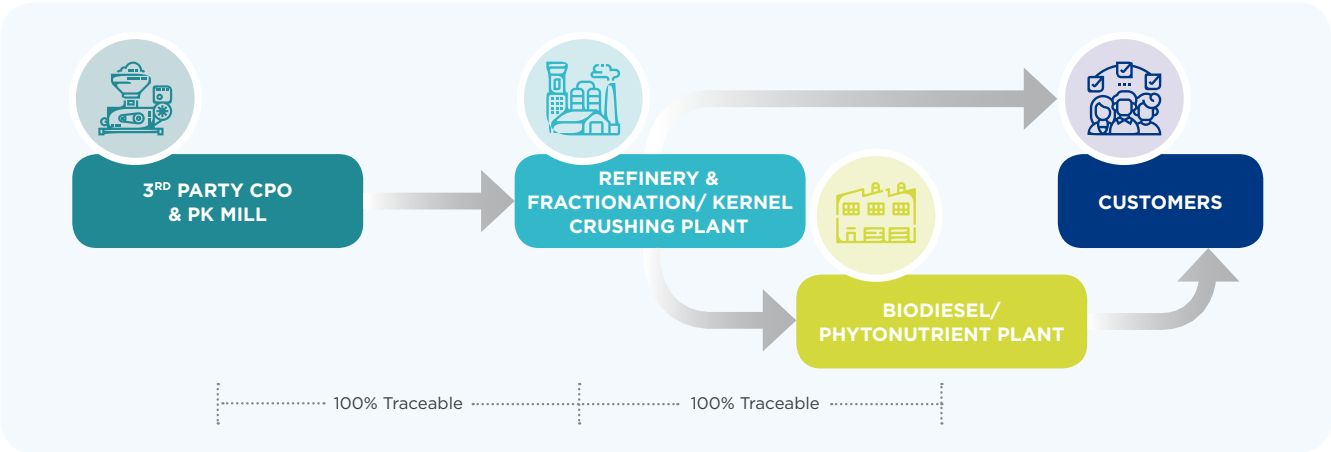


TRACEABILITY

Traceability Status

The Group's online Sustainability Dashboard was launched in 2019 as a platform to provide updates on our traceability status and transparency in sourcing of raw materials and palm products, including from third-party suppliers. Similar to previous years, the crude palm oil ("CPO") and palm kernel ("PK") for our refineries and kernel crushing plant are fully traceable up to the mill level.

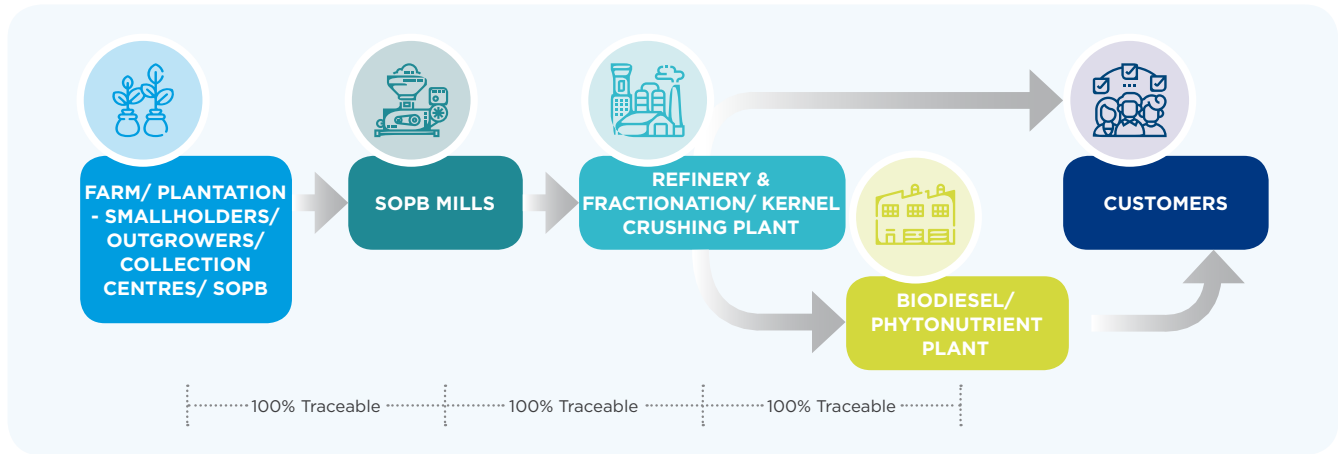
3RD PARTY MILL SUPPLIERS (Traceable up to Mill Level)



For all of the Group's palm oil mills, FFB are sourced from the Group's own plantations and third-party suppliers including smallholders, outgrowers and collection centres with valid MPOB Licences. For 2022, similar to previous years, the FFB that are sent to our Mills and in-house Collection Centres are fully traceable to the plantation level. For Traceable to Plantation ("TTP") within our supply chain, we utilize monitoring systems such as the MPOCC's MSPO Trace to monitor the traceability and certification status of our suppliers.

SUSTAINABILITY REPORT 2022

SOPB (Traceable up to Plantation Level)



FULLY TRACEABLE TO MILL

3rd Party
Supplying Palm
Oil Mills
29

SOPB Palm
Oil Mills
7

TRACEABILITY TO PLANTATION ("TTP")

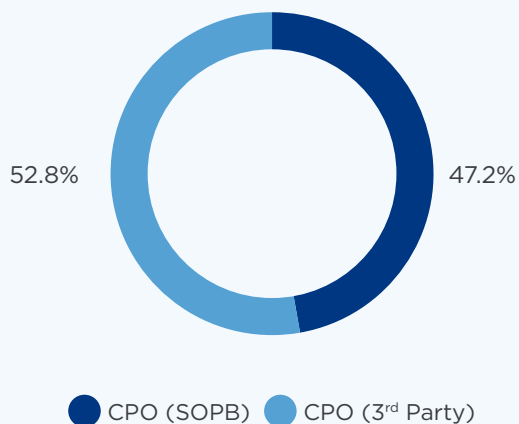
TTP for CPO supply
47.2%

TTP for PK supply
43.5%

TTP for CPO &
PK sourced from
SOPB plantations
100%

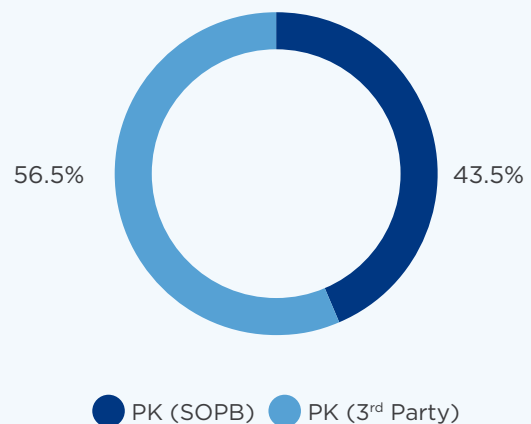
PERCENTAGE CPO RECEIVED

by Category January - December 2022



PERCENTAGE PK RECEIVED

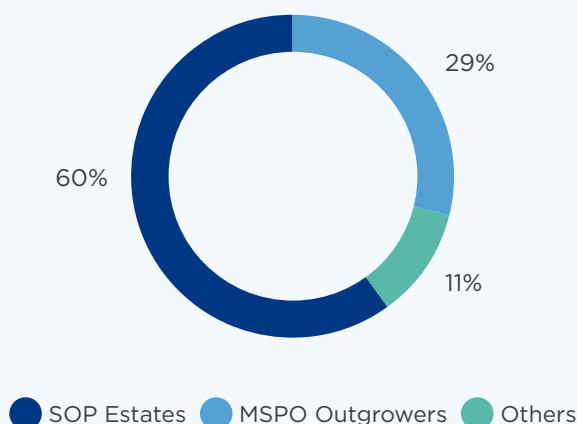
by Category January - December 2022



SUSTAINABILITY REPORT 2022

THE GROUP'S PALM OIL MILLS' FFB SUPPLY (JANUARY TO DECEMBER 2022)

PERCENTAGE OF FFB RECEIVING
by Categories for SOPB Mills (January - December 2022)

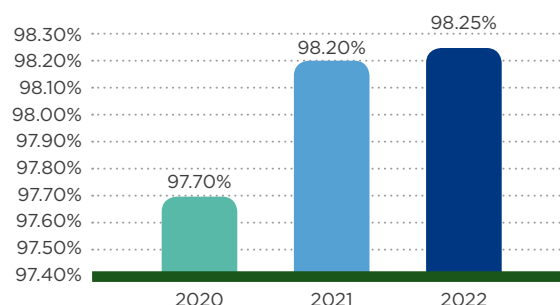


TOTAL SPENDINGS ON LOCAL SUPPLIER

In year 2022, the Group's expenditure on local suppliers amounted to 98.25%. The Group firmly believes that procuring goods and services from local sources is vital for fostering sustainable growth within the local economy. This, in turn, will generate employment opportunities and promotes the establishment of new businesses, thereby benefiting both the Group and the local communities.

The chart right illustrates the percentage of the Group's spendings on local suppliers in recent years:

Percentage of The Group's Spending on Local Suppliers



SUPPLIER ENGAGEMENT PROCEDURE

The Group's Supplier Engagement Procedure was launched on 02 January 2019 to complement our OPSP and to ensure full compliance by our suppliers to the Group's sustainability policies.

The procedure was updated in August 2021 with the addition of *Supply Chain Re-entry Procedure* which is applicable to a supplier that has been suspended or placed on 'No Buy' list by the Group.

All third-party CPO and PK suppliers are screened according to our Supplier Engagement Procedure as part of the onboarding process.

More information on the procedure is available at the following link: https://www.sop.com.my/sustainability/docs/supplychain/Supplier-Engagement-Procedure-Rev-01_Signed.pdf.

SUSTAINABILITY REPORT 2022

Supplier Engagement Mechanism

The Group will continue to actively engage with suppliers and buyers through constructive dialogues to address any grievance within our supply chain, investigate potential breaches and develop new solutions to tackle ongoing problems with full transparency and accountability.

For 2022, we continue to engage with third-party supplying mills in order to achieve full TTP with the support of buyers and consultants. At the same time, the Group's mills and plantations are registered on Global Forest Watch ("GFW") to detect any potential breach of our sustainability policies within our supply chain. We also completed a trial run on the Satelligence platform for monitoring of deforestation and fire across our estates with prompt notifications within and outside our supply chain, with historical and current deforestation risk analysis and to track our progress towards sustainability commitments.

INVESTOR RELATIONS

The Group provides investors and other interested stakeholders with timely information regarding its business activities, developments and performance.

In year 2022, our Investor Relations team were able to hold several engagements with analysts and investors. The Group's website at sop.com.my also serves as one of the platforms to disseminate information, announcements, disclosures and reports related to the Group.

In addition to the above, the Group's AGM provides an additional avenue for shareholders to raise questions and seek clarifications where members of the board and key management personnel will be present to address any queries.

MEMBERSHIP OF ASSOCIATIONS

We continue actively in engaging with various local and national associations to ensure that we made positive contributions to the industry, and our sustainability agenda and goals are disseminated and integrated into our businesses and industry.

Our participation in various associations are as shown below:

ASSOCIATIONS	MEMBERSHIP/ REPRESENTATIVE
Malaysian Palm Oil Association ("MPOA")	Member
Sarawak Oil Palms Plantations Owners Association ("SOPPOA")	Chairman and Permanent Council Member
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
Malaysia 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
The Palm Oil Refiners Association of Malaysia ("PORAM")	Board of Trustee

SUSTAINABILITY REPORT 2022

ASSOCIATIONS	MEMBERSHIP/ REPRESENTATIVE
Malaysian Biodiesel Association	Member
Palm Oil Collaboration Group (“POCG”)	Member Member to the Social Issues Working Group (“SIWG”)
High Conservation Value Resource Network (“HCVRN”)	Representative of SOPPOA in Regional Stakeholder Consultation on MYNI for Management and Monitoring of HCVs 2020

FOOD SAFETY AND MANAGEMENT SYSTEM CERTIFICATION

Globally, food safety and its authenticity receive greater attention with growing demand for safe & healthy food with sustainable sourcing. There will be heavier responsibilities placed on producers to manufacture food that are both safe and of good quality under various accreditation schemes to provide added assurance to consumers.

The Group is committed to adhere to product safety, reliability and quality. Certification would therefore provide added assurance to our stakeholders on food safety, sustainability and reliability. Our products and or processes are certified by various international standards as follows:



Zoological Society of London’s (“ZSL”) Sustainable Palm Oil Transparency Toolkit (“SPOTT”)

For the fifth consecutive year, the Group has participated in the SPOTT Assessment administered by Zoological Society of London. ZSL SPOTT facilitates ESG risk management for financial sector and supply chain stakeholders by conducting transparency evaluations of commodity producers and traders. The assessment encompasses a wide range of criteria, including sustainability procedures, current policies, organizational structures, total hectareage, best management practices, and responsible sourcing.

The Group acknowledges that there are gaps and areas for improvement, and will continue to endeavor to meet the continuous changing requirement of our stakeholders. For further details about the SPOTT assessment, please refer to this link: <https://www.spott.org/palm-oil>.

SUSTAINABILITY REPORT 2022

CUSTOMER PRIVACY AND SATISFACTION

Customer Privacy

All of the Group's employees are expected to safeguard confidential information obtained during the course of their work. They are prohibited from misusing any customer information without proper consent and authorization.

The Group has established Personal Data Protection Policy and implemented strict procedures on custody of data and access to data to safeguard and protect customer data.

During the year, the Group did not receive any complaint in regards to violation of customer privacy.

Customer Satisfaction

The Group highly values our customers' perceptions and level of satisfaction in the course of their dealing with our business units. The Customer Satisfaction Survey is carried out annually to identify customers' requirements and expectations. The survey focuses on three key areas as follows:



COMMUNICATION



QUALITY PRODUCT



QUANTITY AND TIME

THE RESULTS OF THE SURVEYS FROM 2019 TO 2022 ARE SHOWN AS FOLLOWS:



Notes: This score is based on a scale of 1-5

The customers' satisfaction survey indices for the past few years were portrayed as above. Nevertheless, we will continue to track and improve the quality of our operations to meet customers' expectations and satisfaction levels.

SUSTAINABILITY REPORT 2022

BURSA COMMON SUSTAINABILITY MATTERS - PERFORMANCE DATA TABLE

Common Sustainability Matters	Common Indicators	Reference/ Remark
1. Anti-corruption	1(a) Percentage of employees who have received training on anti-corruption by employee category	Only elected facilitators have attended training as part of training programme to commence in 2023.
	1(b) Percentage of operations assessed for corruption-related risks	Year 2022: 77%
	1(c) Confirmed incidents of corruption and action taken	Year 2022: Nil
2. Community/ society	2(a) Total amount invested in the community where the target beneficiaries are external to listed issuer	Sustainability Report - Health, Education Programs, Social Contributions, Pages 88 to 91
	2(b) Total number of beneficiaries of the investment in communities	Sustainability Report - Health, Education Programs, Social Contributions, Pages 88 to 91
3. Diversity	3(a) Percentage of employees by gender and age group, for each employee category	Sustainability Report - Fair Employment Practices, Pages 93 to 94
	3(b) Percentage of directors by gender and age group	Profile of Board of Directors, Pages 12 to 23
4. Energy management	4(a) Total energy consumption	Sustainability Report - Energy Management, Page 78
5. Health and safety	5(a) Number of work-related fatalities	Sustainability Report - Occupational Safety and Health, Page 83
	5(b) Lost time incident rate	Sustainability Report - Occupational Safety and Health, Page 82
6. Labour practices and standards	6(a) Total hours of training by employee category	Sustainability Report - Education & Training, Page 85
	6(b) Percentage of employees that are contractors or temporary staff	Sustainability Report - Fair Employment Practices, Page 93
	6(c) Total number of employee turnover by employee category	Sustainability Report - Employee Turnover, Page 95
	6(d) Number of substantiated complaints concerning human rights violations	Year 2022: Nil
7. Supply chain management	7(a) Proportion of spending on local suppliers	Year 2022: 98.25%
8. Data privacy and security	8(a) Number of substantiated complaints concerning breaches of customer privacy and losses of customer data	Year 2022: Nil Sustainability Report - Customer Privacy and Satisfaction
9. Water	9(a) Total volume of water used	Sustainability Report - Effluent & Water Management, Page 73

SUSTAINABILITY REPORT 2022

Common Sustainability Matters	Common Indicators	Reference/ Remark
10. Waste management	10(a) Total waste generated, and a breakdown of the following: (i) total waste diverted from disposal (ii) total waste directed to disposal	Waste Management, Pages 74 to 76
11. Emissions management	11(a) Scope 1 emissions in tonnes of CO ₂ e	Carbon Footprint Initiatives, Pages 76 to 77
	11(b) Scope 2 emissions in tonnes of CO ₂ e	Carbon Footprint Initiatives, Pages 76 to 77

GLOBAL REPORTING INITIATIVES (“GRI”) CONTENT INDEX

GRI Standard/ Disclosure	Reference Section	Page
GRI 2: General Disclosures 2021		
2-1 Organizational details	Cover Page Sustainability Report - Overview of SOPB Supply Chain	i 99
2-2 Entities included in the organization’s sustainability reporting	About This Report	38
2-3 Reporting period, frequency and contact point	About This Report	39
2-4 Restatements of information	About This Report (No Restatement)	n/a
2-5 External assurance	About This Report	39
2-6 Activities, value chain and other business relationships	Sustainability Report - Overview of SOPB Supply Chain	99
2-7 Employees	Sustainability Report - Our Workplace - Fair Employment Practices	93
2-8 Workers who are not employees	Information Unavailable	n/a
2-9 Governance structure and composition	Sustainability Report - Sustainability Governance Structure	43
2-10 Nomination and selection of the highest governance body	Corporate Governance Overview Statement	113
2-11 Chair of the highest governance body	Corporate Governance Overview Statement	113
2-12 Role of the highest governance body in overseeing the management of impacts	Corporate Governance Overview Statement	113
2-13 Delegation of responsibility for managing impacts	Sustainability Report - Sustainability Governance Structure	43
2-14 Role of the highest governance body in sustainability reporting	Sustainability Report - Sustainability Governance Structure	43
2-15 Conflicts of interest	Corporate Governance Overview Statement	113
2-16 Communication of critical concerns	Sustainability Report - Grievance Mechanism	81
2-17 Collective knowledge of the highest governance body	Corporate Governance Overview Statement	113
2-18 Evaluation of the performance of the highest governance body	Corporate Governance Overview Statement	113

SUSTAINABILITY REPORT 2022

GRI Standard/ Disclosure		Reference Section	Page
2-19	Remuneration policies	Corporate Governance Overview Statement	113
2-20	Process to determine remuneration	Corporate Governance Overview Statement	113
2-21	Annual total compensation ratio	Sustainability Report - Fair Employment Practices	97
2-22	Statement on sustainable development strategy	Sustainability Report - Sustainability Policies	46
2-23	Policy commitments	Sustainability Report - Sustainability Policies	46
2-24	Embedding policy commitments	Sustainability Report - Sustainability Policies	46
2-25	Processes to remediate negative impacts	Sustainability Report - Grievance Mechanism	81
2-26	Mechanisms for seeking advice and raising concerns	Sustainability Report - Grievance Mechanism	81
2-27	Compliance with laws and regulations	Sustainability Report - Sustainability Policies	46
2-28	Membership associations	Membership of Associations	103
2-29	Approach to stakeholder engagement	Stakeholder Engagement	56
GRI 3: Material Topics 2021			
3-1	Process to determine material topics	Sustainability Report - Materiality Matrix	44
3-2	List of material topics	Sustainability Report - Materiality Matrix	44
3-3	Management of material topics	Sustainability Report - Materiality Matrix	44
GRI 201: Economic Performance 2016			
201-1	Direct economic value generated and distributed	Annual Report - Financial Statement	150
201-2	Financial implications and other risks and opportunities due to climate change	P&C	nil
201-3	Defined benefit plan obligations and other retirement plans	Annual Report - Notes to the Financial Statements	223
201-4	Financial assistance received from government	2022: Nil	n/a
GRI 202: Market Presence 2016			
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Sustainability Report - Our Workplace - Fair Employment Practices	96
202-2	Proportion of senior management hired from the local community	2022: 100%	n/a
GRI 203: Indirect Economic Impacts 2016			
203-1	Infrastructure investments and services supported	Sustainability Report - SDG	47
203-2	Significant indirect economic impacts	Sustainability Report - SDG	47
GRI 204: Procurement Practices 2016			
204-1	Proportion of spending on local suppliers	Sustainability Report - Marketplace - Total Spendings on Local Supplier	102
GRI 205: Anti-corruption 2016			
205-1	Operations assessed for risks related to corruption	77% of our operations have been assessed for corruption-related risks in 2022	n/a
205-2	Communication and training about anti-corruption policies and procedures	Sustainability Report - Our Workplace - Education & Training	86
205-3	Confirmed incidents of corruption and actions taken	2022: Nil	n/a

SUSTAINABILITY REPORT 2022

GRI Standard/ Disclosure	Reference Section	Page
GRI 206: Anti-competitive Behavior 2016		
206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	2022: Nil	n/a
GRI 207: Tax 2019		
207-1 Approach to tax	Sustainability Report - Social - Approach to Tax/ Payments to Government	79
207-2 Tax governance, control, and risk management	Sustainability Report - Social - Approach to Tax/ Payments to Government	79
207-3 Stakeholder engagement and management of concerns related to tax	Sustainability Report - Social - Approach to Tax/ Payments to Government	79
207-4 Country-by-country reporting	Sustainability Report - Social - Approach to Tax/ Payments to Government	79
GRI 301: Materials 2016		
301-1 Materials used by weight or volume	Sustainability Report - Energy Management	78
301-2 Recycled input materials used	Sustainability Report - Waste Management	74
301-3 Reclaimed products and their packaging materials	Information Unavailable	n/a
GRI 302: Energy 2016		
302-1 Energy consumption within the organization	Sustainability Report - Energy Management	78
302-2 Energy consumption outside of the organization	Sustainability Report - Energy Management	78
302-3 Energy intensity	Sustainability Report - Energy Management	78
302-4 Reduction of energy consumption	Sustainability Report - Energy Management	78
302-5 Reductions in energy requirements of products and services	Sustainability Report - Energy Management	78
GRI 303: Water and Effluents 2018		
303-1 Interactions with water as a shared resource	Sustainability Report - Effluent & Water Management	72
303-2 Management of water discharge-related impacts	Sustainability Report - Effluent & Water Management	72
303-3 Water withdrawal	Sustainability Report - Effluent & Water Management	72
303-4 Water discharge	Sustainability Report - Effluent & Water Management	72
303-5 Water consumption	Sustainability Report - Effluent & Water Management	72
GRI 304: Biodiversity 2016		
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	59
	Sustainability Report - Biodiversity and Conservation	61
304-2 Significant impacts of activities, products and services on biodiversity	Sustainability Report - Environment	59
	Sustainability Report - Biodiversity and Conservation	61
304-3 Habitats protected or restored	Sustainability Report - Biodiversity and Conservation	61

