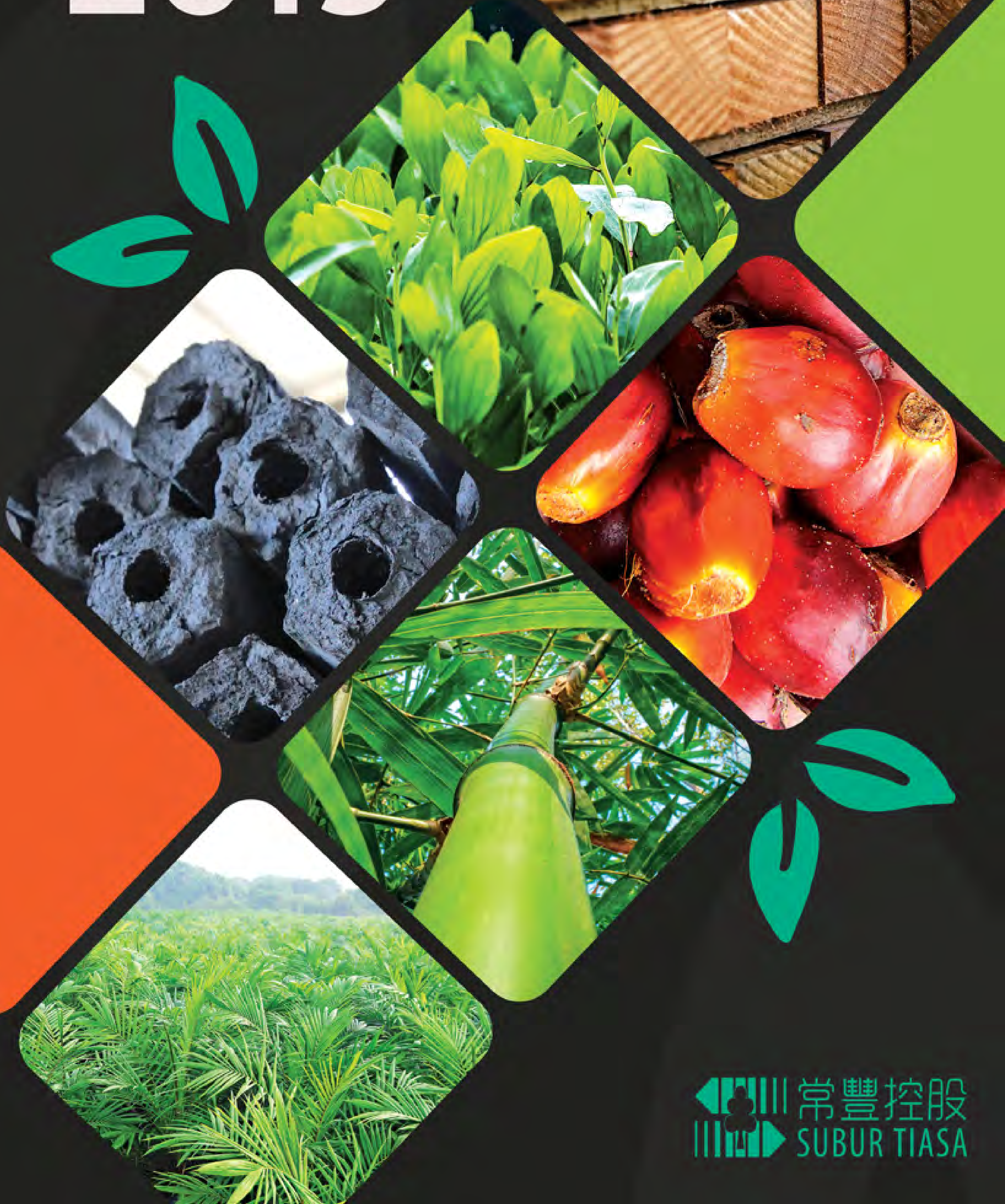
ANNUAL REPORT
2019



常豐控股
SUBUR TIASA

常豐控股 SUBUR TIASA
341792-W

CONTENTS

FINANCIAL HIGHLIGHTS

REVENUE

	RM'Million
2019	315
2018	322
2017	493
2016	555
2015	754

EQUITY ATTRIBUTABLE TO EQUITY HOLDERS

	RM'Million
2019	556
2018	598
2017	628
2016	649
2015	687

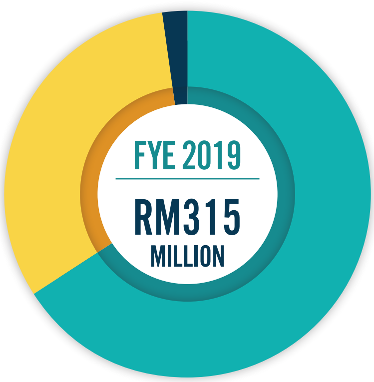
TOTAL ASSETS

	RM'Million
2019	1,466
2018	1,318
2017	1,318
2016	1,277
2015	1,288

NET ASSETS PER SHARE

	RM
2019	2.98
2018	3.20
2017	3.35
2016	3.45
2015	3.58

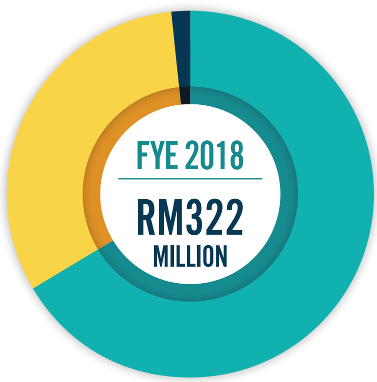
BREAKDOWN OF REVENUE BY SEGMENT



66% Timber Operations and Reforestation

32% Oil Palm Operations

2% Others