SUSTAINABILITY REPORT 2022

GRI Standard/ Disclosure	Reference Section	Page
304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	Sustainability Report - Biodiversity and Conservation	61
GRI 305: Emissions 2016		
305-1 Direct (Scope 1) GHG emissions	Sustainability Report - Carbon Footprint Initiatives	77
305-2 Energy indirect (Scope 2) GHG emissions	Sustainability Report - Carbon Footprint Initiatives	77
305-3 Other indirect (Scope 3) GHG emissions	Information Unavailable	n/a
305-4 GHG emissions intensity	Sustainability Report - Carbon Footprint Initiatives	77
305-5 Reduction of GHG emissions	Sustainability Report - Carbon Footprint Initiatives	77
305-6 Emissions of ozone-depleting substances ("ODS")	Information Unavailable	n/a
305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Information Unavailable	n/a
GRI 306: Waste 2020		
306-1 Waste generation and significant waste-related impacts	Sustainability Report - Waste Management	74
306-2 Management of significant waste-related impacts	Sustainability Report - Waste Management	74
306-3 Waste generated	Sustainability Report - Waste Management	74
306-4 Waste diverted from disposal	Sustainability Report - Waste Management	74
306-5 Waste directed to disposal	Sustainability Report - Waste Management	74
GRI 308: Supplier Environmental Assessment 2016		
308-1 New suppliers that were screened using environmental criteria	Information Unavailable	n/a
308-2 Negative environmental impacts in the supply chain and actions taken	Information Unavailable	n/a
GRI 401: Employment 2016		
401-1 New employee hires and employee turnover	Sustainability Report - Fair Employment Practices	93
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Sustainability Report - Fair Employment Practices	93
401-3 Parental leave	Sustainability Report - Fair Employment Practices	93
GRI 402: Labor/ Management Relations 2016		
402-1 Minimum notice periods regarding operational changes	Sustainability Report - Fair Employment Practices	93
GRI 403: Occupational Health and Safety 2018		
403-1 Occupational health and safety management system	Sustainability Report - Occupational Safety and Health	82
403-2 Hazard identification, risk assessment, and incident investigation	Sustainability Report - Occupational Safety and Health	82

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GRI Standard/ Disclosure	Reference Section	Page
403-3 Occupational health services	Sustainability Report - Occupational Safety and Health	82
403-4 Worker participation, consultation, and communication on occupational health and safety	Sustainability Report - Occupational Safety and Health	82
403-5 Worker training on occupational health and safety	Sustainability Report - Occupational Safety and Health	82
403-6 Promotion of worker health	Sustainability Report - Occupational Safety and Health	82
403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Sustainability Report - Occupational Safety and Health	82
403-8 Workers covered by an occupational health and safety management system	Sustainability Report - Occupational Safety and Health	82
403-9 Work-related injuries	Sustainability Report - Occupational Safety and Health	82
403-10 Work-related ill health	Sustainability Report - Occupational Safety and Health	82
GRI 404: Training and Education 2016		
404-1 Average hours of training per year per employee	Sustainability Report - Education & Training	85
404-2 Programs for upgrading employee skills and transition assistance programs	Sustainability Report - Education & Training	85
404-3 Percentage of employees receiving regular performance and career development reviews	Information unavailable	n/a
GRI 405: Diversity and Equal Opportunity 2016		
405-1 Diversity of governance bodies and employees	Sustainability Report - Fair Employment Practices	93
405-2 Ratio of basic salary and remuneration of women to men	Sustainability Report - Fair Employment Practices	93
GRI 406: Non-discrimination 2016		
406-1 Incidents of discrimination and corrective actions taken	Sustainability Report - Human Rights	79
GRI 407: Freedom of Association and Collective Bargaining 2016		
407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Sustainability Report - Human Rights	79
GRI 408: Child Labor 2016		
408-1 Operations and suppliers at significant risk for incidents of child labor	Sustainability Report - Human Rights	79
GRI 409: Forced or Compulsory Labor 2016		
409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Sustainability Report - Human Rights	79

SUSTAINABILITY REPORT 2022

GRI Standard/ Disclosure		Reference Section	Page
GRI 410: Security Practices 2016			
410-1	Security personnel trained in human rights policies or procedures	Information Unavailable	n/a
GRI 411: Rights of Indigenous Peoples 2016			
411-1	Incidents of violations involving rights of indigenous peoples	No incidents of violations involving rights of indigenous peoples occurred.	n/a
GRI 413: Local Communities 2016			
413-1	Operations with local community engagement, impact assessments, and development programs	Sustainability Report - Free, Prior and Informed Consent Procedure	87
		Sustainability Report - Stakeholder Engagement	56
413-2	Operations with significant actual and potential negative impacts on local communities	Sustainability Report - Free, Prior and Informed Consent Procedure	87
		Sustainability Report - Stakeholder Engagement	56
GRI 414: Supplier Social Assessment 2016			
414-1	New suppliers that were screened using social criteria	Information Unavailable	n/a
414-2	Negative social impacts in the supply chain and actions taken	Information Unavailable	n/a
GRI 415: Public Policy 2016			
415-1	Political contributions	2022: Nil	n/a
GRI 416: Customer Health and Safety 2016			
416-1	Assessment of the health and safety impacts of product and service categories	Sustainability Report - Customer Privacy and Satisfaction	105
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Sustainability Report - Customer Privacy and Satisfaction	105
GRI 417: Marketing and Labeling 2016			
417-1	Requirements for product and service information and labeling	Sustainability Report - Food Safety, Management System Certification	104
417-2	Incidents of non-compliance concerning product and service information and labeling	2022: Nil	n/a
417-3	Incidents of non-compliance concerning marketing communications	2022: Nil	n/a
GRI 418: Customer Privacy 2016			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Sustainability Report - Customer Privacy and Satisfaction	105
		2022: Nil	n/a

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 and updated in April 2021.

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



PRINCIPLE C

Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders



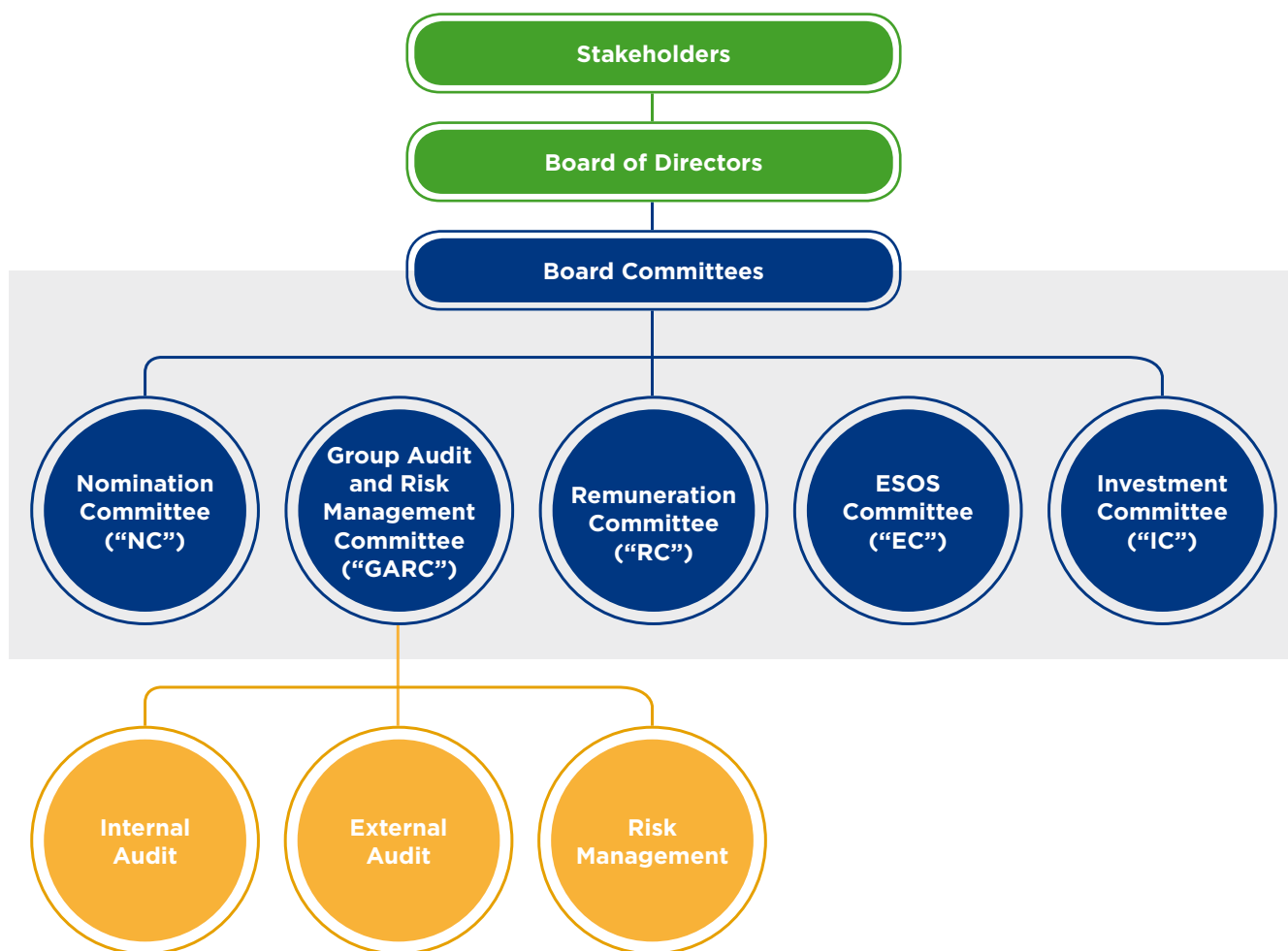
Detailed explanation on the application of the practices of corporate governance as set out in the MCCG are reported under Corporate Governance Report (CG Report) as published on the Company's website.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 comprise of (i) one (1) Executive Director (the Group Executive Chairman), (ii) six (6) Non-Independent Non-Executive Directors, and (iii) three (3) 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 12 to 23 of the Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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, as at the date of this report's issuance, there were five (5) females 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 includes 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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
Tang Tiong Ing	- Non-Independent Non-Executive Director
Dr. Lai Yew Hock, Dominic (<i>Resigned 31.12.2022</i>)	- Independent Non-Executive Director
Chua Chen San (<i>Appointed 31.12.2022</i>)	- Independent Non-Executive Director

The Committee meets when necessary. For the financial year ended 31 December 2022, the Committee held three (3) meetings.

(ii) Group Audit and Risk Management Committee (“GARC”)

The GARC has been established since 1992. The composition and terms of reference of this Committee together with its report are presented on pages 127 to 129 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 (<i>Resigned 31.12.2022</i>)	- Independent Non-Executive Director
Datu Monaliza Binti Zaidel	- Non-Independent Non-Executive Director
Chua Chen San (<i>Appointed 31.12.2022</i>)	- Independent Non-Executive Director

The Committee meets when necessary. For the financial year ended 31 December 2022, the Committee held one (1) meeting.

(iv) ESOS Committee (“EC”)

On the 09 August 2017, the shareholders have 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 09 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:-

Ling Lu Kuang	- Chairman, Group Executive Chairman
Chua Chen San	- Independent Non-Executive Director
Dr. Lai Yew Hock, Dominic (<i>Resigned 31.12.2022</i>)	- Independent Non-Executive Director
Datu Monaliza Binti Zaidel (<i>Appointed 31.12.2022</i>)	- Non-Independent Non-Executive Director
Fong Yoo Kaw @ Fong Yee Kow, Victor (<i>Appointed 31.12.2022</i>)	- Independent Non-Executive Director
Wong Hee Kwong	- Group Chief Executive Officer

The Committee meets whenever necessary. For the financial year ended 31 December 2022, the Committee held two (2) meetings.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(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:-

Ling Lu Kuang	- Chairman, Group Executive Chairman
Fong Yoo Kaw @ Fong Yee Kow, Victor	- Independent Non-Executive Director
Dr. Lai Yew Hock, Dominic (<i>Resigned 31.12.2022</i>)	- Independent Non-Executive Director
Chua Chen San (<i>Appointed 31.12.2022</i>)	- Independent Non-Executive Director
Datu 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 2022, the Committee held zero (0) meetings.

Sustainability and Social Corporate Responsibility

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

The Group’s activities to promote sustainability during the financial year under review are disclosed in Sustainability Report set out on pages 38 to 112 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 at least 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 2022, the Board held five (5) meetings. Directors’ profiles and attendance to these meetings could be found in the profiles of Board of Directors on pages 12 to 23 and page 262 of Statement Accompanying Notice.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Attendance record of each Director is as follows:-

Directors	No. of Meeting during 2022 FYE
Ling Lu Kuang (<i>appointed as GEC on 01 March 2022</i>)	5/5
Fong Yoo Kaw @ Fong Yee Kow, Victor	5/5
Dr Lai Yew Hock, Dominic (<i>resigned on 31 December 2022</i>)	5/5
Chua Chen San	5/5
Hasmawati Binti Sapawi	4/5
Ling Chiong Sing	5/5
Tang Tiong Ing	5/5
Kamri Bin Ramlee (<i>demised on 24 September 2022</i>)	3/4
Datu Monaliza Binti Zaidel	5/5
Ling Pau Pau (<i>appointed on 01 March 2022</i>)	4/4
Perpetua Phang (<i>appointed on 31 December 2022</i>)	0/0
Bibi Umizah Binti Osman (<i>appointed on 01 March 2023</i>)	0/0

Company Secretary

The Company Secretary, Mr. Eric Kiu Kwong Seng (LS No. 0007062) assumed his role in 1998 and thus has about 24 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(ii) Whistleblowing 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 of 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

Whistleblowers may use the in-house Whistleblowing Disclosure System, located in the Company's staff Portal, which will 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 (9) years. However, if an Independent director whose service is required beyond nine (9) years but less than twelve (12) years, shareholders' approval is sought in the Annual General Meeting. For an independent director whose service is required beyond a cumulative term of twelve (12) years, shareholders' approval through a two-tier voting process would be sought in the Annual General Meeting.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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)
Company Analysis and Valuation with Discounted Cash Flow Techniques	2
How the Audit Committees and Auditors can work together towards reliable audited financial statements	1
Awareness Programme on Unclaimed Moneys Act 1965 by MIA	1
Mandatory Accreditation Programme (MAP)	3
Agriculture, horticulture, and aquaculture - financial reporting requirements by CPA	1
Issuance & Redemption of Preference Shares by MIA	1
Role and Rights of Shareholders by MIA	1
Taxation on Foreign Source Income (FSI) and group relief by CPA	1
Compliance With Guidelines for The Reporting Framework for Beneficial Ownership of Legal Persons by SSM	1
Companies Act 2016: Dealing with Common Issues by SSM	1
Payroll Administration in Compliance with Malaysian Employment Laws by MAICSA	1
Withholding Tax Principle & Practice and Transfer Pricing Concept by MAICSA	1
Applications Of Employment Act in New Norm HR by MAICSA	1
Contract Basics for Non-Lawyers by SSM	1
Corporate Governance and Sustainability Needed Now More Than Ever by SSM	2
Managing Challenging Communication by SSM	2
Sustainability Reporting by SSM	1
The Audit Committee: Unpacking the Roles of The Committee & Honing Its Effectiveness in Discharging Its Responsibilities Holistically by MIA	1
National Tax Conference 2022 by LHDN & CTIM	2
Guidance On Remote Auditing - ISO 9001 by MIA	2
Withholding Taxes and Other Related Tax Issues by MIA	1
ASSAR In-house Training "Corporate Liability on Corruption and Guidelines On Adequate Procedures With MACC Sarawak" by FIMM	1
2 nd Annual Finance Leaders Asia: Catalysing Reforms	3

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 2022 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 (vacated GEC and director position on 01 March 2022)	11	4,740	15	32	4,798	393	46	5,237
Ling Lu Kuang (appointed as GEC on 01 March 2022)	65	832	-	110	1,007	1,760	199	2,966
NON-EXECUTIVE								
Tang Tiong Ing	75	-	-	6	81	-	4	85
Dr. Lai Yew Hock, Dominic (resigned on 31 December 2022)	75	-	-	7	82	-	-	82
Chua Chen San	75	-	-	6	81	-	-	81
Fong Yoo Kaw @ Fong Yee Kow, Victor	75	-	-	7	82	-	-	82
Ling Chiong Sing	65	-	-	4	69	-	126	195
Kamri Bin Ramli (demised on 24 September 2022)	47	-	-	3	50	-	9	59
Hasmawati Binti Sapawi	65	-	-	3	68	-	24	92
Datu Monaliza Binti Zaidel	65	-	-	4	69	-	128	197
Ling Pau Pau (appointed on 01 March 2022)	63	-	-	4	67	-	18	85
Perpetua Phang (appointed on 31 December 2022)	-	-	-	-	-	-	-	-
Bibi Umizah Binti Osman (appointed on 01 March 2023)	-	-	-	-	-	-	-	-
TOTAL	681	5,572	15	186	6,454	2,153	554	9,161

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 pages 127 to 129 of the Annual Report.

Risk Management and Internal Controls

The Statement on Risk Management and Internal Control is set out on pages 124 to 126 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 terms of reference as detailed on pages 127 to 129 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

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

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

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

Corporate Governance Report

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

This Corporate Governance Overview Statement is made in accordance with a resolution of the Board of Directors dated 28 February 2023.

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 2022, 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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:-



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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.

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 incurred during the year due to the weaknesses in the internal control system.

This statement is made in accordance with a resolution of the Board dated 28 February 2023.

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

COMMITTEE MEETINGS

During the financial year ended 31 December 2022, 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 (<i>Resigned 31.12.2022</i>)	5/5
Tang Tiong Ing, CA(M)	5/5
Chua Chen San CA(M)	5/5
Ling Pau Pau CA(M) (<i>Appointed 01.03.2022</i>)	4/4
Perpetua Phang (<i>Appointed 31.12.2022</i>)	0/0

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 one (1) times in the financial year without the presence of the Management. Other Directors and employees were invited to attend Committee meeting on need basis at the Committee's invitation and specific to the relevant meeting. The Company Secretary is the Secretary of the Committee. Minutes of each meeting are distributed to each Board member and the Chairman of the Committee reports on key issues discussed at each meeting to the Board.

Financial Procedures and Financial Reporting

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

Related Party Transaction

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

Allocation of Share Options

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

External Audit

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

GROUP AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

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 has a widespread understanding of risk management principles.

SUMMARY ACTIVITIES OF THE INTERNAL AUDIT FUNCTION

The Group has an 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 eleven (11) years’ experience in finance, accounting and internal audit, and with a team of 9 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 ten (10) 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 RM787,077 (2021: RM794,152).

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 a 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 2022 set out in pages 148 to 249, 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 17 April 2023.

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 2022 were amounting to RM125,855.00 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 2022 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 2022 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 20% 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) Ling Pau Pau ⁽⁵⁾ (f) Tang Tiong Ing ⁽⁶⁾	1,790
2 The Group	Purchase of gravel from Hollystone Quarry Sdn. Bhd. ("HQ")	(a) SYHSB has more than 20% indirect interest in HQ. ⁽¹⁾ (b) Tan Sri Datuk Ling Chiong Ho ⁽²⁾ (c) Ling Chiong Sing ⁽³⁾ (d) Ling Lu Kuang ⁽⁴⁾ (e) Ling Pau Pau ⁽⁵⁾ (f) Tang Tiong Ing ⁽⁶⁾	4,613
3 The Group	Provision of maintenance services and supply of lubricants, spare parts and tyres for the tractors and machinery by Dai Lieng Trading Sdn. Bhd. ("DLT")	(a) SYHSB has more than 20% indirect interest in DLT. ⁽¹⁾ (b) Tan Sri Datuk Ling Chiong Ho ⁽²⁾ (c) Ling Chiong Sing ⁽³⁾ (d) Ling Lu Kuang ⁽⁴⁾ (e) Ling Pau Pau ⁽⁵⁾ (f) Tang Tiong Ing ⁽⁶⁾	8,050
4 The Group	Provision of heavy equipment, machinery and related spare parts by Dai Lieng Machinery Sdn. Bhd. ("DLM")	(a) SYHSB has more than 20% indirect interest in DLM. ⁽¹⁾ (b) Tan Sri Datuk Ling Chiong Ho ⁽²⁾ (c) Ling Chiong Sing ⁽³⁾ (d) Ling Lu Kuang ⁽⁴⁾ (e) Ling Pau Pau ⁽⁵⁾ (f) Tang Tiong Ing ⁽⁶⁾	11,553

ADDITIONAL COMPLIANCES INFORMATION

Name of Transacting Party		Nature of Transaction	Related Party #	Year 2022 Actual (RM'000)
5	The Company	Purchase of fresh fruit bunches from Linau Mewah Sdn. Bhd. ("LMSB")	(a) Tan Sri Datuk Ling Chiong Ho ⁽²⁾ (b) Ling Chiong Sing ⁽³⁾ (c) Ling Lu Kuang ⁽⁴⁾ (d) Ling Pau Pau ⁽⁵⁾ (e) Tang Tiong Ing ⁽⁶⁾	109,064
6	The Group	Purchase of fresh fruit bunches from Shin Yang Forestry Sdn. Bhd. ("SYFSB")	(a) SYHSB has more than 20% indirect interest in SYFSB. ⁽⁷⁾ (b) Tan Sri Datuk Ling Chiong Ho ⁽²⁾ (c) Ling Chiong Sing ⁽³⁾ (d) Ling Lu Kuang ⁽⁴⁾ (e) Ling Pau Pau ⁽⁵⁾ (f) Tang Tiong Ing ⁽⁶⁾	5,096
7	The Group	Land transport services from Melinau Transport Sdn. Bhd. ("MTSB")	(a) SYHSB has more than 20% indirect interest in MTSB. ⁽⁷⁾ (b) Tan Sri Datuk Ling Chiong Ho ⁽²⁾ (c) Ling Chiong Sing ⁽³⁾ (d) Ling Lu Kuang ⁽⁴⁾ (e) Ling Pau Pau ⁽⁵⁾ (f) Tang Tiong Ing ⁽⁶⁾	6,898
8	The Group	Purchase of motor vehicles and rental of premises from Boulevard Jaya Sdn. Bhd. ("BJSB")	(a) SYHSB has more than 20% direct interest in BJSB. ⁽⁷⁾ (b) Tan Sri Datuk Ling Chiong Ho ⁽²⁾ (c) Ling Chiong Sing ⁽³⁾ (d) Ling Lu Kuang ⁽⁴⁾ (e) Ling Pau Pau ⁽⁵⁾ (f) Tang Tiong Ing ⁽⁶⁾	1,457
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 20% indirect interest in PSB. ⁽⁷⁾ (b) Tan Sri Datuk Ling Chiong Ho ⁽²⁾ (c) Ling Chiong Sing ⁽³⁾ (d) Ling Lu Kuang ⁽⁴⁾ (e) Ling Pau Pau ⁽⁵⁾ (f) Tang Tiong Ing ⁽⁶⁾	1,168
10	The Group	Shipping services from Shin Yang Shipping Sdn. Bhd. ("SYShipping")	(a) SYHSB has more than 20% indirect interest in SYShipping. ⁽⁷⁾ (b) Tan Sri Datuk Ling Chiong Ho ⁽²⁾ (c) Ling Chiong Sing ⁽³⁾ (d) Ling Lu Kuang ⁽⁴⁾ (e) Ling Pau Pau ⁽⁵⁾ (f) Tang Tiong Ing ⁽⁶⁾	5

ADDITIONAL COMPLIANCES INFORMATION

Name of Transacting Party	Nature of Transaction	Related Party #	Year 2022 Actual (RM'000)
11 The Group	Purchase of chemicals from Shin Yang Chemical Sdn. Bhd. ("SYCSB")	(a) SYHSB has more than 20% indirect interest in SYCSB. ⁽⁷⁾ (b) Tan Sri Datuk Ling Chiong Ho ⁽²⁾ (c) Ling Chiong Sing ⁽³⁾ (d) Ling Lu Kuang ⁽⁴⁾ (e) Ling Pau Pau ⁽⁵⁾ (f) Tang Tiong Ing ⁽⁶⁾	-
12 The Group	Purchase of fresh fruit bunches from Danum Sinar Sdn. Bhd. ("DSSB")	(a) Tan Sri Datuk Ling Chiong Ho ⁽²⁾	40,333
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 20% direct interest in DSePing. ⁽⁷⁾ (b) Tan Sri Datuk Ling Chiong Ho ⁽²⁾ (c) Ling Chiong Sing ⁽³⁾ (d) Ling Lu Kuang ⁽⁴⁾ (e) Ling Pau Pau ⁽⁵⁾ (f) Tang Tiong Ing ⁽⁶⁾	7,962
14 The Group	Purchase of fresh fruit bunches from Selangau Plantation Sdn. Bhd. ("SPSB")	(a) SYHSB has more than 20% indirect interest in SPSB. ⁽⁷⁾ (b) Tan Sri Datuk Ling Chiong Ho ⁽²⁾ (c) Ling Chiong Sing ⁽³⁾ (d) Ling Lu Kuang ⁽⁴⁾ (e) Ling Pau Pau ⁽⁵⁾ (f) Tang Tiong Ing ⁽⁶⁾	2,592
15 The Group	Purchase of fresh fruit bunches from Dataran Linau Sdn. Bhd. ("DLSB")	(a) SYHSB has more than 20% direct interest in DLSB. ⁽⁷⁾ (b) Tan Sri Datuk Ling Chiong Ho ⁽²⁾ (c) Ling Chiong Sing ⁽³⁾ (d) Ling Lu Kuang ⁽⁴⁾ (e) Ling Pau Pau ⁽⁵⁾ (f) Tang Tiong Ing ⁽⁶⁾	6,777
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 14.9985% indirect interest in BMSB. (b) Tan Sri Datuk Ling Chiong Ho ⁽²⁾ (c) Ling Chiong Sing ⁽³⁾	723
17 The Group	Provision of services of heavy machineries and vehicles by Dai Lieng Industry Sdn. Bhd. ("DLI")	(a) SYHSB has more than 20% indirect interest in DLI. ⁽⁷⁾ (b) Tan Sri Datuk Ling Chiong Ho ⁽²⁾ (c) Ling Chiong Sing ⁽³⁾ (d) Ling Lu Kuang ⁽⁴⁾ (e) Ling Pau Pau ⁽⁵⁾ (f) Tang Tiong Ing ⁽⁶⁾	2,483

ADDITIONAL COMPLIANCES INFORMATION

Name of Transacting Party	Nature of Transaction	Related Party #	Year 2022 Actual (RM'000)
18 The Company	Purchase of fresh fruit bunches from Shin yang Agriculture Sdn. Bhd. ("SYAgri")	(a) SYHSB has more than 20% direct interest in SYAgri. ⁽¹⁾ (b) Tan Sri Datuk Ling Chiong Ho ⁽²⁾ (c) Ling Chiong Sing ⁽³⁾ (d) Ling Lu Kuang ⁽⁴⁾ (e) Ling Pau Pau ⁽⁵⁾ (f) Tang Tiong Ing ⁽⁶⁾	5,856

Note

- ⁽¹⁾ *Shin Yang Holding Sdn. Bhd. ("SYHSB"), a major shareholder of SOPB with indirect interest of 27.43% 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 a 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, DSeping, SPSB, DLSB, BMSB, DLI and SYAgri. He is also the Group Business Advisor of SOPB.*
- ⁽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, DSeping, SPSB, DLSB, BMSB, DLI and SYAgri.*
- ⁽⁴⁾ *Ling Lu Kuang is the Group Executive Chairman of SOPB and is also the Non-Executive Director of SYShipping. He is a deemed person connected to Tan Sri Datuk Ling Chiong Ho and also authorised representative of Shin Yang Group.*
- ⁽⁵⁾ *Ling Pau Pau is the Non-Executive Director, member of the Group Audit and Risk Management Committee of SOPB and is also Director of SYFSB. She is a deemed person connected to Tan Sri Datuk Ling Chiong Ho and also authorised representative of Shin Yang Group.*
- ⁽⁶⁾ *Tang Tiong Ing is the Non-Executive Director, member of the Group Audit and Risk Management Committee and Nomination Committee of SOPB. He is authorised representative and also an employee of Shin Yang Group.*

4. ADDITIONAL ESOS INFORMATION

Pursuant to paragraph 27, Part A, Appendix 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 2022, approximately 30% of the options were granted to Directors and Senior Management.

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DIRECTORS' REPORT

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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 2022.

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 principal activities and other 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	479,652	137,126
Non-controlling interests	24,598	-
	504,250	137,126

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 Company had paid the following dividends:

- (i) In respect of the financial year ended 31 December 2021, a final single-tier dividend of 6 sen per ordinary share totalling RM35,605,659 was paid on 15 July 2022; and
- (ii) In respect of the financial year ended 31 December 2022, a first interim single-tier dividend of 4 sen per ordinary share totalling RM35,606,552 was paid on 6 October 2022.

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2022, of 6 sen per ordinary share on 890,188,554 ordinary shares, amounting to a dividend payable of RM53,411,313 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 2023.

DIRECTORS OF THE COMPANY

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

Tan Sri Datuk Ling Chiong Ho* (Vacation of office on 01.03.2022)
 Ling Lu Kuang*
 Ling Chiong Sing*
 Ling Pau Pau*

DIRECTORS' REPORT

DIRECTORS OF THE COMPANY (CONTINUED)

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

Tang Tiong Ing*
 Datu Monaliza Binti Zaidel*
 Hasmawati Binti Sapawi*
 Fong Yoo Kaw @ Fong Yee Kow
 Chua Chen San*
 Perpetua Phang (Appointed on 31.12.2022)
 Bibi Umizah Binti Osman (Appointed on 01.03.2023)
 Dr. Lai Yew Hock* (Resigned on 31.12.2022)
 Kamri Bin Ramlee* (Demised on 24.09.2022)

* 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:

Chan Kim Hong
 Cheang Chu King
 Chua Chin Wei
 Datu Haji Sarudu Bin Haji Hoklai
 Datuk Tan Thian Siang
 Eric Kiu Kwong Seng
 George Lentton Anak Indang
 Datu John Wayne Anak Chamberlin Sirau
 Mersal Bin Abang Rosli
 Datu Haji Abdul Hadi Bin Datuk Haji Abdul Kadir
 Wong Hee Kwong
 Wong Kai Song
 Dato Chung Soon Nam
 Tho Kheng Chiang
 Mohammad Faisal Bin Jaffar
 Kong Lee Luang (Resigned on 15.03.2022)

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:

	At 1.1.2022/ Date of appointment	Number of ordinary shares Acquired/ ESOS exercised	Number of ordinary shares		
			Sold	Bonus Issue	At 31.12.2022
The Company					
<u>Direct interest</u>					
Ling Lu Kuang	-	2,853,900	-	1,426,950	4,280,850
Ling Chiong Sing	50,000	100,000	-	75,000	225,000
Tang Tiong Ing	55,131	150,000	-	102,565	307,696

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

	At 1.1.2022/ Date of appointment	Acquired/ ESOS exercised	Number of ordinary shares		At 31.12.2022
			Sold	Bonus Issue	
The Company					
<u>Deemed interest</u>					
Ling Lu Kuang	62,400,000	5,309,505	-	31,200,000	98,909,505
Ling Chiong Sing	162,787,900	-	-	81,393,950	244,181,850
Ling Pau Pau	1,533,449	255,200	(160,000)	814,324	2,442,973
Tang Tiong Ing	184,714	-	(60,000)	62,357	187,071

	At 1.1.2022/ Date of appointment	Number of options over ordinary shares			At 31.12.2022
		Bonus Issue	Granted	Exercised	
Share options of the Company at RM2.40 per share					
Ling Lu Kuang	2,853,900	-	-	(2,853,900)	-
Ling Chiong Sing	100,000	-	-	(100,000)	-
Tang Tiong Ing	150,000	-	-	(150,000)	-
Fong Yoo Kaw @ Fong Yee Kow	150,000	75,000	-	-	225,000
Chua Chen San	150,000	75,000	-	-	225,000

By virtue of their interest in the shares of the Company, Ling Lu Kuang 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, Datu Monaliza Binti Zaidel, Hasmawati Binti Sapawi and Perpetua Phang holding office at 31 December 2022 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

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 shown below) 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.

The Directors' benefits paid to or receivable by Directors in respect of the financial year ended 31 December 2022 are as follows:

	From the Company RM'000	From subsidiary companies RM'000
Directors of the Company:		
Fees	681	498
Remuneration	5,773	2,209
	6,454	2,707

Save for ESOS options as disclosed above, 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 issued 21,748,800 new ordinary share for cash totalling RM77,376,167 arising from the exercise of the employees' share options at an average exercise price of RM3.56.

The Company had on 19 July 2022 completed the bonus issue of 296,721,158 on the basis of one (1) bonus share for every two (2) ordinary shares held in the Company.

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.

DIRECTORS' REPORT

OPTIONS GRANTED OVER UNISSUED SHARES (CONTINUED)

During the financial year, the Company granted 1,543,100 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:

Date of Offer	Expiry date	Exercise price*	Number of options over ordinary shares					At 31.12.2022
			At 1.1.2022	Bonus Issue	Granted	Exercised	Forfeited	
28.09.2017	18.09.2027	2.40	31,587,700	5,095,900	-	(20,675,900)	(935,100)	15,072,600
25.05.2018	18.09.2027	2.08	947,300	232,850	-	(424,600)	(93,300)	662,250
03.04.2019	18.09.2027	1.48	986,800	294,650	-	(368,100)	(162,750)	750,600
17.04.2020	18.09.2027	1.49	491,000	162,350	-	(146,000)	(52,550)	454,800
06.04.2021	18.09.2027	2.38	592,700	200,450	-	(134,200)	(184,500)	474,450
12.04.2022	18.09.2027	3.46	-	745,700	1,543,100	-	(187,600)	2,101,200
			34,605,500	6,731,900	1,543,100	(21,748,800)	(1,615,800)	19,515,900

* The Company completed its bonus issue exercise on 19 July 2022 and the exercise price has been adjusted accordingly.

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 RM185,833.

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:

- all known bad debts have been written off and adequate provision made for doubtful debts, and
- 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:

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

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION (CONTINUED)

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

- 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 2022 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.

AUDITORS

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

The auditors' remuneration of the Group and of the Company during the year are RM416,000 and RM110,000 respectively.

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

Fong Yoo Kaw @ Fong Yee Kow
Director

Chua Chen San
Director

Miri,

Date: 17 April 2023

STATEMENTS 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 148 to 249 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 2022 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:

Fong Yoo Kaw @ Fong Yee Kow
Director

Chua Chen San
Director

Miri,

Date: 17 April 2023

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 148 to 249 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed, **Tho Kheng Chiang**, NRIC: 790106-12-5573, MIA CA37095, at Miri in the State of Sarawak on 17 April 2023.

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 2022 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 148 to 249.

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 2022, 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 2022.

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.

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 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;

INDEPENDENT AUDITORS' REPORT

to the members of Sarawak Oil Palms Berhad
 Registration No. 196801000358 (7949 - M)
 (Incorporated In Malaysia)

Key Audit Matters (continued)**1. Valuation of goodwill – Group (continued)****How the matter was addressed in our audit (continued)**

- 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 obtained confirmation that the key assumptions were subject to oversight from the Directors; and
- we assessed the adequacy of the Group's disclosures in respect of key assumptions and assessed whether the sensitivity of the outcome of impairment assessment to changes in the key assumptions reflected the risk inherent in the valuation of goodwill.

2. 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 2022 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 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 Company's budgeting process;
- 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.

INDEPENDENT AUDITORS' REPORT

to the members of Sarawak Oil Palms Berhad

Registration No. 196801000358 (7949 - M)

(Incorporated In Malaysia)

Information Other than the Financial Statements and Auditors' Report Thereon (continued)

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.

INDEPENDENT AUDITORS' REPORT

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)

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

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

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

Miri,

Date: 17 April 2023

Nicholas Chia Wei Chit

Approval Number: 03102/03/2024 J

Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2022

		Group		Company	
		2022	2021	2022	2021
	Note	RM'000	RM'000	RM'000	RM'000
Assets					
Property, plant and equipment	3	1,091,834	1,074,314	184,840	174,441
Bearer plants	4	864,726	921,245	161,314	158,297
Right-of-use assets	5	504,174	512,986	40,142	40,630
Intangible assets	6	168,255	168,264	-	-
Investment in subsidiaries	7	-	-	1,650,289	1,630,031
Investment in joint venture	8	19,632	22,163	-	-
Inventories	9	58,191	57,525	-	-
Deferred tax assets	10	5,151	19,573	-	-
Total non-current assets		2,711,963	2,776,070	2,036,585	2,003,399
Agricultural produce	11	21,930	34,169	3,620	4,555
Inventories	9	470,637	476,475	60,548	57,317
Trade and other receivables	12	248,107	282,071	250,557	420,260
Contract assets	13	42,444	37,934	-	-
Prepayments and other assets		2,033	3,047	401	447
Derivatives	14	1,605	8,697	-	-
Current tax recoverable		17,309	7,427	-	-
Other investments	15	124,302	234,269	20,443	58,352
Cash and cash equivalents	16	1,253,646	796,693	412,783	225,053
Total current assets		2,182,013	1,880,782	748,352	765,984
Total assets		4,893,976	4,656,852	2,784,937	2,769,383

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2022

	Note	Group		Company	
		2022	2021	2022	2021
		RM'000	RM'000	RM'000	RM'000
Equity					
Share capital	17	914,474	823,162	914,474	823,162
Other reserves	17	2,922	(793)	-	-
Employee share option reserve	18	16,006	26,481	16,006	26,481
Retained earnings		2,361,709	1,953,269	1,459,217	1,393,303
Total equity attributable to owners of the Company		3,295,111	2,802,119	2,389,697	2,242,946
Non-controlling interests	7	152,203	136,592	-	-
Total equity		3,447,314	2,938,711	2,389,697	2,242,946
Liabilities					
Loans and borrowings	19	446,125	522,110	220,000	220,000
Lease liabilities		895	114	1,442	1,202
Government grants	20	13,274	14,338	386	459
Derivatives	14	-	408	-	-
Deferred tax liabilities	10	389,212	377,620	47,660	47,775
Total non-current liabilities		849,506	914,590	269,488	269,436
Loans and borrowings	19	314,829	495,679	5,000	100,041
Lease liabilities		655	1,535	365	608
Trade and other payables	21	270,232	288,830	114,592	150,991
Current tax payable		10,328	14,938	5,722	5,288
Government grants	20	1,064	1,064	73	73
Derivatives	14	48	1,505	-	-
Total current liabilities		597,156	803,551	125,752	257,001
Total liabilities		1,446,662	1,718,141	395,240	526,437
Total equity and liabilities		4,893,976	4,656,852	2,784,937	2,769,383

The notes on pages 161 to 249 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 31 December 2022

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revenue	22	5,308,285	4,431,026	1,797,977	1,645,972
Cost of sales		(4,259,981)	(3,291,629)	(1,530,546)	(1,314,298)
Gross profit		1,048,304	1,139,397	267,431	331,674
Other income	23	53,776	50,435	18,107	40,254
Administrative expenses		(25,500)	(31,081)	(11,564)	(18,068)
Other operating expenses		(30,887)	(143,294)	(13,024)	(76,412)
Selling and marketing expenses		(363,103)	(290,493)	(88,480)	(82,919)
Changes in fair value of agricultural produce	11	(12,239)	8,887	(935)	1,843
Impairment loss on financial instruments					
- net reversals/(charge)		3,348	(936)	-	-
Results from operating activities		673,699	732,915	171,535	196,372
Finance income	24	26,887	16,279	13,310	13,359
Finance costs	25	(29,266)	(33,324)	(6,783)	(9,733)
Net finance (costs)/income		(2,379)	(17,045)	6,527	3,626
Share of loss of equity- accounted joint venture, net of tax	8	(2,531)	(2,881)	-	-
Profit before tax		668,789	712,989	178,062	199,998
Taxation	26	(164,539)	(171,490)	(40,936)	(45,046)
Profit for the financial year	27	504,250	541,499	137,126	154,952

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 31 December 2022

	Note	Group		Company	
		2022	2021	2022	2021
		RM'000	RM'000	RM'000	RM'000
Other comprehensive income, net of tax					
Item that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		1,975	732	-	-
Cash flow hedge	29	1,740	5,018	-	-
Other comprehensive income for the financial year, net of tax		3,715	5,750	-	-
Total comprehensive income for the financial year		507,965	547,249	137,126	154,952
Profit attributable to:					
Owners of the Company		479,652	509,896	137,126	154,952
Non-controlling interests	7	24,598	31,603	-	-
Profit for the financial year		504,250	541,499	137,126	154,952
Total comprehensive income attributable to:					
Owners of the Company		483,367	515,646	137,126	154,952
Non-controlling interests	7	24,598	31,603	-	-
Total comprehensive income for the financial year		507,965	547,249	137,126	154,952
Basic earnings per ordinary share (sen)	30	54.65	59.48		
Diluted earnings per ordinary share (sen)	30	54.53	59.32		

The notes on pages 161 to 249 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2022

<div>← Attributable to owners of the Company →</div>									
<div>← Non-distributable → Distributable</div>									
Group	Note	Share capital	Other reserves	Employee share option reserve	Retained earnings	Total	Non-controlling interests	Total equity	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2021									
Foreign currency translation differences for foreign operations		820,982	(6,543)	23,870	1,540,314	2,378,623	124,272	2,502,895	
Cash flow hedge	29	-	732	-	-	732	-	732	
		-	5,018	-	-	5,018	-	5,018	
Total other comprehensive income for the financial year		-	5,750	-	-	5,750	-	5,750	
Profit for the financial year		-	-	-	509,896	509,896	31,603	541,499	
Total comprehensive income for the financial year									
		-	5,750	-	509,896	515,646	31,603	547,249	
<i>Contributions by and distributions to owners of the Company</i>									
Dividends to owners of the Company	31	-	-	-	(57,168)	(57,168)	-	(57,168)	
Dividends to non-controlling interests in subsidiaries		-	-	-	-	-	(7,261)	(7,261)	
Changes in ownership interest in subsidiaries		-	-	-	(39,773)	(39,773)	(12,022)	(51,795)	
Issue of ordinary shares pursuant to exercise of share options	17	1,848	-	-	-	1,848	-	1,848	
Share options granted	18	-	-	2,943	-	2,943	-	2,943	
Share options exercised	18	332	-	(332)	-	-	-	-	
Total transaction with owners of the Company									
		2,180	-	2,611	(96,941)	(92,150)	(19,283)	(111,433)	
At 31 December 2021									
		823,162	(793)	26,481	1,953,269	2,802,119	136,592	2,938,711	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2022

<div>←————— Attributable to owners of the Company —————→</div>									
<div>←————— Non-distributable —————→ Distributable</div>									
Group (continued)	Note	Share capital	Other reserves	Employee share option reserve	Retained earnings	Total	Non-controlling interests	Total equity	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2022		823,162	(793)	26,481	1,953,269	2,802,119	136,592	2,938,711	
Foreign currency translation differences for foreign operations		-	1,975	-	-	1,975	-	1,975	
Cash flow hedge	29	-	1,740	-	-	1,740	-	1,740	
Total other comprehensive income for the financial year		-	3,715	-	-	3,715	-	3,715	
Profit for the financial year		-	-	-	479,652	479,652	24,598	504,250	
Total comprehensive income for the financial year		-	3,715	-	479,652	483,367	24,598	507,965	
<i>Contributions by and distributions to owners of the Company</i>									
Dividends to owners of the Company	31	-	-	-	(71,212)	(71,212)	-	(71,212)	
Dividends to non-controlling interests in subsidiaries		-	-	-	-	-	(8,987)	(8,987)	
Issue of ordinary shares pursuant to exercise of share options	17	77,376	-	-	-	77,376	-	77,376	
Share options granted	18	-	-	3,461	-	3,461	-	3,461	
Share options exercised	18	13,936	-	(13,936)	-	-	-	-	
Total transaction with owners of the Company		91,312	2,922	(10,475)	(71,212)	9,625	(8,987)	638	
At 31 December 2022		914,474	2,922	16,006	2,361,709	3,295,111	152,203	3,447,314	

STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2022

		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 2021		820,982	23,870	1,295,519	2,140,371
Profit and total comprehensive income for the financial year		-	-	154,952	154,952
<i>Contributions by and distributions to owners of the Company:</i>					
- Issue of ordinary shares pursuant to exercise of share options	17	1,848	-	-	1,848
- Share options granted	18	-	2,943	-	2,943
- Share options exercised	18	332	(332)	-	-
- Dividends to owners of the Company	31	-	-	(57,168)	(57,168)
Total transaction with owners of the Company		2,180	2,611	(57,168)	(52,377)
At 31 December 2021/1 January 2022		823,162	26,481	1,393,303	2,242,946
Profit and total comprehensive income for the financial year		-	-	137,126	137,126
<i>Contributions by and distributions to owners of the Company:</i>					
- Issue of ordinary shares pursuant to exercise of share options	17	77,376	-	-	77,376
- Share options granted	18	-	3,461	-	3,461
- Share options exercised	18	13,936	(13,936)	-	-
- Dividends to owners of the Company	31	-	-	(71,212)	(71,212)
Total transaction with owners of the Company		91,312	(10,475)	(71,212)	9,625
At 31 December 2022		914,474	16,006	1,459,217	2,389,697

The notes on pages 161 to 249 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2022

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash flows from operating activities					
Profit before tax		668,789	712,989	178,062	199,998
Adjustments for:					
Change in fair value of agricultural produce	11	12,239	(8,887)	935	(1,843)
Amortisation of bearer plants	4	74,765	72,535	7,779	6,664
Amortisation of government grants	20	(1,064)	(1,048)	(73)	(73)
Amortisation of intangible assets	6	22	16	-	-
Depreciation of property, plant and equipment	3.2	89,112	87,198	24,120	23,362
Depreciation of right-of-use assets	5	9,714	9,703	1,011	1,054
Impairment loss on financial instruments					
- net (reversals)/charge		(3,348)	936	-	-
Dividend income from:					
- subsidiaries	22	-	-	(31,678)	(26,788)
Gain on disposal of property, plant and equipment		(574)	(474)	(378)	(795)
Net gain on lease modifications/terminations		(19)	-	(19)	-
Finance income	24	(26,887)	(16,279)	(13,310)	(13,359)
Finance costs	25	29,266	33,324	6,783	9,733
Fair value changes on derivatives		7,516	(43,484)	-	(23,807)
Inventories written down	9	3,788	634	-	-
Inventories written off	9	77	136	-	-
Property, plant and equipment written off		453	760	93	58
Bearer plants written off		2,875	5,992	-	156
Unrealised (gain)/loss on foreign exchange		(188)	712	(10)	(3)
Share options granted under ESOS	18	3,461	2,943	1,041	986
Share of loss of equity-accounted joint venture, net of tax		2,531	2,881	-	-
Operating profit before changes in working capital		872,528	860,587	174,356	175,343

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2022

	Note	Group		Company	
		2022	2021	2022	2021
		RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities (continued)					
Change in inventories		1,431	(242,520)	(3,224)	(16,476)
Change in trade and other receivables, prepayments and other assets		42,894	(106,012)	127	3,369
Change in trade and other payables		(23,921)	75,540	(16,590)	28,603
Net movement in subsidiaries balances		-	-	150,243	(81,488)
Cash generated from operations		892,932	587,595	304,912	109,351
Net tax paid		(153,566)	(125,234)	(40,618)	(39,409)
Interest/Profit paid		(526)	(4,539)	(260)	(493)
Interest received		3,658	2,329	-	-
Net cash from operating activities		742,498	460,151	264,034	69,449
Cash flows from investing activities					
Acquisition of property, plant and equipment	(i)	(106,996)	(123,577)	(35,159)	(35,143)
Additional investment in subsidiaries		-	-	(20,258)	(54,413)
Acquisition of non-controlling interests		-	(51,795)	-	-
Additional investment in joint venture		-	(1,757)	-	-
Additions to intangible assets		(13)	(14)	-	-
Additions to right-of-use assets		(252)	(12,024)	-	(11,948)
Dividends received		-	-	31,678	26,788
Interest received		23,229	13,950	13,310	13,359
Additions to bearer plants	(ii)	(19,473)	(16,575)	(9,999)	(11,259)
Upliftment of fixed deposits with original maturities exceeding three months		109,967	70,567	37,909	140,203
Proceeds from disposal of property, plant and equipment		2,636	1,866	1,847	1,530
Net cash from/(used in) investing activities		9,098	(119,359)	19,328	69,117

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2022

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash flows from financing activities					
Net movement in trade financing	(iii)	(78,925)	91,783	-	-
Repayment of loans and borrowings	(iii)	(182,721)	(177,882)	(100,000)	-
Repayment of hire purchase financing	(iii)	(4,068)	(6,645)	(41)	(368)
Payment of lease liabilities	(iii)	(730)	(720)	(507)	(553)
ESOS capital contribution from subsidiaries		-	-	2,420	1,957
Proceeds from exercise of ESOS		77,376	1,848	77,376	1,848
Proceeds from loans and borrowings	(iii)	5,000	-	5,000	-
Proceeds from government grants		-	370	-	-
Dividends paid	31	(71,212)	(57,168)	(71,212)	(57,168)
Dividends paid to non-controlling interests		(8,987)	(7,261)	-	-
Interest paid		(31,790)	(31,571)	(8,678)	(11,197)
Net cash used in financing activities		(296,057)	(187,246)	(95,642)	(65,481)
Net increase in cash and cash equivalents		455,539	153,546	187,720	73,085
Effect of exchange rate changes		1,414	738	10	3
Cash and cash equivalents at beginning of financial year		796,693	642,409	225,053	151,965
Cash and cash equivalents at end of financial year	(iv)	1,253,646	796,693	412,783	225,053

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2022

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash outflows for leases as a lessee					
Included in net cash from operating activities:					
Payment related to short-term leases		(1,946)	(1,834)	(196)	(214)
Payment relating to variable lease payments not included in the measurement of lease liabilities		(8,588)	(9,538)	-	-
Interest paid in relation to lease liabilities		(91)	(101)	(98)	(118)
Included in net cash from financing activities:					
Payment of lease liabilities		(730)	(524)	(507)	(553)
Total cash outflows for leases		(11,355)	(11,997)	(801)	(885)

Notes:

(i) Acquisition of property, plant and equipment

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Amount paid using internal fund		106,996	123,577	35,159	35,143
Acquired under hire purchase financing		-	199	-	-
Finance cost capitalised	3.1	2,356	885	1,194	652
Aggregate cost of property, plant and equipment acquired during the year	3	109,352	124,661	36,353	35,795

(ii) Additions to bearer plants

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Addition of bearer plants (including personnel expenses)	4	21,121	19,808	10,796	13,047
Depreciation capitalised	4.1	(879)	(1,256)	(265)	(395)
Finance costs capitalised	4.1	(769)	(1,977)	(532)	(1,393)
		19,473	16,575	9,999	11,259

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2022

Notes: (continued)

(iii) Reconciliation of liabilities arising from financing activities

Group	At 1.1.2021 RM'000	Net changes financing cash flows RM'000	Addition/ modification/ terminations of leases (net) RM'000	Additional hire purchase financing RM'000	Interest amortisation on financial liabilities RM'000	Foreign exchange movement RM'000	At 31.12.2021 RM'000
Term loans	811,065	(127,882)	-	-	-	-	683,183
Sukuk Murabahah	19,384	-	-	-	77	-	19,461
Revolving credits	50,000	(50,000)	-	-	-	-	-
Hire purchase financing	12,389	(6,645)	-	199	-	-	5,943
Trade banking facilities	216,174	91,783	-	-	-	1,245	309,202
Lease liabilities	2,165	(720)	204	-	-	-	1,649
Total liabilities from financing activities	1,111,177	(93,464)	204	199	77	1,245	1,019,438
Company							
Sukuk Murabahah	20,000	-	-	-	-	-	20,000
Term loans	300,000	-	-	-	-	-	300,000
Hire purchase financing	409	(368)	-	-	-	-	41
Lease liabilities	2,363	(553)	-	-	-	-	1,810
Total liabilities from financing activities	322,772	(921)	-	-	-	-	321,851

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2022

Notes: (continued)

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

Group (continued)	At 31.12.2021/ 1.1.2022 RM'000	Net changes financing cash flows RM'000	Addition/ modification/ terminations of leases (net) RM'000	Additional hire purchase financing RM'000	Interest amortisation on financial liabilities RM'000	Foreign exchange movement RM'000	At 31.12.2022 RM'000
Term loans	683,183	(182,721)	-	-	-	481	500,943
Sukuk Murabahah	19,461	-	-	-	75	-	19,536
Revolving credits	-	5,000	-	-	-	-	5,000
Hire purchase financing	5,943	(4,068)	-	-	-	-	1,875
Trade banking facilities	309,202	(78,925)	-	-	-	3,323	233,600
Lease liabilities	1,649	(730)	631	-	-	-	1,550
Total liabilities from financing activities	1,019,438	(261,444)	631	-	75	3,804	762,504
Company (continued)							
Sukuk Murabahah	20,000	-	-	-	-	-	20,000
Term loans	300,000	(100,000)	-	-	-	-	200,000
Revolving credits	-	5,000	-	-	-	-	5,000
Hire purchase financing	41	(41)	-	-	-	-	-
Lease liabilities	1,810	(507)	504	-	-	-	1,807
Total liabilities from financing activities	321,851	(95,548)	504	-	-	-	226,807

(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:

	Note	Group 2022 RM'000	2021 RM'000	Company 2022 RM'000	2021 RM'000
Cash on hand and at banks	16	331,933	275,394	179,467	135,325
Fixed deposits with maturities not exceeding three months	16	921,713	521,199	233,316	89,728
		1,253,646	796,593	412,783	225,053

The notes on pages 161 to 249 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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 17 April 2023.

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
MFRS 17, <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17, <i>Insurance Contracts</i> – Initial application of MFRS 17 and MFRS 9 – Comparative Information	1 January 2023
Amendments to MFRS 101, <i>Presentation of Financial Statements</i> – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies	1 January 2023
Amendments to MFRS 108, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> – Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112, <i>Income Taxes</i> – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendment to MFRS 16, <i>Leases</i> – Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 101, <i>Presentation of Financial Statements</i> – Non current liabilities with Covenants	1 January 2024
Amendments to MFRS 10, <i>Consolidated Financial Statements</i> and MFRS 128, <i>Investments in Associates and Joint Ventures</i> – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Yet to be determined

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

- from the annual period beginning on 1 January 2023, for those accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023, except for MFRS 17 and Amendments to MFRS 17 which are assessed as presently not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2024 for the amendments that are effective for annual periods beginning on or after 1 January 2024.

The initial application of the 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.

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation (continued)

(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 6 - impairment testing of goodwill;
- Note 7 - impairment testing of investment in subsidiaries;
- Note 10 - recognition of deferred tax assets;
- Note 11 - measurement of agricultural produce;
- Note 12 and 33.4 - measurement of expected credit loss ("ECL"); and
- Note 33.7 - hedging activities

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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(v) Joint arrangements (continued)

- 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(b) Foreign currency (continued)

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

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.

NOTES TO THE FINANCIAL STATEMENTS

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

Financial liabilities (continued)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(v) Hedge accounting (continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

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.

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

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(viii) Offsetting

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation (continued)

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

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

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

(e) Leases

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(e) Leases (continued)

(ii) Recognition and initial measurement (continued)

(a) As a lessee (continued)

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.

Leasehold land, being a right-of-use asset held under a lease contract, is classified under different category of assets, namely right-of-use assets or inventories depends on its nature of use.

(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.

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, if any, and adjusted for certain remeasurements of the lease liability.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(e) Leases (continued)

(iii) Subsequent measurement (continued)

(a) As a lessee (continued)

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

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

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

(b) As a lessor

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

(f) Intangible assets

(i) Goodwill

Goodwill arising 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

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(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 22 years, the expected useful life of the oil palms, calculated from the time when the palms are declared mature, normally 36 months after initial planting. Upon maturity, all subsequent maintenance expenditure is charged to profit or loss.

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 financial year the bearer plant is derecognised.

(h) Agricultural produce

Agricultural produce comprises produce growing on the bearer plants.

A gain or loss arising on initial recognition of 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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(i) Inventories (continued)

(iii) Completed properties

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

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

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

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

Cost of crude palm oil and palm kernel includes direct labour, an appropriate share of production overheads and the fair value attributed to agriculture produce at year end in accordance to MFRS 141. The fair value of agricultural produce harvested from the Group's own 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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(l) Cash and cash equivalents

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

(m) Impairment

(i) Financial assets

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(q) Revenue and other income (continued)

(i) Goods sold (continued)

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-alone selling price.

The following are descriptions of principal activities from which the Group or the Company generates its other revenue.

(a) Rental income

Rental income from sub-leased property is recognised as other income.

(b) Dividend income

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

(c) Interest income

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

(d) Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant; they are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same period in which the expenses are recognised.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(r) Borrowing costs

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

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

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

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

(s) Income tax

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

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies (continued)

(t) Contingent liabilities

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

(u) Earnings per ordinary share

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

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

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

(v) Operating segments

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

(w) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

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

NOTES TO THE FINANCIAL STATEMENTS

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 2021	409,023	31,428	510,783	710,557	141,710	72,051	1,875,552
Additions	8,252	1,884	9,509	27,896	14,076	63,044	124,661
Disposals	(16)	(62)	-	(1,765)	(1,527)	-	(3,370)
Reclassification	3,850	-	8,104	24,869	-	(36,823)	-
Write-offs	(408)	(240)	-	(3,010)	(479)	(6)	(4,143)
Exchange translation differences	214	5	-	-	-	-	219
At 31 December 2021/1 January 2022	420,915	33,015	528,396	758,547	153,780	98,266	1,992,919
Additions	2,272	3,578	1,628	39,776	13,371	48,727	109,352
Disposals	(21)	(122)	-	(4,960)	(2,865)	-	(7,968)
Reclassification	10,358	438	12,768	38,167	-	(61,731)	-
Write-offs	(349)	(632)	-	(3,814)	(1,265)	-	(6,060)
Exchange translation differences	885	12	-	-	-	-	897
At 31 December 2022	434,060	36,289	542,792	827,716	163,021	85,262	2,089,140

NOTES TO THE FINANCIAL STATEMENTS

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 2021	189,899	21,146	6,718	456,151	101,106	-	835,420
Depreciation for the financial year	18,772	2,656	8,200	48,970	9,928	-	88,526
Disposals	(15)	(53)	-	(1,247)	(663)	-	(1,978)
Reclassification	(972)	(13)	972	29	(16)	-	-
Write-offs	(318)	(216)	-	(2,254)	(595)	-	(3,383)
Exchange translation differences	17	3	-	-	-	-	20
At 1 December 2021/1 January 2022	207,383	23,523	76,290	501,649	109,760	-	918,605
Depreciation for the financial year	18,877	3,411	8,406	50,674	8,747	-	90,115
Disposals	(21)	(89)	-	(3,549)	(2,247)	-	(5,906)
Write-offs	(348)	(583)	-	(3,479)	(1,197)	-	(5,607)
Exchange translation differences	91	8	-	-	-	-	99
At 31 December 2022	225,982	26,270	84,696	545,295	115,063	-	997,306
Carrying amounts							
At 31 December 2021	213,532	9,492	452,106	256,898	44,020	98,266	1,074,314
At 31 December 2022	208,078	10,019	458,096	282,421	47,958	85,262	1,091,834

NOTES TO THE FINANCIAL STATEMENTS

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 2021	149,119	19,396	27,767	287,366	21,205	15,209	520,062
Additions	5,920	891	1,102	4,150	2,398	21,334	35,795
Disposals	(16)	(53)	-	(1,766)	(1,024)	-	(2,859)
Write-offs	(68)	(106)	-	(660)	-	-	(834)
Reclassification	454	871	64	4,335	-	(5,724)	-
At 31 December 2021/1 January 2022	155,409	20,999	28,933	293,425	22,579	30,819	552,164
Additions	1,174	1,449	576	12,334	2,956	17,864	36,353
Disposals	(21)	(95)	-	(2,688)	(559)	-	(3,363)
Write-offs	(2)	(279)	-	(352)	-	-	(633)
Reclassification	1,413	-	-	11,030	-	(12,443)	-
At 31 December 2022	157,973	22,074	29,509	313,749	24,976	36,240	584,521

NOTES TO THE FINANCIAL STATEMENTS

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 2021	89,550	12,464	2,199	234,074	18,579	-	356,866
Depreciation for the financial year	6,249	1,568	468	14,652	820	-	23,757
Disposals	(15)	(47)	-	(1,525)	(537)	-	(2,124)
Write-offs	(68)	(94)	-	(614)	-	-	(776)
At 31 December 2021/1 January 2022	95,716	13,891	2,667	246,587	18,862	-	377,723
Depreciation for the financial year	6,518	1,978	486	14,458	952	-	24,392
Disposals	(21)	(76)	-	(1,501)	(296)	-	(1,894)
Write-offs	(2)	(257)	-	(281)	-	-	(540)
At 31 December 2022	102,211	15,536	3,153	259,263	19,518	-	399,681
Carrying amounts							
At 31 December 2021	59,693	7,108	26,266	46,838	3,717	30,819	174,441
At 31 December 2022	55,762	6,538	26,356	54,486	5,458	36,240	184,840

NOTES TO THE FINANCIAL STATEMENTS

3. Property, plant and equipment (continued)

3.1 Additions to property, plant and equipment

Additions during the year include:

		Group		Company	
		2022	2021	2022	2021
	Note	RM'000	RM'000	RM'000	RM'000
Finance costs capitalised	25	2,356	885	1,194	652

Included in additions to property, plant and equipment during the year are finance costs capitalised at rates ranging from 2.81% to 4.50% (2021: 3.53% to 3.56%) per annum.

3.2 Allocation of depreciation

		Group		Company	
		2022	2021	2022	2021
	Note	RM'000	RM'000	RM'000	RM'000
Recognised in profit or loss	27	89,112	87,198	24,120	23,362
Capitalised into bearer plants	4.1	879	1,256	265	395
Capitalised into inventories		124	72	7	-
		90,115	88,526	24,392	23,757

3.3 Security

Assets under hire purchase financing are charged to secure the hire purchase financing 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:

	2022	2021
	RM'000	RM'000
Buildings	33,771	35,348

NOTES TO THE FINANCIAL STATEMENTS

4. Bearer plants

	Note	Group RM'000	Company RM'000
Cost			
At 1 January 2021		1,372,700	181,243
Additions		19,808	13,047
Written off		(15,930)	(2,146)
At 31 December 2021/1 January 2022		1,376,578	192,144
Additions		21,121	10,796
Written off		(12,488)	-
At 31 December 2022		1,385,211	202,940
Accumulated amortisation			
At 1 January 2021		392,736	29,173
Amortisation for the financial year	27	72,535	6,664
Written off		(9,938)	(1,990)
At 31 December 2021/1 January 2022		455,333	33,847
Amortisation for the financial year	27	74,765	7,779
Written off		(9,613)	-
At 31 December 2022		520,485	41,626
Carrying amounts			
At 31 December 2021/1 January 2022		921,245	158,297
At 31 December 2022		864,726	161,314

4.1 Additions to bearer plants

Additions to bearer plants include the capitalisation of the following expenditure:

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Depreciation of property, plant and equipment	3.2	879	1,256	265	395
Finance costs	25	769	1,977	532	1,393
Personnel expenses					
- wages, salaries and others		4,813	4,800	2,533	3,712

The finance costs are capitalised at rates ranging from 2.81% to 4.00% (2021: 3.53% to 3.56%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

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 2021	582,435	6,040	2,735	2,454	593,664
Additions	12,024	-	204	-	12,228
Exchange translation difference	-	-	52	-	52
At 31 December 2021/1 January 2022	594,459	6,040	2,991	2,454	605,944
Additions	252	-	847	53	1,152
Modifications/terminations	-	-	(1,058)	-	(1,058)
Exchange translation difference	-	-	114	-	114
At 31 December 2022	594,711	6,040	2,894	2,507	606,152
Accumulated depreciation					
At 1 January 2021	81,020	778	1,130	275	83,203
Depreciation for the financial year	8,732	120	728	123	9,703
Exchange translation difference	-	-	52	-	52
At 31 December 2021/1 January 2022	89,752	898	1,910	398	92,958
Depreciation for the financial year	8,769	120	695	130	9,714
Modifications/terminations	-	-	(808)	-	(808)
Exchange translation difference	-	-	114	-	114
At 31 December 2022	98,521	1,018	1,911	528	101,978
Carrying amounts					
At 31 December 2021	504,707	5,142	1,081	2,056	512,986
At 31 December 2022	496,190	5,022	983	1,979	504,174

NOTES TO THE FINANCIAL STATEMENTS

5. Right-of-use assets (continued)

	Leasehold land RM'000	Land use rights RM'000	Buildings RM'000	Total RM'000
Company				
Cost				
At 1 January 2021	38,791	993	2,173	41,957
Additions	11,948	-	-	11,948
At 31 December 2021/1 January 2022	50,739	993	2,173	53,905
Additions	-	-	773	773
Modifications/terminations	-	-	(1,058)	(1,058)
At 31 December 2022	50,739	993	1,888	53,620
Accumulated depreciation				
At 1 January 2021	11,304	66	851	12,221
Depreciation for the financial year	476	66	512	1,054
At 31 December 2021/1 January 2022	11,780	132	1,363	13,275
Depreciation for the financial year	510	67	434	1,011
Modifications/terminations	-	-	(808)	(808)
At 31 December 2022	12,290	199	989	13,478
Carrying amount				
At 31 December 2021	38,959	861	810	40,630
At 31 December 2022	38,449	794	899	40,142

As a lessee

Group

Right-of use assets are in relation to lease of land from state government which is single one-off upfront lease payment, 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 2022, certain leasehold land of the Group with total carrying amount of RM76,393,000 (2021: RM78,349,000) are pledged to banks for banking facilities granted to the Group (see Note 19).

NOTES TO THE FINANCIAL STATEMENTS

5. Right-of-use assets (continued)

As a lessee (continued)

Company (continued)

5.2 Variable lease payments

Fixed and variable rental payments for the year ended 31 December 2022 were as follows:

	Fixed payments*	Variable payments	Total payments	Estimated annual impact on rent of 1% increase in usage
	RM'000	RM'000	RM'000	RM'000
Leases with lease payments based on usage	1,396	8,588	9,984	86

* The Group applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.

6. Intangible assets - Group

	Goodwill RM'000	Trademark RM'000	Total RM'000
Cost			
At 1 January 2021	168,123	167	168,290
Additions	-	14	14
At 31 December 2021/1 January 2022	168,123	181	168,304
Additions	-	13	13
At 31 December 2022	168,123	194	168,317
Accumulated amortisation			
At 1 January 2021	-	24	24
Amortisation for the year	-	16	16
At 31 December 2021/1 January 2022	-	40	40
Amortisation for the year	-	22	22
At 31 December 2022	-	62	62
Carrying amount			
At 31 December 2021	168,123	141	168,264
At 31 December 2022	168,123	132	168,255

NOTES TO THE FINANCIAL STATEMENTS

6. Intangible assets – Group (continued)

Goodwill

Goodwill has been allocated to the Group's CGUs identified, which is the plantations segment as follows:

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the respective cash generating units ("CGU") in respect of the following subsidiaries in the plantations segment, which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes. The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	Group	
	2022	2021
	RM'000	RM'000
SOP Plantations (Murum) Sdn. Bhd.	162,941	162,941
SOP Plantations (Borneo) Sdn. Bhd.	1,026	1,026
SOP Industries Sdn. Bhd.	696	696
SOP Karabungan Sdn. Bhd.	500	500
SOP Plantations (Sabaju) Sdn. Bhd.	2,960	2,960
	168,123	168,123

The Group performs the impairment testing on an annual basis or more frequently if there is an indication that the goodwill may be impaired. An impairment testing may be performed at any time within an annual reporting period provided the test is performed at the same time annually. This testing involves determining the CGUs' value in use and comparing to the carrying amount of the CGUs. Where the value in use exceeds the carrying value of the CGUs, the asset is not impaired, but where the carrying amount exceeds the value in use, an impairment loss is recognised to reduce the carrying amount of the CGUs to its value in use. Estimates of value in use are key judgemental estimates in the financial statements. A number of key assumptions have been made as a basis for the impairment tests. In each case, these key assumptions have been made by management reflecting past experiences and are consistent with relevant external sources of information.

The recoverable amount of the CGUs has been estimated using the value-in-use method. Value in use was determined by discounting the projected cash flow based on operating results over the expected useful life of the bearer plants on the following key assumptions:

- (i) Average selling prices was determined based on long term pricing of crude palm oil, palm kernel and fresh fruit bunch of RM3,695/MT, RM2,071/MT and RM738/MT (2021: RM3,095/MT, RM1,805/MT and RM607/MT) respectively;
- (ii) Yield rates ranging from 17.13 MT/HA to 23.20 MT/HA (2021: 17.66MT/HA to 23.98MT/HA) depend on the age profile of the bearer plants; and
- (iii) Pre-tax discount rates of 10% (2021: 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 RM83,117,000 (2021: RM82,190,000), without any impairment;
- (ii) Reduction in the average selling price by 5% would have resulted in a reduction in recoverable amount by RM257,162,000 (2021: RM141,281,000), without any impairment; and
- (iii) Reduction in the production volume by 5% would have resulted in a reduction in recoverable amount by RM271,114,000 (2021: RM130,247,000), without any impairment.

NOTES TO THE FINANCIAL STATEMENTS

7. Investment in subsidiaries

	2022 RM'000	2021 RM'000
Unquoted shares, at cost		
Ordinary shares	1,349,895	1,506,395
Redeemable preference shares	300,394	123,636
	1,650,289	1,630,031

Certain subsidiaries of the Company were loss making for the financial year ended 31 December 2022 which indicated that there may be an impairment on the investment in these subsidiaries. The Company has evaluated the indicator and performed impairment testing of these investments to evaluate whether the investment in subsidiaries 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%. As the recoverable amount is higher than the carrying amount, the Company has concluded no further impairment to the investment in subsidiaries.

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 remain consistent over five years.

On 25 August 2022, the Board of Directors has approved the proposal of a wholly-owned subsidiary, SOP Plantations (Beluru) Sdn. Bhd. to restructure and convert 160,000,000 ordinary shares into 4% non-cumulative redeemable preference shares.

During the year, the Company has subscribed for additional 400,000 (2021: 905,000) preference shares in a wholly owned subsidiary, Asia Oils Investment Pte. Ltd. for a total consideration of USD400,000 (2021: SGD995,750) equivalent to RM1,758,200 (2021: RM3,100,000) and an additional 15,000,000 (2021: -) preference shares in SOP Properties Sdn Bhd, a wholly owned subsidiary of the Company, for a total consideration of RM15,000,000.

Name of subsidiaries	Principal activities	Principal place of business/ country of incorporation	Effective ownership interest and voting interest	
			2022 %	2021 %
Held by the Company:				
SOP Karabungan Sdn. Bhd.	Cultivation of oil palms	Malaysia	70	70
SOP Pelita Batu Lintang Plantation Sdn. Bhd.	Cultivation of oil palms	Malaysia	60	60
SOP Plantations (Balingian) Sdn. Bhd.	Cultivation of oil palms	Malaysia	80	80
SOP Plantations (Beluru) Sdn. Bhd.	Cultivation of oil palms	Malaysia	100	100
SOP Plantations (Borneo) Sdn. Bhd.	Cultivation of oil palms	Malaysia	85	85
SOP Plantations (Kemena) Sdn. Bhd.	Cultivation of oil palms	Malaysia	100	100
SOP Plantations (Niah) Sdn. Bhd.	Cultivation of oil palms	Malaysia	80	80
SOP Plantations (Sarawak) Sdn. Bhd.	Investment holding	Malaysia	100	100
SOP Plantations (Suai) Sdn. Bhd.	Cultivation of oil palms	Malaysia	85	85

NOTES TO THE FINANCIAL STATEMENTS

7. Investment in subsidiaries – Company (continued)

Name of subsidiaries	Principal activities	Principal place of business/ country of incorporation	Effective ownership interest and voting interest	
			2022	2021
			%	%
Held by the Company: (continued)				
SOP Plantations (Sabaju) Sdn. Bhd.	Cultivation of oil palms	Malaysia	100	100
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
SOP Agro Sdn. Bhd.	Processing oil palm by-products into fertilisers	Malaysia	100	100
SOP Corporate Services Sdn. Bhd.	Corporate support and services	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.	Licensed money lending activities	Malaysia	100	100
Healthy Strides Malaysia Sdn. Bhd. (formerly known as Murum Trading Sdn. Bhd.)	Physiotherapy and training centre, health and medical related activities	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
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 Properties Sdn. Bhd.:				
Wawasan Asiamaju Sdn. Bhd.	Property development	Malaysia	100	100
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

NOTES TO THE FINANCIAL STATEMENTS

7. Investment in subsidiaries – Company (continued)

Name of subsidiaries	Principal activities	Principal place of business/ country of incorporation	Effective ownership interest and voting interest	
			2022 %	2021 %
Held through SOP Industries Sdn. Bhd.: (continued)				
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.	Research and development	Malaysia	100	100
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 cooking oil	Malaysia	70	70
TSEA Sdn. Bhd.	Packaging and distribution of cooking oil	Malaysia	70	70
Held through Avantsar Sdn. Bhd.:				
Avantsar International Sdn. Bhd.®	Marketing, selling and distribution of health and food products	Malaysia	100	-

* The financial statements of these subsidiaries are audited by a member of KPMG International.

^ Included ownership interest held by the Company of 3.83% (2021: 3.83%).

@ The wholly-owned subsidiary, Avantsar International Sdn. Bhd. is incorporated on 7 September 2022.

NOTES TO THE FINANCIAL STATEMENTS

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:

	SOP Plantations (Niah) Sdn. Bhd.	SOP Plantations (Balingian) Sdn. Bhd.	SOP Plantations (Borneo) Sdn. Bhd.	Other subsidiaries with immaterial NCI	Total
2022	RM'000	RM'000	RM'000	RM'000	RM'000
NCI percentage of ownership interest and voting interest	20%	20%	15%		
Carrying amount of NCI	39,496	33,399	48,479	30,829	152,203
Profit allocated to NCI	5,324	3,804	3,494	11,976	24,598

Summarised financial information before intra-group elimination

As at 31 December 2022

Non-current assets	49,115	32,491	78,779
Current assets	162,645	142,987	234,555
Non-current liabilities	(10,115)	(6,249)	(16,550)
Current liabilities	(4,166)	(2,232)	(6,965)
Net assets	197,479	166,997	289,819

Year ended 31 December 2022

Revenue	65,788	53,451	101,137
Profit for the year, representing total comprehensive income	26,619	19,019	26,374
Cash flows from operating activities	32,630	21,545	26,933
Cash flow from/(used in) investing activities	22,491	(1,392)	27,018
Cash flow used in financing activities	(8,000)	(10,000)	(10,000)
Net increase in cash and cash equivalents	47,121	10,153	43,951
Dividend paid to NCI	1,600	2,000	1,500

NOTES TO THE FINANCIAL STATEMENTS

7. Investment in subsidiaries – Company (continued)

Non-controlling interests in subsidiaries (continued)

	SOP Plantations (Niah) Sdn. Bhd.	SOP Plantations (Balingian) Sdn. Bhd.	SOP Plantations (Borneo) Sdn. Bhd.	Other subsidiaries with immaterial NCI	Total
2021	RM'000	RM'000	RM'000	RM'000	RM'000
NCI percentage of ownership interest and voting interest	20%	20%	15%		
Carrying amount of NCI	35,772	31,596	46,485	22,739	136,592
Profit allocated to NCI	4,746	4,395	6,156	16,306	31,603

Summarised financial information before intra-group elimination

As at 31 December 2021

Non-current assets	44,995	34,868	84,034
Current assets	146,663	132,537	213,185
Non-current liabilities	(9,302)	(7,005)	(18,282)
Current liabilities	(3,496)	(2,442)	(5,492)
Net assets	178,860	157,958	273,445

Year ended 31 December 2021

Revenue	57,474	49,380	104,141
Profit for the year, representing total comprehensive income	23,731	21,977	43,264
Cash flows from operating activities	25,124	23,767	44,738
Cash flow used in investing activities	(29,388)	(791)	(17,032)
Cash flow used in financing activities	(8,117)	(10,000)	(10,000)
Net (decrease)/increase in cash and cash equivalents	(12,381)	12,976	17,706
Dividend paid to NCI	1,600	2,000	1,500

NOTES TO THE FINANCIAL STATEMENTS

8. Investment in joint venture – Group

	2022 RM'000	2021 RM'000
Investment in shares	42,834	42,834
Share of post-acquisition reserves	(19,731)	(17,200)
Less: Impairment loss (Note 8.1)	(3,471)	(3,471)
	19,632	22,163

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	
			2022 %	2021 %
Seaworth Pte. Ltd.	Singapore	Investment holding	50	50

In 2021, the Group has subscribed to additional 425,000 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.

8.1 Impairment loss

In prior years, an accumulated impairment loss RM3,471,000 was made against the carrying amount of the investment in joint venture, based on the estimated recoverable amount of the said investment. The recoverable amount is determined based on the estimated fair value of the net assets in the joint venture at the reporting date (fair value less cost to sell), using the valuation of the marine vessels which was performed by an external valuer.

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.	
	2022 RM'000	2021 RM'000
Group		
Summarised financial information		
As at 31 December		
Non-current assets	22,115	52,697
Current assets	2,237	3,347
Cash and cash equivalents	24,859	1,747
Current liabilities	(1,207)	(7,184)
Non-current liabilities	-	(275)
Net assets	48,004	50,332

NOTES TO THE FINANCIAL STATEMENTS

8. Investment in joint venture – Group (continued)

	Seaworth Pte. Ltd.	
	2022	2021
	RM'000	RM'000
Group (continued)		
Year ended 31 December		
Loss/Total comprehensive loss for the financial year	(5,062)	(5,761)
<i>Included in the loss/total comprehensive loss is:</i>		
Revenue	29,597	27,389
Depreciation	(6,025)	(4,455)
Impairment loss on goodwill	(1,713)	-
Gain on disposal of property, plant and equipment	2,224	-
Finance costs	(22)	(34)
Tax expense	(105)	(34)
Reconciliation of net assets to carrying amount		
Group's share of net assets	24,002	25,166
Goodwill	1,250	1,250
Impairment losses	(3,471)	(3,471)
Effect of movements in exchange rates	(2,149)	(782)
Carrying amount in the statement of financial position	19,632	22,163
Group's share of results for the financial year ended 31 December		
Group's share of loss/total comprehensive loss	(2,531)	(2,881)

9. Inventories

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Non-current				
Cost				
Land held for property development (Note 9.1)	58,191	57,525	-	-

NOTES TO THE FINANCIAL STATEMENTS

9. Inventories (continued)

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Current				
Cost				
Raw materials	146,639	24,456	3,168	2,629
Finished goods	104,171	243,153	33,871	36,215
Nursery inventories	7,463	2,791	595	1,084
Stores and consumables	80,341	65,913	22,914	17,389
Construction materials	121	75	-	-
Completed properties	13,541	19,072	-	-
	352,276	355,460	60,548	57,317
Net realisable value				
Finished goods	115,752	23,295	-	-
Raw material	-	95,111	-	-
Completed properties	2,609	2,609	-	-
	118,361	121,015	-	-
	470,637	476,475	60,548	57,317
	528,828	534,000	60,548	57,317
Recognised in profit or loss:				
Inventories recognised as cost of sales	2,453,040	2,828,789	1,530,279	1,313,655
Written off	77	136	-	-
Write down to net realisable value	3,788	634	-	-

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

	2022	2021
	RM'000	RM'000
Leasehold land ("right-of-use assets")	36,430	36,016
Development costs	21,761	21,509
	58,191	57,525

NOTES TO THE FINANCIAL STATEMENTS

10. Deferred tax assets/(liabilities)

10.1 Recognised deferred tax assets and liabilities

Deferred taxation is attributable to the followings:

	Assets		Liabilities		Net	
	2022	2021	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
Property, plant and equipment	-	-	(165,656)	(168,762)	(165,656)	(168,762)
Bearer plants	-	-	(203,170)	(215,301)	(203,170)	(215,301)
Rights-of-use assets	-	-	(91,163)	(92,689)	(91,163)	(92,689)
Fair value adjustment on cash flow hedge	-	458	(92)	-	(92)	458
Fair value adjustment on agricultural produce	-	-	(5,263)	(8,200)	(5,263)	(8,200)
Unutilised tax losses	19,760	41,035	-	-	19,760	41,035
Unabsorbed capital allowance and agriculture allowance	52,534	65,972	-	-	52,534	65,972
Others	8,989	19,440	-	-	8,989	19,440
Tax assets/(liabilities)	81,283	126,905	(465,344)	(484,952)	(384,061)	(358,047)
Set off of tax	(76,132)	(107,332)	76,132	107,332	-	-
Net tax assets/(liabilities)	5,151	19,573	(389,212)	(377,620)	(384,061)	(358,047)
Company						
Property, plant and equipment	-	-	(13,208)	(15,641)	(13,208)	(15,641)
Bearer plants	-	-	(38,715)	(37,991)	(38,715)	(37,991)
Fair value adjustment on agricultural produce	-	-	(869)	(1,093)	(869)	(1,093)
Others	-	-	5,132	6,950	5,132	6,950
Tax liabilities	-	-	(47,660)	(47,775)	(47,660)	(47,775)

NOTES TO THE FINANCIAL STATEMENTS

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 1.1.2021 RM'000	Recognised in profit or loss RM'000	Recognised in other comprehensive income RM'000	At 31.12.2021/ 1.1.2022 RM'000	Recognised in profit or loss RM'000	Recognised in other comprehensive income RM'000	At 31.12.2022 RM'000
Group							
Property, plant and equipment	174,199	(5,437)	-	168,762	(3,106)	-	165,656
Bearer plants	222,676	(7,375)	-	215,301	(12,131)	-	203,170
Rights-of-use assets	94,212	(1,523)	-	92,689	(1,526)	-	91,163
Fair value adjustment on cash flow hedge	(2,043)	-	1,585	(458)	-	550	92
Fair value adjustment on agricultural produce	6,058	2,142	-	8,200	(2,937)	-	5,263
Unutilised tax losses	(66,286)	314	-	(65,972)	13,438	-	(52,534)
Unabsorbed capital allowance and agriculture allowance	(101,787)	60,752	-	(41,035)	21,275	-	(19,760)
Others	(14,973)	(4,467)	-	(19,440)	10,451	-	(8,989)
	312,056	44,406	1,585	358,047	25,464	550	384,061
	(Note 26)		(Note 29)	(Note 26)		(Note 29)	
Company							
Deferred tax liabilities							
Property, plant and equipment	11,634			4,007	15,641	(2,433)	13,208
Bearer plants	36,497			1,494	37,991	724	38,715
Agricultural produce	651			442	1,093	(224)	869
Others	(4,484)			(2,466)	(6,950)	1,818	(5,132)
	44,298			3,477	47,775	(115)	47,660
	(Note 26)			(Note 26)		(Note 26)	

NOTES TO THE FINANCIAL STATEMENTS

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

10.3 Unrecognised deferred tax assets - Group

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

	2022 RM'000	2021 RM'000
Unabsorbed tax losses carried forward	20,288	55,341
Unutilised capital allowances	6,654	7,163
Others	1,004	1,980
	27,946	64,484

Deferred tax assets of RM6,707,000 (2021: RM14,103,000) 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.

Under the Income Tax Act 1967, unabsorbed business losses from a year of assessment can only be carried forward up to 10 consecutive year of assessment ("YA") effective from YA2019. 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.

Unutilised tax losses of RM20,288,000 (2021: RM35,729,000) will expire between year ending 2029 to 2032 (2021: 2026 to 2031).

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 year end is nil (2021: RM19,612,000).

11. Agricultural produce

	Group RM'000	Company RM'000
Unharvested fresh fruit bunches		
Fair value		
At 1 January 2021	25,282	2,712
Changes in fair value less costs to sell	8,887	1,843
At 31 December 2021/1 January 2022	34,169	4,555
Changes in fair value less costs to sell	(12,239)	(935)
At 31 December 2022	21,930	3,620

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 1.2 million metric tonne ("mt") (2021: 1.2 million mt) and 179,000 mt (2021: 157,000 mt) of FFB respectively. The estimated quantity of unharvested FFB of the Group and of the Company as at 31 December 2022 included in the fair valuation was 137,000 mt (2021: 133,000 mt) and 22,000 mt (2021: 17,000 mt) respectively.

NOTES TO THE FINANCIAL STATEMENTS

11. Agricultural produce (continued)

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.

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 model 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.	<ul style="list-style-type: none"> Expected FFB production of 137,000 mt (2021: 133,000 mt) Expected oil content of 51,000 mt (2021: 48,000 mt) Average FFB sales price (2022: RM545/mt – RM763/mt; 2021: RM898/mt – RM1,143/mt) Average harvest and collection cost (2022: RM60/mt – RM169/mt; 2021: RM47/mt – RM134/mt) 	<ul style="list-style-type: none"> Expected FFB production of 22,000 mt (2021: 17,000 mt) Expected oil content of 8,000 mt (2021: 6,000 mt) Average FFB sales price (2022: RM659/mt – RM728/mt); 2021: RM966/mt – RM1,055/mt) Average harvest and collection cost (2022: RM64/mt – RM99/mt; 2021: RM58/mt – RM79/mt) 	<p>The estimated fair value would increase/ (decrease) if:</p> <ul style="list-style-type: none"> 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);

NOTES TO THE FINANCIAL STATEMENTS

11. Agricultural produce (continued)

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.

	2022		2021	
	Increase/(Decrease) in price and volume	Increase/(Decrease) in fair value of agricultural produce and profit before tax for the year	Increase/(Decrease) in price and volume	Increase/(Decrease) in fair value of agricultural produce and profit before tax for the year
		RM'000		RM'000
Group				
Selling price	10%	2,290	10%	4,239
	(10%)	(2,113)	(10%)	(2,072)
FFB metric	10%	2,193	10%	3,417
tonnage	(10%)	(2,193)	(10%)	(3,417)
Company				
Selling price	10%	311	10%	94
	(10%)	(311)	(10%)	(647)
FFB metric	10%	362	10%	456
tonnage	(10%)	(362)	(10%)	(456)

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 formulate 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 changes, 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.

NOTES TO THE FINANCIAL STATEMENTS

12. Trade and other receivables

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Trade					
Trade receivables		219,518	252,040	-	-
Less: Allowance for impairment losses		(125)	(3,347)	-	-
		219,393	248,693	-	-
Amount due from subsidiaries		-	-	62,462	67,492
		219,393	248,693	62,462	67,492
Non-trade					
Other receivables		26,113	30,972	4,006	4,042
Less: Allowance for impairment losses		(464)	(419)	-	-
		25,649	30,553	4,006	4,042
Amount due from subsidiaries	12.2	-	-	191,900	356,492
Less: Allowance for impairment losses		-	-	(9,904)	(9,904)
		-	-	181,996	346,588
		25,649	30,553	186,002	350,630
Refundable deposits		3,065	2,825	2,093	2,138
		28,714	33,378	188,095	352,768
Total trade and other receivables		248,107	282,071	250,557	420,260

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 RM127,702,000 (2021: RM283,884,000) is unsecured, bears interest at 4.50% (2021: 3.50%) per annum and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

13. Contract assets – Group

	2022 RM'000	2021 RM'000
Contract assets	42,444	37,934

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:

	2022 RM'000	2021 RM'000
Contract assets at the beginning of the period not transferred to trade receivables due to change in time frame	37,934	21,067
Contract assets at the beginning of the period transferred to trade receivables	(34,763)	(20,427)
Revenue recognised during the year	47,774	50,473
Progress billing during the year	(8,501)	(13,179)
	42,444	37,934

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

	2022			2021		
	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	61,071	45	48	91,917	6,512	-
- Forward currency contracts	271,970	1,184	-	340,212	2,185	-
Derivatives used for hedging						
- Cash flow hedges	150,000	376	-	200,000	-	1,913
Total derivatives		1,605	48		8,697	1,913
Less: Current portion		(1,605)	(48)		(8,697)	(1,505)
Non-current portion		-	-		-	408

NOTES TO THE FINANCIAL STATEMENTS

14. Derivatives (continued)

a) Derivatives not designated as hedging instruments

The Group uses forward commodity contracts and forward currency contracts 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 qualify for hedge accounting.

Forward currency contracts are used to hedge the Group's sales denominated in USD 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		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Fixed deposits with original maturities exceeding three months	124,302	234,269	20,443	58,352

16. Cash and cash equivalents

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Cash on hand and at banks	331,933	275,394	179,467	135,325
Fixed deposits with original maturities not exceeding three months	921,713	521,299	233,316	89,728
	1,253,646	796,693	412,783	225,053

NOTES TO THE FINANCIAL STATEMENTS

17. Capital and reserves – Group and Company

17.1 Share capital

	2022		2021	
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
Ordinary shares				
<i>Issued and fully paid shares with no par value classified as equity instruments:</i>				
At 1 January	823,162	571,694	820,982	571,122
Exercise of share options	77,376	21,749	1,848	572
Transfer from employee share option reserve	13,936	-	332	-
Bonus issue	-	296,721	-	-
At 31 December	914,474	890,164	823,162	571,694

During the financial year, the Company completed its bonus issue of 296,721,158 new ordinary shares on the basis of one (1) bonus share for every two (2) ordinary shares held in the Company.

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.

17.2 Other reserves – Group

	Hedge reserve RM'000	Foreign currency translation reserve RM'000	Total RM'000
At 1 January 2021	(6,472)	(71)	(6,543)
Other comprehensive income:			
Exchange differences on translation of the financial statements of foreign entities	-	732	732
Fair value adjustment on cash flow hedge	5,018	-	5,018
At 31 December 2021	(1,454)	661	(793)
At 1 January 2022	(1,454)	661	(793)
Other comprehensive income:			
Exchange differences on translation of the financial statements of foreign entities	-	1,975	1,975
Fair value adjustment on cash flow hedge	1,740	-	1,740
At 31 December 2022	286	2,636	2,922

NOTES TO THE FINANCIAL STATEMENTS

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 share option reserve

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
At 1 January	26,481	23,870	26,481	23,870
Share options granted under ESOS recognised in profit or loss	3,461	2,943	1,041	986
Charged to subsidiaries	-	-	2,420	1,957
Transfer to share capital arising from exercise of share options	(13,936)	(332)	(13,936)	(332)
At 31 December	16,006	26,481	16,006	26,481

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.
- (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.

NOTES TO THE FINANCIAL STATEMENTS

18. Employee share option reserve (continued)

(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:

	2022	2021
Fair value of share options at the following grant dates (RM):		
12 April 2022	2.96	-
6 April 2021	-	1.34
Weighted average share price (RM)	6.20	3.93
Weighted average exercise price (RM)	5.18	3.57
Expected volatility (%) *	87.79	55.81
Expected life (years)	3	3
Risk free rate (%)	2.00	2.25
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.

NOTES TO THE FINANCIAL STATEMENTS

18. Employee share option reserve (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	Granted	Exercised	Forfeited and other adjustment	Adjustment for bonus issue during the year	Outstanding 31 December	Exercisable 31 December
	'000	'000	'000	'000	'000	'000	'000
2022							
2022 options	-	1,543	-	(188)	746	2,101	427
2021 options	593	-	(134)	(185)	200	474	93
2020 options	491	-	(146)	(52)	162	455	131
2019 options	987	-	(368)	(163)	295	751	221
2018 options	947	-	(425)	(93)	233	662	269
2017 options	31,588	-	(20,676)	(935)	5,096	15,073	8,184
WAEP (RM)	3.53	5.18	3.56	3.57	2.44	2.45	2.40
2021							
2021 options	-	714	-	(121)	-	593	110
2020 options	592	-	(28)	(73)	-	491	153
2019 options	1,172	-	(92)	(93)	-	987	393
2018 options	1,128	-	(92)	(89)	-	947	515
2017 options	32,648	-	(360)	(700)	-	31,588	24,648
WAEP (RM)	3.52	3.57	3.23	3.34	-	3.53	3.56

NOTES TO THE FINANCIAL STATEMENTS

18. Employee share option reserve (continued)

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

Grant date	WAEP RM	Exercisable period
2022	3.46	12.4.2022-18.9.2027
2021	2.38	6.4.2021-18.9.2027
2020	1.49	17.4.2020-18.9.2027
2019	1.48	2.5.2019-18.9.2027
2018	2.08	25.5.2018-18.9.2027
2017	2.40	27.10.2017-18.9.2027

- (ii) Share options exercised during the year:

Option exercised during the financial year resulted in the issuance of 21,748,800 (2021: 572,000) ordinary shares at an average price of RM 3.56 (2021: RM3.23) each. The related weighted average share price at the date of exercise was RM 3.42 (2021: RM3.92).

The Company completed its bonus issue exercise on 19 July 2022 and the exercise price has been adjusted accordingly.

19. Loans and borrowings

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Non-current					
Secured:					
Hire purchase financing	19.1	23	1,876	-	-
Term loans		426,566	500,773	200,000	200,000
Sukuk Murabahah	19.2	19,536	19,461	20,000	20,000
		446,125	522,110	220,000	220,000
Current					
Secured:					
Hire purchase financing	19.1	1,852	4,067	-	41
Revolving credits		5,000	-	5,000	-
Term loans		74,377	182,043	-	100,000
		81,229	186,110	5,000	100,041
Unsecured:					
Bankers acceptances/short term loans		233,600	309,202	-	-
Term loans		-	367	-	-
		233,600	309,569	-	-
		314,829	495,679	5,000	100,041
Total loans and borrowings		760,954	1,017,789	225,000	320,041

NOTES TO THE FINANCIAL STATEMENTS

19. Loans and borrowings (continued)

19.1 Hire purchase financing

Hire purchase financing are payable as follows:

	Payment RM'000	Interest RM'000	Principal RM'000
Group			
2022			
Less than one year	1,886	34	1,852
Between one and two years	23	-	23
	1,909	34	1,875
2021			
Less than one year	4,264	197	4,067
Between one and two years	1,910	34	1,876
	6,174	231	5,943
Company			
2022			
Less than one year	-	-	-
Between one and two years	-	-	-
	-	-	-
2021			
Less than one year	41	-	41
Between one and two years	-	-	-
	41	-	41

19.2 Sukuk Murabahah

In financial year 2020, 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 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

19. Loans and borrowings (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 acceptances and foreign currency trade loans are secured by corporate guarantees provided by the Company.

Revolving credits were secured by charges over certain leasehold land (see Note 5) and palm oil mill (see Note 3) of the Group.

The term loans are secured by way of legal charges over certain leasehold land (see Note 5), building and palm oil mill (see Note 3) of the Group.

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

NOTES TO THE FINANCIAL STATEMENTS

20. Government grants

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Cost:				
At 1 January	19,356	18,986	726	726
Received during the year	-	370	-	-
At 31 December	19,356	19,356	726	726
Accumulated amortisation:				
At 1 January	3,954	2,906	194	121
Amortisation for the year (Note 23)	1,064	1,048	73	73
At 31 December	5,018	3,954	267	194
Net carrying amount:				
At 31 December	14,338	15,402	459	532
Current	1,064	1,064	73	73
Non-current	13,274	14,338	386	459
	14,338	15,402	459	532

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 commencement of the amortisation of the government grant, which is recognised as “other income” in profit or loss.

In the earlier financial 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.

Another government grant of RM3,000,000 was received to partly finance a project to mitigate 3-monochloropropanediol (“3-MCPD”) and glycidyl acid esters (“GE”) level in palm oil. The project was completed in 2021 and amortisation of the government grant is recognised as “other income” in profit or loss over the useful life of the plants.

NOTES TO THE FINANCIAL STATEMENTS

21. Trade and other payables

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Current					
Trade					
Trade payables	21.1	140,527	123,275	35,065	37,804
Amount due to subsidiaries		-	-	27,269	47,224
		140,527	123,275	62,334	85,028
Non-trade					
Amount due to subsidiaries		-	-	692	117
Retention sums payable to contractors		5,831	5,382	2,665	1,545
Deposits received					
- Others		814	809	94	90
- Subsidiary		-	-	720	719
Other payables and accrued expenses	21.1	123,060	159,364	48,087	63,492
		129,705	165,555	52,258	65,963
Total		270,232	288,830	114,592	150,991

21.1 Trade and other payables

Included in trade and other payables of the Group and of the Company are the amounts of RM7,568,000 (2021: RM12,079,000) and RM4,736,000 (2021: RM5,820,000) respectively due to companies in which certain Directors of the Company have substantial financial interest.

22. Revenue

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revenue from contracts with customers	5,308,285	4,431,026	1,766,299	1,619,184
Other revenue				
Dividend income from subsidiaries	-	-	31,678	26,788
	5,308,285	4,431,026	1,797,977	1,645,972

NOTES TO THE FINANCIAL STATEMENTS

22. Revenue (continued)

22.1 Disaggregation of revenue

	Oil palm operations		Property development		Total	
	2022	2021	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
Major products and service lines						
Sales of oil palm based products and other related income	5,296,293	4,420,219	-	-	5,296,293	4,420,219
Sales of completed properties	-	-	11,992	10,807	11,992	10,807
	5,296,293	4,420,219	11,992	10,807	5,308,285	4,431,026
Geographical markets						
Malaysia	1,947,398	1,130,250	11,992	10,807	1,959,390	1,141,057
Asia-Pacific	2,910,007	2,568,838	-	-	2,910,007	2,568,838
Others	438,888	721,131	-	-	438,888	721,131
	5,296,293	4,420,219	11,992	10,807	5,308,285	4,431,026
Timing and recognition						
At a point in time	5,296,293	4,420,219	11,992	10,807	5,308,285	4,431,026
					2022	2021
					RM'000	RM'000
Company						
Major products and service lines						
Sales of oil palm based products					1,766,299	1,619,184
Geographical markets						
Malaysia					1,766,299	1,619,184
Timing of recognition						
At a point in time					1,766,299	1,619,184
Revenue from contracts with customers					1,766,299	1,619,184
Other revenue					31,678	26,788
Total					1,797,977	1,645,972

NOTES TO THE FINANCIAL STATEMENTS

22. Revenue (continued)

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	<u>Export sales</u> Revenue is recognised at the point in time when goods are shipped on board.	<u>Export sales</u> By irrevocable letter of credit at sight, advance payment or cash against documents through bank.	Not applicable.	Not applicable.
	<u>Local sales</u> Revenue is recognised at the point in time when goods are delivered and accepted by the customers at their premises, when the goods are transferred to the purchaser or when goods are shipped on board.	<u>Local sales</u> Credit period of 14 - 45 days from invoice date or advance payment.		
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.

23. Other income

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Gain on disposal of property, plant and equipment	574	474	378	795
Fair value changes on derivatives	-	43,484	-	23,807
Head office charges	-	-	13,661	12,589
Management fee	-	-	260	260
Rental income	607	631	462	434
Amortisation of government grants (Note 20)	1,064	1,048	73	73
Net realised gain on derivatives	46,066	-	-	-
Net unrealised gain on foreign exchange	188	2	10	2
Net gain on lease modifications/terminations	19	-	19	-
Miscellaneous	5,258	4,796	3,244	2,294
	53,776	50,435	18,107	40,254

NOTES TO THE FINANCIAL STATEMENTS

24. Finance income

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Interest income of financial assets calculated using the effective interest method that are at amortised cost:				
- Short-term deposits	23,229	13,950	3,312	2,772
- Current accounts	3,658	2,329	3,413	1,253
- Advances to subsidiaries	-	-	6,585	9,334
Recognised in profit or loss	26,887	16,279	13,310	13,359

25. Finance costs

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Interest expense/profit payments of financial liabilities that are not at fair value through profit or loss:				
- Term loans	18,932	24,542	7,523	10,615
- Sukuk Murabahah	1,526	1,396	726	658
- Bankers acceptances	7,806	4,048	-	-
- Hire purchase financing	145	367	-	11
- Revolving credits	7	1,361	7	149
- Trust receipts	15	-	-	-
- Interest rate swap	3,268	3,881	-	-
- Others	601	490	155	227
	32,300	36,085	8,411	11,660
Interest expense on lease liabilities	91	101	98	118
	32,391	36,186	8,509	11,778
Recognised in profit or loss	29,266	33,324	6,783	9,733
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)	2,356	885	1,194	652
- bearer plants (Note 4)	769	1,977	532	1,393
	32,391	36,186	8,509	11,778

NOTES TO THE FINANCIAL STATEMENTS

26. Taxation

Recognised in profit or loss

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
Malaysian - current year	139,945	129,609	41,940	41,810
- prior year	(870)	(2,525)	(889)	(241)
	139,075	127,084	41,051	41,569
Deferred tax expense (Note 10)				
Origination and reversal of temporary differences	28,129	44,178	2,023	3,477
(Over)/Under provision in prior year	(2,665)	228	(2,138)	-
	25,464	44,406	(115)	3,477
Total taxation	164,539	171,490	40,936	45,046
Reconciliation of taxation				
Profit for the financial year	504,250	541,499	137,126	154,952
Total taxation	164,539	171,490	40,936	45,046
Profit excluding tax	668,789	712,989	178,062	199,998
Income tax calculated using				
Malaysian tax rate of 24%	160,509	171,117	42,734	47,999
Effect of tax rates in foreign jurisdiction	(1,373)	(527)	-	-
Effect of cukai makmur at tax rate of 33%	6,458	-	4,893	-
Difference in effective tax rate of equity accounted associates	607	691	-	-
Non-deductible expenses	9,269	6,772	3,939	3,717
Movements in unrecognised deferred tax assets	(7,396)	(1,270)	-	-
Reinvestment allowance utilised	-	(2,996)	-	-
Income not subject to taxation	-	-	(7,603)	(6,429)
	168,074	173,787	43,963	45,287
Over provision prior year	(3,535)	(2,297)	(3,027)	(241)
Total taxation	164,539	171,490	40,936	45,046

NOTES TO THE FINANCIAL STATEMENTS

27. Profit for the financial year

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Profit for the financial year are arrived at after charging/(crediting):				
Auditors' remuneration:				
- Statutory audit				
- KPMG PLT	416	377	110	100
- Overseas affiliates of KPMG PLT	202	159	-	-
- Non-audit fees:				
- KPMG PLT	10	10	10	11
- Local affiliates of KPMG PLT	116	95	38	21
Material expenses/(income)				
Depreciation of property, plant and equipment (Note 3.2)	89,112	87,198	24,120	23,362
Depreciation of right-of-use assets (Note 5)	9,714	9,703	1,011	1,054
Amortisation of intangible assets	22	16	-	-
Amortisation of bearer plants (Note 4)	74,765	72,535	7,779	6,664
Gain on disposal of property, plant and equipment	(574)	(474)	(378)	(795)
Personnel expenses (including key management personnel):				
- Contributions to the state plans	12,834	11,509	4,412	4,074
- Wages, salaries and others	275,273	257,265	67,857	71,043
- Social security contributions	2,334	2,301	632	616
- Share options granted under ESOS	3,461	2,943	1,041	986
Property, plant and equipment written off	453	760	93	58
Bearer plants written off	2,875	5,992	-	156
Inventories written down	3,788	634	-	-
Inventories written off	77	136	-	-
Net loss/(gain) on foreign exchange	10,292	6,237	(10)	(2)
Fair value loss/(gain) on derivatives	7,516	(43,484)	-	(23,807)
Realised (gain)/losses on derivatives	(46,066)	143,502	-	64,055
Fair value loss/(gain) on agricultural produce	12,239	(8,887)	935	(1,843)

NOTES TO THE FINANCIAL STATEMENTS

27. Profit for the financial year (continued)

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Expenses arising from leases:				
Expenses relating to short-term leases	1,946	1,834	196	214
Expenses relating to variable lease payments not included in the measurement of lease liabilities	8,588	9,538	-	-
Net (reversal)/charge on impairment loss on financial instruments :				
Financial assets at amortised cost	(3,348)	936	-	-

28. Compensations to key management personnel

Compensations to key management personnel are as follows:

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Directors:				
- Fees	1,179	866	681	642
- Short term employee benefits (including estimated benefits-in-kind)	7,725	3,682	5,587	2,451
- Post employment benefits	194	346	138	292
- Other emoluments	63	35	48	35
	9,161	4,929	6,454	3,420
Other key management personnel:				
- Fees	316	159	-	-
- Short term employee benefits (including estimated benefits-in-kind)	11,951	11,346	10,641	10,176
- Post employment benefits	1,400	1,312	1,347	1,261
- Share options granted under ESOS	413	602	413	602
	14,080	13,419	12,401	12,039
	23,241	18,348	18,855	15,459

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.

NOTES TO THE FINANCIAL STATEMENTS

29. Other comprehensive income

	2022			2021		
	Before tax	Tax benefit	Net of tax	Before tax	Tax benefit	Net of tax
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Item that is reclassified subsequently to profit or loss						
Cash flow hedge						
- Gain/(loss) during the year	5,558	(1,334)	4,224	10,484	(2,516)	7,968
- Reclassification adjustment for (gain)/loss in profit or loss	(3,268)	784	(2,484)	(3,881)	931	(2,950)
	2,290	550	1,740	6,603	(1,585)	5,018

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:

	2022	2021
	RM'000	RM'000
Profit attributable to owners of the Company	479,652	509,896

Weighted average number of ordinary shares

	2022	2021
	'000	'000
Weighted average number of ordinary shares (basic)	580,996	571,545
Bonus shares issued	296,721	285,773
Adjusted weighted average number of ordinary shares (basic)	877,717	857,318
Effect of dilution of share options	1,889	2,209
Adjusted weighted average number of ordinary shares (diluted)	879,606	859,527

Basic and diluted earnings per share

	2022	2021
	Sen	Sen
Basic earnings per share	54.65	59.48
Diluted earnings per share	54.53	59.32

The weighted average number of ordinary shares of the previous year were restated to reflect the retrospective adjustments arising from the bonus issue completed on 19 July 2022 in accordance with MFRS 133, *Earnings per share*.

NOTES TO THE FINANCIAL STATEMENTS

31. Dividends

Dividends recognised by the Company:

	Sen per share (tax exempt)	Total RM'000	Date of payment
2022			
Final 2021 ordinary	6	35,606	15 July 2022
Interim 2022 ordinary	4	35,606	6 October 2022
		71,212	
2021			
Final 2020 ordinary	6	34,300	16 July 2021
Interim 2021 ordinary	4	22,868	30 December 2021
		57,168	

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 2022	6	53,411

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.

Oil Palms - 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.

NOTES TO THE FINANCIAL STATEMENTS

32. Operating segments (continued)

	Oil Palms			Property development			Elimination			Consolidated		
	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment profit	668,009	714,957	2,897	1,005	(2,117)	(2,973)	668,789	712,989				
Included in the measure of segment profit are:												
Revenue from external customers	5,296,293	4,420,219	11,992	16,757	-	(5,950)	5,308,285	4,431,026				
Finance income	32,683	25,613	789	53	(6,585)	(9,387)	26,887	16,279				
Finance costs	(29,358)	(41,831)	(6,471)	(952)	6,563	9,459	(29,266)	(33,324)				
Write-down of inventories to net realisable value	(3,788)	(634)	-	-	-	-	(3,788)	(634)				
Write-off of inventories	(61)	(6)	(16)	(130)	-	-	(77)	(136)				
Share of loss of equity-accounted joint venture, net of tax	-	-	-	-	(2,531)	(2,881)	(2,531)	(2,881)				
Depreciation and amortisation	(173,348)	(169,179)	(265)	(273)	-	-	(173,613)	(169,452)				
Fair value (loss)/gain on derivatives	(7,516)	43,484	-	-	-	-	(7,516)	43,484				
Fair value (loss)/gain on agricultural produce	(12,239)	8,887	-	-	-	-	(12,239)	8,887				
Impairment loss on financial assets	-	-	-	-	-	-	-	-				
- reversals/(charge)	3,348	(936)	-	-	-	-	3,348	(936)				
Property, plant and equipment written off	(449)	(759)	(4)	(1)	-	-	(453)	(760)				
Bearer plants written off	(2,875)	(5,992)	-	-	-	-	(2,875)	(5,992)				
Other information												
Segment assets	4,811,579	4,569,389	84,841	90,310	(2,444)	(2,847)	4,893,976	4,656,852				
Segment liabilities	1,424,880	1,684,744	40,379	41,749	(18,597)	(8,352)	1,446,662	1,718,141				
Included in the measure of segment assets are:												
Additions to property, plant and equipment	109,334	124,661	18	-	-	-	109,352	124,661				
Additions to bearer plants	21,121	19,808	-	-	-	-	21,121	19,808				
Additions to right-of-use assets	1,152	12,228	-	-	-	-	1,152	12,228				

NOTES TO THE FINANCIAL STATEMENTS

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, deferred tax assets and inventories.

	2022 RM'000	2021 RM'000
Revenue		
Malaysia	2,034,380	1,141,057
Asia-Pacific	2,910,007	2,568,838
Others	363,898	721,131
	5,308,285	4,431,026
Non-current assets		
Malaysia	2,447,125	2,495,458
Singapore	13,609	13,087
	2,460,734	2,508,545

Major customers

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

	Revenue		
	2022 RM'000	2021 RM'000	Segment
Customer A	534,473	510,234	Oil Palms
Customer B	-	467,353	Oil Palms

NOTES TO THE FINANCIAL STATEMENTS

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")

		Carrying amount	AC	Mandatorily at FVTPL	Derivatives used for hedging
	Note	RM'000	RM'000	RM'000	RM'000
2022					
Financial assets					
Group					
Trade and other receivables	12	248,107	248,107	-	-
Derivative financial assets	14	1,605	-	1,229	376
Other investments	15	124,302	124,302	-	-
Cash and cash equivalents	16	1,253,646	1,253,646	-	-
		1,627,660	1,626,055	1,229	376
Company					
Trade and other receivables	12	250,557	250,557	-	-
Other investments	15	20,443	20,443	-	-
Cash and cash equivalents	16	412,783	412,783	-	-
		683,783	683,783	-	-
Financial liabilities					
Group					
Loans and borrowings	19	(760,954)	(760,954)	-	-
Trade and other payables	21	(270,232)	(270,232)	-	-
Derivative financial liabilities	14	(48)	-	(48)	-
		(1,031,234)	(1,031,186)	(48)	-
Company					
Loans and borrowings	19	(225,000)	(225,000)	-	-
Trade and other payables	21	(114,952)	(114,952)	-	-
		(339,952)	(339,952)	-	-

NOTES TO THE FINANCIAL STATEMENTS

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
2021					
Financial assets					
Group					
Trade and other receivables	12	282,071	282,071	-	-
Derivative financial assets	14	8,697	-	8,697	-
Other investments	15	234,269	234,269	-	-
Cash and cash equivalents	16	796,693	796,693	-	-
		1,321,730	1,313,033	8,697	-
Company					
Trade and other receivables	12	420,260	420,260	-	-
Other investments	15	58,352	58,352	-	-
Cash and cash equivalents	16	225,053	225,053	-	-
		703,665	703,665	-	-
Financial liabilities					
Group					
Loans and borrowings	19	(1,017,789)	(1,017,789)	-	-
Trade and other payables	21	(288,830)	(288,830)	-	-
Derivative financial liabilities	14	(1,913)	-	-	(1,913)
		(1,308,532)	(1,306,619)	-	(1,913)
Company					
Loans and borrowings	19	(320,041)	(320,041)	-	-
Trade and other payables	21	(150,991)	(150,991)	-	-
		(471,032)	(471,032)	-	-

NOTES TO THE FINANCIAL STATEMENTS

33. Financial instruments (continued)

33.2 Net gains/(losses) arising from financial instruments

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Net gains/(losses) on:				
Financial assets at amortised cost				
- reversal/(charge) of impairment loss on trade and other receivables	3,348	(936)	-	-
- interest income	26,887	16,279	13,310	13,359
- net (loss)/gain on foreign exchange	(10,046)	(5,051)	10	2
	20,189	10,292	13,320	13,361
Financial assets at fair value through profit or loss				
Mandatorily required by MFRS 9				
- fair value changes on derivatives	(7,468)	1,554	-	23,807
	(7,468)	1,554	-	23,807
Financial liabilities at fair value through profit or loss				
Mandatorily required by MFRS 9				
- fair value changes on derivatives	(48)	41,930	-	-
- realised gain/(loss) on derivatives	46,066	(143,502)	-	(64,055)
	46,018	(101,572)	-	(64,055)
Financial liabilities measured at amortised cost				
- interest expense/profit payments	(32,300)	(36,085)	(8,411)	(11,660)
- net loss on foreign exchange	(246)	(1,186)	-	-
	(32,546)	(37,271)	(8,411)	(11,660)
	26,193	(126,997)	4,909	(38,547)

33.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

33.4 Credit risk

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

NOTES TO THE FINANCIAL STATEMENTS

33. Financial instruments (continued)

33.4 Credit risk (continued)

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.

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
2022			
Group			
Current (not past due)	261,492	-	261,492
1 – 30 days past due	191	-	191
31 – 60 days past due	9	-	9
61 – 90 days past due	42	-	42
More than 90 days past due	103	-	103
	261,837	-	261,837
Credit impaired			
Individually impaired	125	(125)	-
Trade receivables	261,962	(125)	261,837
Trade receivables	219,518	(125)	219,393
Contract assets	42,444	-	42,444
	261,962	(125)	261,837

NOTES TO THE FINANCIAL STATEMENTS

33. Financial instruments (continued)

33.4 Credit risk (continued)

Trade receivables (continued)

Recognition and measurement of impairment losses (continued)

	Gross carrying amount RM'000	Loss allowances RM'000	Net balance RM'000
2021			
Group			
Current (not past due)	286,304	-	286,304
1 – 30 days past due	190	-	190
31 – 60 days past due	-	-	-
61 – 90 days past due	112	-	112
More than 90 days past due	21	-	21
	286,627	-	286,627
Credit impaired			
Individually impaired	3,347	(3,347)	-
Trade receivables	289,974	(3,347)	286,627
Trade receivables	252,040	(3,347)	248,693
Contract assets	37,934	-	37,934
	289,974	(3,347)	286,627

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 2021	2,378
Write-offs	(44)
Charge for the year	931
Exchange translation differences	82
Balance at 31 December 2021/1 January 2022	3,347
Reversals for the year	(3,393)
Exchange translation differences	171
Balance at 31 December 2022	125

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.

NOTES TO THE FINANCIAL STATEMENTS

33. Financial instruments (continued)

33.4 Credit risk (continued)

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.

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

	Gross carrying amount RM'000	Loss allowances RM'000	Net balance RM'000
2022			
Low credit risk	25,649	-	25,649
Credit impaired	464	(464)	-
	26,113	(464)	25,649
2021			
Low credit risk	30,553	-	30,553
Credit impaired	419	(419)	-
	30,972	(419)	30,553

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.

NOTES TO THE FINANCIAL STATEMENTS

33. Financial instruments (continued)

33.4 Credit risk (continued)

Other receivables (continued)

Recognition and measurement of impairment losses (continued)

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

	Credit impaired RM'000
Group	
Balance at 1 January 2021	703
Write-offs	(289)
Charge for the year	5
Balance at 31 December 2021/1 January 2022	419
Charge for the year	45
Balance at 31 December 2022	464

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.

NOTES TO THE FINANCIAL STATEMENTS

33. Financial instruments (continued)

33.4 Credit risk (continued)

Inter-company loans and advances (continued)

Recognition and measurement of impairment loss (continued)

The following table provides information about the exposure to credit risk and ECLs for subsidiaries' loans and advances as at the end of the reporting period was:

	Gross carrying amount RM'000	Impairment loss allowances RM'000	Net balance RM'000
2022			
Low credit risk	144,900	-	144,900
Credit impaired	47,000	(9,904)	37,096
	191,900	(9,904)	181,996
2021			
Low credit risk	299,492	-	299,492
Credit impaired	57,000	(9,904)	47,096
	356,492	(9,904)	346,588

There is no movement in the allowance for impairment in respect of inter-company loans and advances during the year.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM163,162,000 (2021: RM230,749,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

33. Financial instruments (continued)

33.5 Liquidity risk

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

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

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

Maturity analysis

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

Group	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
2022							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	270,232	-	270,232	270,232	-	-	-
Revolving credit	5,000	4.04	5,017	5,017	-	-	-
Term loans	500,943	3.91-5.45	613,613	87,973	505,752	19,888	-
Sukuk Murabahah	19,536	3.75	24,838	809	815	10,266	12,948
Hire purchase financing	1,875	4.53-5.23	1,909	1,886	23	-	-
Bank acceptances/short term loans	233,600	3.22-3.56	233,600	233,600	-	-	-
Lease liabilities	1,550	3.50-5.00	1,859	390	351	447	671
	1,032,736		1,151,068	599,707	506,941	30,601	13,619
<i>Derivative financial liabilities</i>							
Forward commodity swap	48	-	48	48	-	-	-
	48		48	48	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

33. Financial instruments (continued)

33.5 Liquidity risk (continued)

Maturity analysis (continued)

Company	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
2022							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	114,592	-	114,592	114,592	-	-	-
Revolving credit	5,000	4.04	5,017	5,017	-	-	-
Sukuk Murabahah	20,000	4.90	26,272	974	980	2,679	21,639
Term loan	200,000	3.91-3.93	209,512	7,820	201,692	-	-
Lease liabilities	1,807	3.50-5.00	2,233	444	420	649	720
Financial guarantee contracts	-	-	163,162	163,162	-	-	-
	341,399		520,788	292,009	203,092	3,328	22,359

NOTES TO THE FINANCIAL STATEMENTS

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							
2021							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	288,830	-	288,830	288,830	-	-	-
Term loans	683,183	2.87-3.56	744,861	204,827	305,178	234,856	-
Sukuk Murabahah	19,461	3.75	25,663	807	812	6,448	17,596
Hire purchase financing	5,943	4.45-5.25	6,174	4,264	1,910	-	-
Bank acceptances/short term loans	309,202	2.07-2.45	309,202	309,202	-	-	-
Lease liabilities	1,649	3.50-5.00	2,002	795	269	236	702
	1,308,268		1,376,732	808,725	308,169	241,540	18,298
<i>Derivative financial liabilities</i>							
Cash flow hedges	1,913		1,913	1,505	408	-	-
	1,913		1,913	1,505	408	-	-
Company							
2021							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	150,991	-	150,991	150,991	-	-	-
Sukuk Murabahah	20,000	3.30	24,888	660	660	1,958	21,610
Term loan	300,000	3.56	316,349	107,692	7,117	201,540	-
Hire purchase financing	41	4.45-4.76	41	41	-	-	-
Lease liabilities	1,810	5.00	2,279	698	323	442	816
Financial guarantee contracts	-		230,749	230,749	-	-	-
	472,842		725,297	490,831	8,100	203,940	22,426

NOTES TO THE FINANCIAL STATEMENTS

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:

	2022		2021	
	USD	SGD	USD	SGD
	RM'000	RM'000	RM'000	RM'000
Balances recognised in the statement of financial position				
Trade receivables	13,656	-	8,579	-
Borrowings	-	-	(49,564)	-
Trade and other payables	(94)	-	(4,106)	(13)
	13,562	-	(45,091)	(13)

(iii) Currency risk sensitivity analysis

A 10% strengthening of RM against the primary foreign currency - USD at the end of the reporting period would impact on 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.

	2022	2021
	RM'000	RM'000
USD	(1,031)	3,428

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.

NOTES TO THE FINANCIAL STATEMENTS

33. Financial instruments (continued)

33.6 Market risk (continued)

33.6.2 Interest rates risk

The primary interest rates risk to which the Group is exposed relates to the deposits which are fixed rate instruments placed with approved financial institutions. The exposure to a risk of change in their fair value due to changes in interest rates would not be significant as the deposits are usually placed for less than 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 borrowings. 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 2022, the swap mature next year following the maturity of a floating rate term loan and has a fixed swap (2021: fixed swap) rate of 4.81% (2021: 4.83%).

Exposure to interest rates risk

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

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Fixed rate instruments				
Fixed deposits	1,046,015	755,568	253,759	148,080
Hire purchase financing	(1,875)	(5,943)	-	(41)
Banker acceptances/short term loans	(233,600)	(309,202)	-	-
Revolving credits	(5,000)	-	(5,000)	-
Lease liabilities	(1,550)	(1,649)	(1,807)	(1,810)
	803,990	438,774	246,952	146,229
Floating rate instruments				
Term loans	(500,943)	(683,183)	(200,000)	(300,000)
Sukuk Murabahah	(19,536)	(19,461)	(20,000)	(20,000)
Amount due from subsidiaries	-	-	127,702	283,884
	(520,479)	(702,644)	(92,298)	(36,116)

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.

NOTES TO THE FINANCIAL STATEMENTS

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

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.

	2022 Profit or loss		2021 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	(3,956)	3,956	(5,340)	5,340
Company				
Floating rate instruments	(701)	701	(274)	274

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 RM150 million (2021: RM200 million) and is settled every quarter, consistent with the interest repayment schedule of the term loan. During the year, gain of RM1,740,000 (2021: gain of RM5,018,000) was recognised in other comprehensive income.

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
2022					
Interest rate risk					
Interest rate swap					
Net exposure	286	376	376	-	-
Fixed interest rate			4.81%	-	-
2021					
Interest rate risk					
Interest rate swap					
Net exposure	(1,454)	(1,913)	(1,505)	(408)	-
Fixed interest rate			4.83%	4.83%	-

NOTES TO THE FINANCIAL STATEMENTS

33. Financial instruments (continued)

33.7 Hedging activities (continued)

Interest rate swap (continued)

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 2021	(6,472)
<i>Changes in fair value</i>	
Interest rate risk	7,968
<i>Amount reclassified to profit or loss</i>	
Interest rate risk	(2,950)
Balance at 31 December 2021/1 January 2022	(1,454)
<i>Changes in fair value</i>	
Interest rate risk	4,224
<i>Amount reclassified to profit or loss</i>	
Interest rate risk	(2,484)
Balance at 31 December 2022	286

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.

NOTES TO THE FINANCIAL STATEMENTS

33. Financial instruments (continued)

33.8 Fair value information (continued)

The tables below analyses other financial instruments at fair value.

	Fair value of financial instruments carried at fair value					Fair value of financial instruments not carried at fair value					Total fair value RM'000	Carrying amount RM'000
	Level 1		Level 2		Total	Level 1		Level 2		Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
Group												
2022												
Financial assets												
Forward currency contracts	-	1,184	-	-	1,184	-	-	-	-	-	1,184	1,184
Forward commodity contracts	-	45	-	-	45	-	-	-	-	-	45	45
Cash flow hedges	-	376	-	-	376	-	-	-	-	-	376	376
	-	1,605	-	-	1,605	-	-	-	-	-	1,605	1,605
Financial liabilities												
Forward commodity contracts	-	(48)	-	-	(48)	-	-	-	-	-	(48)	(48)
Term loans	-	-	-	-	-	-	-	(426,566)	(426,566)	(426,566)	(426,566)	(426,566)
Sukuk Murabahah	-	-	-	-	-	-	-	(19,536)	(19,536)	(19,536)	(19,536)	(19,536)
Hire purchase financing	-	-	-	-	-	-	-	(21)	(21)	(21)	(21)	(23)
	-	(48)	-	-	(48)	-	-	(446,123)	(446,123)	(446,171)	(446,173)	(446,173)

NOTES TO THE FINANCIAL STATEMENTS

33. Financial instruments (continued)

33.8 Fair value information (continued)

The tables below analyses other financial instruments at fair value. (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1		Level 2		Level 3		Level 3			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
Group										
2021										
Financial assets										
Forward currency contracts	-	2,185	-	2,185	-	-	-	-	2,185	2,185
Forward commodity contracts	-	6,512	-	6,512	-	-	-	-	6,512	6,512
	-	8,697	-	8,697	-	-	-	-	8,697	8,697
Financial liabilities										
Cash flow hedges	-	(1,913)	-	(1,913)	-	-	-	-	(1,913)	(1,913)
Term loans	-	-	-	-	-	-	(500,773)	(500,773)	(500,773)	(500,773)
Sukuk Murabahah	-	-	-	-	-	-	(19,461)	(19,461)	(19,461)	(19,461)
Hire purchase financing	-	-	-	-	-	-	(1,756)	(1,756)	(1,756)	(1,876)
	-	(1,913)	-	(1,913)	-	-	(521,990)	(521,990)	(523,903)	(524,023)

NOTES TO THE FINANCIAL STATEMENTS

33. Financial instruments (continued)

33.8 Fair value information (continued)

The tables below analyses other financial instruments at fair value. (continued)

Company	Fair value of financial instruments carried at fair value					Fair value of financial instruments not carried at fair value					Total fair value RM'000	Carrying amount RM'000
	Level 1		Level 2		Total	Level 1		Level 2		Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
2022												
Financial liabilities												
Term loan	-	-	-	-	-	-	-	-	-	(200,000)	(200,000)	(200,000)
Sukuk Murabahah	-	-	-	-	-	-	-	-	-	(20,000)	(20,000)	(20,000)
	-	-	-	-	-	-	-	-	-	(220,000)	(220,000)	(220,000)
2021												
Term loan	-	-	-	-	-	-	-	-	-	(200,000)	(200,000)	(200,000)
Sukuk Murabahah	-	-	-	-	-	-	-	-	-	(20,000)	(20,000)	(20,000)
	-	-	-	-	-	-	-	-	-	(220,000)	(220,000)	(220,000)

NOTES TO THE FINANCIAL STATEMENTS

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 (2021: no transfer in either directions).

Level 3 fair value

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

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models:

Financial instruments not carried at fair value

Type	Description of valuation technique and inputs used
Sukuk Murabahah	Discounted cash flows using a rate based on the current market rate of borrowing of the Group at the reporting date (2022: 3.75%, 2021: 3.75%).
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 (2022: 3.84%, 2021: 3.36%).

NOTES TO THE FINANCIAL STATEMENTS

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.

	2022 RM'000	2021 RM'000
Total loans and borrowings (Note 19)	(760,954)	(1,017,789)
Lease liabilities	(1,550)	(1,649)
Gross debt	(762,504)	(1,019,438)
Less: Other investments (Note 15)	124,302	234,269
Less: Cash and cash equivalents (Note 16)	1,253,646	796,693
Net cash	615,444	11,524
Total equity	3,447,314	2,938,711
Gross debt to equity ratio	0.22	0.34
Net debt to equity ratio	-	-

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

35. Capital commitments

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Contracted but not provided for				
Property, plant and equipment	57,492	56,928	28,178	25,865
Bearer plants	5,767	5,457	2,590	1,004
	63,259	62,385	30,768	26,869

36. 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 deemed to have substantial interest.

NOTES TO THE FINANCIAL STATEMENTS

36. Related parties (continued)

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	
	2022 RM'000	2021 RM'000
Dividend income	(31,678)	(26,788)
Head office charges	(13,661)	(12,589)
Interest income	(6,585)	(9,334)
Management fee	(260)	(260)
Rental income	(61)	(45)
Rental expense	463	470
Corporate service fee	3,617	3,496
Purchase of goods and services	23,145	22,424
Purchase of oil palm fresh fruit bunches	685,284	601,045
Sales of goods and services	(1,762,815)	(1,610,826)
Sales of property, plant and equipment	(301)	(1,514)
Purchase of property, plant and equipment	962	6,460

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

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Purchase of oil palm fresh fruit bunches	183,954	121,017	117,200	99,064
Sales of goods and services	(255)	-	(255)	-
Sales of property, plant and equipment	(80)	-	-	-
Transport services	6,923	7,497	14	1,246
Purchase of property, plant and equipment	16,918	14,145	5,483	3,283
Purchase of goods and services	20,506	16,193	2,986	2,048

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.

NOTES TO THE FINANCIAL STATEMENTS

37. Acquisition of non-controlling interests

37.1 Acquisition of non-controlling interest - SOP Plantations (Sabaju) Sdn. Bhd.

On 16 July 2021, the Group acquired an additional 40% equity interest in SOP Plantations (Sabaju) Sdn. Bhd. from its non-controlling interest for total consideration of RM45,880,000, increasing its ownership from 60% to 100%. The fair value of additional interest acquired in the Group's financial statements on the date of acquisition was RM45,880,000. The difference between the consideration and the book value of the interest acquired of RM34,272,000 is reflected in equity as premium paid on acquisition of non-controlling interests. The Group recognised decrease in non-controlling interest of RM6,142,000 and decrease in retained earnings of RM34,272,000.

The following summarises the effect of changes in the equity interest in SOP Plantations (Sabaju) Sdn. Bhd. that is attributable to owners of the Company:

	2021 RM'000
Equity interest at 1 January 2021	35,259
Effect of increase in Company's ownership interest	6,142
Share of comprehensive income	19,505
Equity interest at 31 December 2021	60,906

On 11 August 2021, the Group has redeemed the preferences shares in SOP Plantations (Sabaju) Sdn. Bhd. from its non-controlling interests for total consideration of RM5,465,000. The Group recognised decrease in non-controlling interests of RM5,465,000 and decrease in retained earnings of RM5,465,000.

37.2 Acquisition of non-controlling interest - Wawasan Asiamaju Sdn. Bhd.

On 13 September 2021, the Group acquired an additional 539,000 ordinary shares in Wawasan Asiamaju Sdn. Bhd. through wholly owned subsidiary, SOP Properties Sdn. Bhd. for total consideration of RM449,750, increasing its ownership from 51% to 100%. The carrying amount of net assets in the Group's financial statements on the date of acquisition was RM844,000. The Group recognised an decrease in non-controlling interest of RM415,000 and decrease in retained earnings of RM36,000.

The following summarises the effect of changes in the equity interest in Wawasan Asiamaju Sdn. Bhd. that is attributable to owners of the Company:

	2021 RM'000
Equity interest at 1 January 2021	468
Effect of increase in Company's ownership interest	415
Share of comprehensive loss	(170)
Equity interest at 31 December 2021	713

PROPERTIES OF THE GROUP

as at 31 December 2022

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 2022 (RM'000)	Net Book Value As at 31 Dec 2021 (RM'000)
Lambir 1, 2 Estate KM 41, Miri - Bintulu Road, Miri Sarawak	1971-1981	Leasehold 87 to 97 years	2067	4,576	Oil Palm Estate Palm Oil Mill	16	277,614	269,003
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	21		
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 Lot 2415 & Lot 6918, Block 1, Lambir Land District	2004 2021	Leasehold 60 years	2042 2069	- -	Registered Office - 445 sq.m. Shophouses - 869 sq.m.	38 2		
Kuala Lumpur Office 183 Level 26 Building M1, Lot 70 Section 70, Bandar Kuala Lumpur	2019	Freehold	-	-	Office Unit - 172 sq.m.	4		
SOP Tower Lot 275 & Lot 1007 Block 9 Miri Concession Land District	2021	Leasehold 99 years	2109-2114	-	Office under construction	-		
Balingian Estate KM 8, Balingian - Mukah Road, Balingian	1997-1999	Leasehold 60 years	2057-2059	3,978	Oil Palm Estate Palm Oil Mill	16	42,079	42,981
Tibus Estate Lot 157, Suai	2003	Leasehold 60 years	2063	1,494	Oil Palm Estate		58,479	61,157

PROPERTIES OF THE GROUP

as at 31 December 2022

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 2022 (RM'000)	Net Book Value As at 31 Dec 2021 (RM'000)
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	4,960	Oil Palm Estate		45,844	41,546
Taniku Estate Jalan Pujut 7, Permyjaya KM 9 East of Miri	2003	Leasehold 60 years	2058	4,858	Oil Palm Estate		80,540	88,689
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	14		
Karabungan Estate KM 48, Miri – Bintulu Road, Miri	2005	Leasehold 60 years	2058	2,023	Oil Palm Estate		20,185	21,704
Tatau Estate KM 40, Bintulu – Sibul Road, Off KM 13, Tatau	2008	Leasehold 99 years	2103	3,840	Oil Palm Estate		170,309	176,146
Sebunguan 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	11		
Tinbarap Estate KM 22, Miri – Bintulu Road, Off KM 45, From BLD Junction	2007	Leasehold 99 years	2106	12,905	Oil Palm Estate Palm Oil Mill	9	217,580	231,477

PROPERTIES OF THE GROUP

as at 31 December 2022

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 2022 (RM'000)	Net Book Value As at 31 Dec 2021 (RM'000)
Batu Lintang Estate Ulu Undop NCR, Sri Aman District	2008	NCR Native Land 60 years	NA	2,334	Oil Palm Estate		41,266	43,279
Sabaju Estate KM 53, Bintulu - Miri, KM 31 Bakun Road	2010	Leasehold 99 years	2114	5,091	Oil Palm Estate		62,508	64,954
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	8 to 11	276,689	277,379
Land - Kuching/ Miri Lot 6918, Lambir LD Lot 76, 172, 919-921, Block 233, Kuching North LD	2007-2021	Leasehold 60 to 99 years	2038-2069	30	Land Held for Future Development		41,217	41,074
Murum Estate Sungai Maleh, Belaga Bk 89 & Bk 90 Murum LD 96950 Murum Sarawak	2016	Leasehold 60 years	2076	47,000	Oil Palm Estate Palm Oil Mill	11	635,622	665,570
Singapore Office 133 New Bridge Road, #20-09/ 10 Chinatown Point, Singapore 059413	2016	Leasehold 99 years	2079	-	Office Unit - 223 sq.m.	31	13,609	13,082

ANALYSIS OF SHAREHOLDINGS

as at 31 March 2023

SHARE CAPITAL

Authorised : 5,000,000,000 Ordinary Shares
 Issued and Fully Paid : 890,188,554 Ordinary Shares
 Voting Rights : One Vote Per Share

DISTRIBUTION OF SHAREHOLDERS

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares Issued	% of Capital
Less than 100	207	4.37	4,123	0
100 – 1,000	733	15.48	401,980	0.05
1,001 – 10,000	2,456	51.87	10,532,899	1.18
10,001 – 100,000	1,108	23.40	31,923,558	3.59
100,001 to less than 5% of issued shares	226	4.77	263,341,239	29.58
5% and above of issued shares	5	0.11	583,984,755	65.60
TOTAL	4,735	100.00	890,188,554	100.00

Substantial Shareholders

	No. of Shares Held	% of Issued Capital
1. LCDA HOLDINGS SDN BHD	173,439,900	19.48
2. AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT – AMBANK (M) BERHAD FOR SHIN YANG PLANTATION SDN BHD	154,596,717	17.37
3. CIMB GROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR DBS BANK LTD (SFS-PB)	98,909,505	11.11
4. SHIN YANG PLANTATION SDN BHD	89,585,133	10.06
5. TAN SRI DATUK LING CHIONG HO	68,633,250	7.71
6. STATE FINANCIAL SECRETARY SARAWAK	67,453,500	7.58

ANALYSIS OF SHAREHOLDINGS

as at 31 March 2023

Directors' Interests In Shares

Size of Holdings	Direct Interest		Deemed Interest	
	No. of Shares	% of Issued Capital	No. of Shares	% of Issued Capital
In the company				
Tan Sri Datuk Ling Chiong Ho	68,633,250	7.71	244,181,850 ⁽¹⁾	27.43
Ling Lu Kuang	4,280,850	0.48	98,909,505 ⁽²⁾	11.11
Ling Chiong Sing	225,000	0.03	244,181,850 ⁽¹⁾	27.43
Ling Pau Pau	-	-	2,442,973 ⁽³⁾	0.27
Tang Tiong Ing	307,696	0.03	187,071 ⁽³⁾	0.02
Fong Yoo Kaw @ Fong Yee Kow	-	-	-	-
Chua Chen San	-	-	-	-
Hasmawati Binti Sapawi	-	-	-	-
Datu Monaliza Binti Zaidel	-	-	-	-
Perpetua Phang	-	-	-	-
Bibi Umizah Binti Osman	-	-	-	-

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/ her spouse.

THIRTY LARGEST SHAREHOLDERS

as at 31 March 2023

NO.	NAME	NO. OF SHARES	SHARES %
1	LCDA HOLDINGS SDN BHD	173,439,900	19.48
2	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR SHIN YANG PLANTATION SDN BHD	154,596,717	17.37
3	CIMB GROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR DBS BANK LTD (SFS-PB)	98,909,505	11.11
4	SHIN YANG PLANTATION SDN BHD	89,585,133	10.06
5	STATE FINANCIAL SECRETARY SARAWAK	67,453,500	7.58
6	LING CHIONG HO	37,883,250	4.26
7	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR LING CHIONG HO	30,750,000	3.45
8	UOBM NOMINEES (ASING) SDN BHD UNITED OVERSEAS BANK NOMINEES (PTE) LTD FOR PERRA GROUP LIMITED	27,085,627	3.04
9	TEOH GUAN KOK & CO. SDN. BERHAD	13,185,082	1.48
10	PEKAN MEGAH SDN BHD	11,215,764	1.26
11	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAW KIONG HOLDINGS SDN. BHD.	6,545,800	0.74
12	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR WONG ING YUNG (PB)	5,813,700	0.65
13	LING LU KUANG	4,280,850	0.48
14	WONG HEE KWONG	3,733,950	0.42
15	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAW KIU KIONG	3,614,500	0.41
16	AMANAHRAYA TRUSTEES BERHAD PUBLIC SMALLCAP FUND	3,408,150	0.38
17	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAW KIU KIONG	3,265,200	0.37
18	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR MANULIFE INVESTMENT AL-FAUZAN (5170)	3,179,150	0.36
19	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	2,899,354	0.33
20	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC TREASURES GROWTH FUND	2,834,150	0.32

THIRTY LARGEST **SHAREHOLDERS**

as at 31 March 2023

NO.	NAME	NO. OF SHARES	SHARES %
21	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR BANK OF SINGAPORE LIMITED (FOREIGN)	2,712,600	0.30
22	CITIGROUP NOMINEES (TEMPATAN) SDN BHD URUSHARTA JAMAAH SDN. BHD. (MAYBANK 2)	2,646,872	0.30
23	NEOH CHOO EE & COMPANY, SDN. BERHAD	2,625,000	0.29
24	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (PHEIM)	2,561,500	0.29
25	TEOH LIANG HUAT @ TEOH LEAN HUAT	2,546,050	0.29
26	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTS SMALL-CAP FUND	2,452,650	0.28
27	ALLIANCE GROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAW KIU KIONG (6000710)	2,448,000	0.27
28	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ERIC KIU KWONG SENG	2,402,485	0.27
29	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR MANULIFE INSURANCE BERHAD (EQUITY FUND)	2,340,000	0.26
30	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	2,281,239	0.26

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 55th Annual General Meeting of Sarawak Oil Palms Berhad (“SOPB” or “Company”) will be held at the Conference Room of Imperial Hotel, Jalan Pos, 98000 Miri, Sarawak on 22 June 2023 at 10.00 a.m. for the following purposes:-

AGENDA

- | | | |
|---|--|-------------------------------|
| 1 | To receive and adopt the annual accounts for the year ended 31 December 2022 together with the Reports of the Directors and Auditors thereon. | Please Refer to Note 6 |
| 2 | To declare a Final Dividend in respect of the financial year ended 31 December 2022 as recommended by the Directors. | (Resolution 1) |
| 3 | To approve the payment of Directors’ Fees for the financial year ending 31 December 2023, payable quarterly in arrears after each month of completed service of the Directors during the financial year. | (Resolution 2) |
| 4 | To approve the payment of Directors’ benefits for the period from 01 January 2023 until the conclusion of the next Annual General Meeting. | (Resolution 3) |
| 5 | To re-elect the following Directors who retire pursuant to Article 93, 96 and 100 of the Company’s Constitution and being eligible, offer themselves for re-election. | |
| | (a) Ling Lu Kuang | (Resolution 4) |
| | (b) Chua Chen San | (Resolution 5) |
| | (c) Perpetua Phang | (Resolution 6) |
| | (d) Bibi Umizah Binti Osman | (Resolution 7) |
| 6 | To appoint Messrs KPMG PLT as Auditors of the Company and to authorise the Board of Directors to fix their remuneration. | (Resolution 8) |
| 7 | As Special Businesses | |

To consider and, if thought fit, to pass the following ordinary resolutions:-

- | | | |
|-----|--|-----------------------|
| (i) | Proposed Renewal and New Shareholders’ Mandate for Recurrent Related Party Transactions of a revenue or trading nature | (Resolution 9) |
|-----|--|-----------------------|

“THAT subject always to the Listing Requirements of the Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/ or its subsidiary companies to enter into Recurrent Related Party Transactions of a revenue or trading nature with those Related Parties as stated in Section 2.2 of the Circular to Shareholders dated 28 April 2023 (“Shareholders’ Mandate”) which are necessary for its day-to-day operations subject further to the following:-

- | | |
|-------|---|
| (a) | That the transactions are in the ordinary course of business and are made on an arm’s length basis and on normal commercial terms which are not more favourable to the Related Parties than those available to the public and not to the detriment of the minority shareholders; and |
| (b) | That disclosure will be made in the annual report of the Company of the breakdown of the aggregate value of transactions conducted pursuant to the Proposed Shareholders’ Mandate during the financial year based on information such as the type of the Recurrent Transactions made and the names of the related parties involved in each type of the Recurrent Transactions made and their relationship with the company. |
| (c) | That such approval shall continue to be in force until:- |
| (i) | the conclusion of the next Annual General Meeting (“AGM”) of the Company; |
| (ii) | the expiration of the period within which the next AGM of the Company after the date it is required to be held pursuant to section 340(2) of the Companies Act, 2016 (“Acts”) but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act; or |
| (iii) | revoked or varied by resolution passed by the shareholders in a general meeting, whichever is the earlier; |

NOTICE OF ANNUAL GENERAL MEETING

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Shareholders' Mandate, with full powers to assents to any conditions, modifications, revaluations, variations and/ or amendments (if any) as may be imposed by the relevant authorities."

- (ii) "THAT, pursuant to Sections 75 and 76 of the Companies 2016 and subject always to the approval of the relevant authorities, the Directors be and are hereby authorised to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that in the aggregate number of shares issued pursuant to this resolution does not exceed ten per centum (10%) of the issued shares (excluding treasury shares) of the Company for the time being AND THAT the Directors be and are also authorised to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

(Resolution 10)

- (iii) Proposed Granting of ESOS Options to Ling Lu Kuang

(Resolution 11)

"THAT, subject to the approvals of all relevant authorities (where applicable) being obtained, the Board be and is hereby authorised at any time, and from time to time, to specifically offer and grant to **Ling Lu Kuang**, being the Group Executive Chairman, of up to 2,854,000 options to subscribe for new SOPB Shares in the Company under the Scheme, provided that (i) not more than ten percent (10%) of the total SOPB Shares available under the Scheme are allocated to any individual eligible employee and/ or director who, singly or collectively through persons connected with the eligible employee and/ or director, holds twenty percent (20%) or more of the total issued ordinary shares the Company (excluding treasury shares) and (ii) not more than fifty percent (50%) of the total ESOS Options/ SOPB Shares to be issued under the ESOS shall be allocated in aggregate to the directors of the Company and senior management of the Group;

AND THAT subject always to such terms and conditions and/ or any adjustments which may be made in accordance with the By-Laws of the ESOS, the Board be and is hereby authorised to issue and allot from time to time such number of new SOPB Shares in the Company to **Ling Lu Kuang** pursuant to the exercise of such options, to execute, sign and deliver on behalf of the Company all such agreements, arrangements and documents as may be necessary to give full effect to, complete and implement the aforesaid proposed allocation to **Ling Lu Kuang** as well as to deal with all matters relating thereto and/ or to do all such acts and things as the directors may deem fit and expedient in the best interest of the Company."

- (iv) Proposed Granting of ESOS Options to Ling Pau Pau

(Resolution 12)

"THAT, subject to the approvals of all relevant authorities (where applicable) being obtained, the Board be and is hereby authorised at any time, and from time to time, to specifically offer and grant to **Ling Pau Pau**, being the Non-Independent Non-Executive Director of the Company, of up to 150,000 options to subscribe for new SOPB Shares in the Company under the Scheme, provided that (i) not more than ten percent (10%) of the total SOPB Shares available under the Scheme are allocated to any individual eligible employee and/ or director who, singly or collectively through persons connected with the eligible employee and/ or director, holds twenty percent (20%) or more of the total issued ordinary shares the Company (excluding treasury shares) and (ii) not more than fifty percent (50%) of the total ESOS Options/ SOPB Shares to be issued under the ESOS shall be allocated in aggregate to the directors of the Company and senior management of the Group;

AND THAT subject always to such terms and conditions and/ or any adjustments which may be made in accordance with the By-Laws of the ESOS, the Board be and is hereby authorised to issue and allot from time to time such number of new SOPB Shares in the Company to **Ling Pau Pau** pursuant to the exercise of such options, to execute, sign and deliver on behalf of the Company all such agreements, arrangements and documents as

NOTICE OF ANNUAL GENERAL MEETING

may be necessary to give full effect to, complete and implement the aforesaid proposed allocation to **Ling Pau Pau** as well as to deal with all matters relating thereto and/ or to do all such acts and things as the directors may deem fit and expedient in the best interest of the Company.”

(v) Proposed Granting of ESOS Options to Datu Monaliza Binti Zaidel

(Resolution 13)

“THAT, subject to the approvals of all relevant authorities (where applicable) being obtained, the Board be and is hereby authorised at any time, and from time to time, to specifically offer and grant to **Datu Monaliza Binti Zaidel**, being the Non-Independent Non-Executive Director of the Company, of up to 150,000 options to subscribe for new SOPB Shares in the Company under the Scheme, provided that (i) not more than ten percent (10%) of the total SOPB Shares available under the Scheme are allocated to any individual eligible employee and/ or director who, singly or collectively through persons connected with the eligible employee and/ or director, holds twenty percent (20%) or more of the total issued ordinary shares the Company (excluding treasury shares) and (ii) not more than fifty percent (50%) of the total ESOS Options/ SOPB Shares to be issued under the ESOS shall be allocated in aggregate to the directors of the Company and senior management of the Group;

AND THAT subject always to such terms and conditions and/ or any adjustments which may be made in accordance with the By-Laws of the ESOS, the Board be and is hereby authorised to issue and allot from time to time such number of new SOPB Shares in the Company to **Datu Monaliza Binti Zaidel** pursuant to the exercise of such options, to execute, sign and deliver on behalf of the Company all such agreements, arrangements and documents as may be necessary to give full effect to, complete and implement the aforesaid proposed allocation to **Datu Monaliza Binti Zaidel** as well as to deal with all matters relating thereto and/ or to do all such acts and things as the directors may deem fit and expedient in the best interest of the Company.”

(vi) Proposed Granting of ESOS Options to Hasmawati Binti Sapawi

(Resolution 14)

“THAT, subject to the approvals of all relevant authorities (where applicable) being obtained, the Board be and is hereby authorised at any time, and from time to time, to specifically offer and grant to **Hasmawati Binti Sapawi**, being the Non-Independent Non-Executive Director of the Company, of up to 150,000 options to subscribe for new SOPB Shares in the Company under the Scheme, provided that (i) not more than ten percent (10%) of the total SOPB Shares available under the Scheme are allocated to any individual eligible employee and/ or director who, singly or collectively through persons connected with the eligible employee and/ or director, holds twenty percent (20%) or more of the total issued ordinary shares the Company (excluding treasury shares) and (ii) not more than fifty percent (50%) of the total ESOS Options/ SOPB Shares to be issued under the ESOS shall be allocated in aggregate to the directors of the Company and senior management of the Group;

AND THAT subject always to such terms and conditions and/ or any adjustments which may be made in accordance with the By-Laws of the ESOS, the Board be and is hereby authorised to issue and allot from time to time such number of new SOPB Shares in the Company to **Hasmawati Binti Sapawi** pursuant to the exercise of such options, to execute, sign and deliver on behalf of the Company all such agreements, arrangements and documents as may be necessary to give full effect to, complete and implement the aforesaid proposed allocation to **Hasmawati Binti Sapawi** as well as to deal with all matters relating thereto and/ or to do all such acts and things as the directors may deem fit and expedient in the best interest of the Company.”

- 8 To transact any other business for which due notice shall be given in accordance with the Companies Act 2016.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF ENTITLEMENT AND PAYMENT OF FINAL DIVIDEND

NOTICE IS HEREBY GIVEN THAT the Final Dividend of 6 sen per ordinary share for the financial year ended 31 December 2022, if approved at 55th Annual General Meeting will be paid on 14 July 2023 to Shareholders whose names appear in the Records of Depositors and Register of Members at the close of business on 30 June 2023.

A Depositor shall qualify for entitlement only in respect of:

- (a) Shares deposited into Depositor's Securities Account before 12.30 p.m. on 27 June 2023. (In respect of shares which are exempted from mandatory deposit);
- (b) Shares transferred into the Depositor's Securities Account before 4.30 p.m. on 30 June 2023 in respect of transfers; and
- (c) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

By Order of the Board

Eric Kiu Kwong Seng
Company Secretary
Miri

28 April 2023

Notes:-

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may put need not be a member of the Company. A proxy appointed to attend and vote at the Meeting shall have the same rights as the Member to speak at the Meeting.
2. Where a member appoints more than one (1) proxy, the proportion of his shareholdings to be represented by each proxy must be specified in order for the appointments to be valid. For an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there shall be no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
3. The instrument appointing a proxy or proxies shall be writing (in the common and usual form) under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy must be deposited to either of the following offices not less than forty-eight (48) hours before the time appointed for holding the meeting:
 - (i) The Office of the Share Registrars, Boardroom Share Registrars Sdn. Bhd. at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor, Malaysia.
 - (ii) The Registered office of the Company at No. 124-126, Jalan Bendahara, 98000 Miri, Sarawak.
5. Only a depositor whose name appear in the Record of Depositors as at 15 June 2023 shall be entitled to attend the said meeting or appoint a proxy to attend and/ or vote on his/ her behalf.
6. This agenda is meant for discussion only as under the provisions of Section 340(1) of the Companies Act 2016, the Audited Financial Statements do not require formal approval of the shareholders and hence, the matter will not be put forward for voting.
7. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in this notice shall be put to vote by poll.

Notes on Special Business:

Resolution No. 9 – Proposed Renewal and New Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature.

If passed, will authorise the Company and/ or its subsidiary companies to enter into Recurrent Related Party Transactions of revenue or trading nature. This authority, unless revoked or varied by the Company at the general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

NOTICE OF ANNUAL GENERAL MEETING

Resolution No. 10 – Proposed Authority to issue and allot share pursuant to Sections 75 and 76 of the Companies Act 2016.

The Board continues to consider strategic opportunities to broaden the earning potential of the Company and this may involve equity deals which may require the Company to issue new shares. If passed, it will grant authority to the Directors to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016 and will provide flexibility to the Directors to undertake any possible fund raising activities, including but not limited to further placing of shares for the funding of the Company's future investment projects, working capital and/ or acquisitions, by issuance of shares at any time up to an aggregate amount not exceeding 10% of the total issued share of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company.

The Company did not utilise this Shareholders' Mandate that was approved in 54th Annual General Meeting. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion.

Resolution Nos. 11 to 14 – Proposed Granting of ESOS Options.

If passed, will authorise the Company to offer and grant ESOS Options under Company's Employees' Share Option Scheme ("ESOS" or "Scheme") as approved by the Shareholder on 09 August 2017, to eligible Directors and empowers the eligible Directors to subscribe the proposed allocation of ESOS Options, in accordance to the Constitution of the Company and By-Laws of ESOS dated 09 August 2017.

Personal Data Privacy

By submitting the proxy form, the shareholder accepts and agrees to the collection, use and disclosure of the shareholder's personal data by the Company (or its agents or services providers) for the purpose of preparation and compilation of documents relating to AGM (including adjournment thereof).

STATEMENT ACCOMPANYING NOTICE OF THE FIFTY-FIFTH ANNUAL GENERAL MEETING OF SARAWAK OIL PALMS BERHAD

1. Directors who are standing for Re-election

(a) Ling Lu Kuang	(Resolution 4)
(b) Chua Chen San	(Resolution 5)
(c) Perpetua Phang	(Resolution 6)
(d) Bibi Umizah Binti Osman	(Resolution 7)

Details of Directors who are standing for re-election are set out in the Directors' Profile appearing on pages 12, 18, 21 and 23 of the Annual Report.

2. Details of Attendance of Directors of Board Meetings

Name of Directors	Date of Appointment	Board Attendance
Ling Lu Kuang	27/06/2008	5/5
Ling Chiong Sing	01/12/2006	5/5
Tang Tiong Ing	16/06/1995	5/5
Dr Lai Yew Hock, Dominic	24/02/2000 (resigned on 31/12/2022)	5/5
Kamri Bin Ramlee	01/04/2011 (demised on 24/09/2022)	3/4
Fong Yoo Kaw @ Fong Yee Kow, Victor	28/04/2014	5/5
Chua Chen San	01/03/2016	5/5
Hasmawati Binti Sapawi	29/07/2021	4/5
Datu Monaliza Binti Zaidel	26/07/2018	5/5
Ling Pau Pau	01/03/2022	4/4
Perpetua Phang	31/12/2022	0/0
Bibi Umizah Binti Osman	01/03/2023	0/0

Number of meetings attended (first figure) number of meetings held while in office (second figure).

3. Details of the Board of Directors' Meeting held

Five Board Meetings were held during the year.

Board Meeting	Time	Place
23 February 2022	2.00 p.m.	Conference Room of SOPB, No. 124-126, Jalan Bendahara, Miri, Sarawak
27 April 2022	2.00 p.m.	Conference Room of SOPB, No. 124-126, Jalan Bendahara, Miri, Sarawak
23 May 2022	10.00 a.m.	Conference Room of SOPB, No. 124-126, Jalan Bendahara, Miri, Sarawak
25 August 2022	2.00 p.m.	Conference Room of SOPB, 5 th Floor, Lot 872 & 873 Block 16, KCLD, Jalan Datuk Tawi Sli, 93250 Kuching, Sarawak
25 November 2022	2.00 p.m.	Conference Room of SOPB, No. 124-126, Jalan Bendahara, Miri, Sarawak

4. Details of persons who are standing for election as Directors

No individual is seeking election as Director at the Fifty-Fifth Annual General Meeting of the Company.

FORM OF PROXY

SARAWAK OIL PALMS BERHAD

Registration No. 196801000358 (7949-M)
(Incorporated in Malaysia)

No. of ordinary shares held	CDS Account No.

I/ We _____ NRIC/ Company No. _____
of _____
(address/ tel no.)

being a member/ members of the above Company, hereby appoint *Chairman of the meeting or

Name of Proxy/ Email Address/ Tel No.	NRIC/ Passport No.	Proportion of Shareholdings (%)
and/ or failing him/ her		

as *my/ our proxy to vote for* me/ us and on* my/ our behalf at the Fifty-Fifth Annual General Meeting (55th AGM) of the Company will be held at the Conference Room of Imperial Hotel, Jalan Pos, 98000 Miri, Sarawak on 22 June 2023 at 10.00 a.m. The proxy is to vote on the resolutions set out in the Notice of Annual General Meeting as indicated with an "X" in the appropriate spaces.

NO.	RESOLUTIONS	FOR	AGAINST
1	Declaration of Final Dividend		
2	Approval of Directors' fees for financial year ending 31 December 2023 payable on quarterly in arrears		
3	Approval of Directors' Benefits for the period from 01 January 2023 until the conclusion of the next Annual General Meeting		
4	Re-election of retiring director: Ling Lu Kuang		
5	Re-election of retiring director: Chua Chen San		
6	Re-election of retiring director: Perpetua Phang		
7	Re-election of retiring director: Bibi Umizah Binti Osman		
8	Appointment of Auditors		
SPECIAL BUSINESSES			
9	Proposed Renewal and New Shareholders' Mandate for Recurrent Related Party Transactions of a revenue of trading nature		
10	Authorise the Directors to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act 2016		
11	Proposed Granting of ESOS Options to Ling Lu Kuang		
12	Proposed Granting of ESOS Options to Ling Pau Pau		
13	Proposed Granting of ESOS Options to Datu Monaliza Binti Zaidel		
14	Proposed Granting of ESOS Options to Hasmawati Binti Sapawi		

(Please indicate with an "X" in the space provided above on how you wish your proxy to vote. If no instruction is given this form will be taken to authorise the proxy to vote at his/ her discretion)

Dated this _____ day of _____ 2023

Signature and/ or Common Seal of Shareholders

Notes:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may put need not be a member of the Company. A proxy appointed to attend and vote at the Meeting shall have the same rights as the Member to speak at the Meeting.
2. Where a member appoints more than one (1) proxy, the proportion of his shareholdings to be represented by each proxy must be specified in order for the appointments to be valid. For an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there shall be no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
3. The instrument appointing a proxy or proxies shall be writing (in the common and usual form) under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy must be deposited to either of the following offices not less than forty-eight (48) hours before the time appointed for holding the meeting:
 - (i) The Office of the Share Registrars, Boardroom Share Registrars Sdn. Bhd. at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor, Malaysia.
 - (ii) The Registered office of the Company at No. 124-126, Jalan Bendahara, 98000 Miri, Sarawak.

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AFFIX
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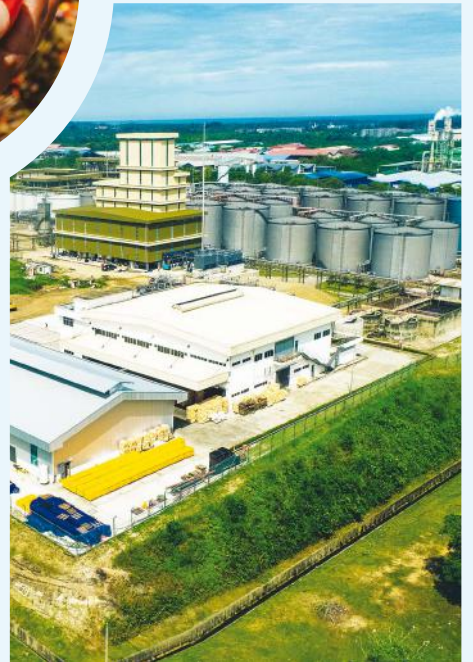
The Company Secretary
Sarawak Oil Palms Berhad (7949-M)
No. 124-126,
Jalan Bendahara,
98000 Miri,
Sarawak, Malaysia.

2nd fold here

5. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in this Notice shall be put to vote by poll.
6. Only a depositor whose name appear in the Record of Depositors as at 15 June 2023 shall be entitled to attend the said meeting or appoint a proxy to attend and/ or vote on his/ her behalf.

Personal Data Privacy

By submitting the proxy form, the shareholder accepts and agrees to the collection, use and disclosure of the shareholder's personal data by the Company (or its agents or services providers) for the purpose of preparation and compilation of documents relating to AGM (including adjournment thereof).





www.sop.com.my

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

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98000 Miri,
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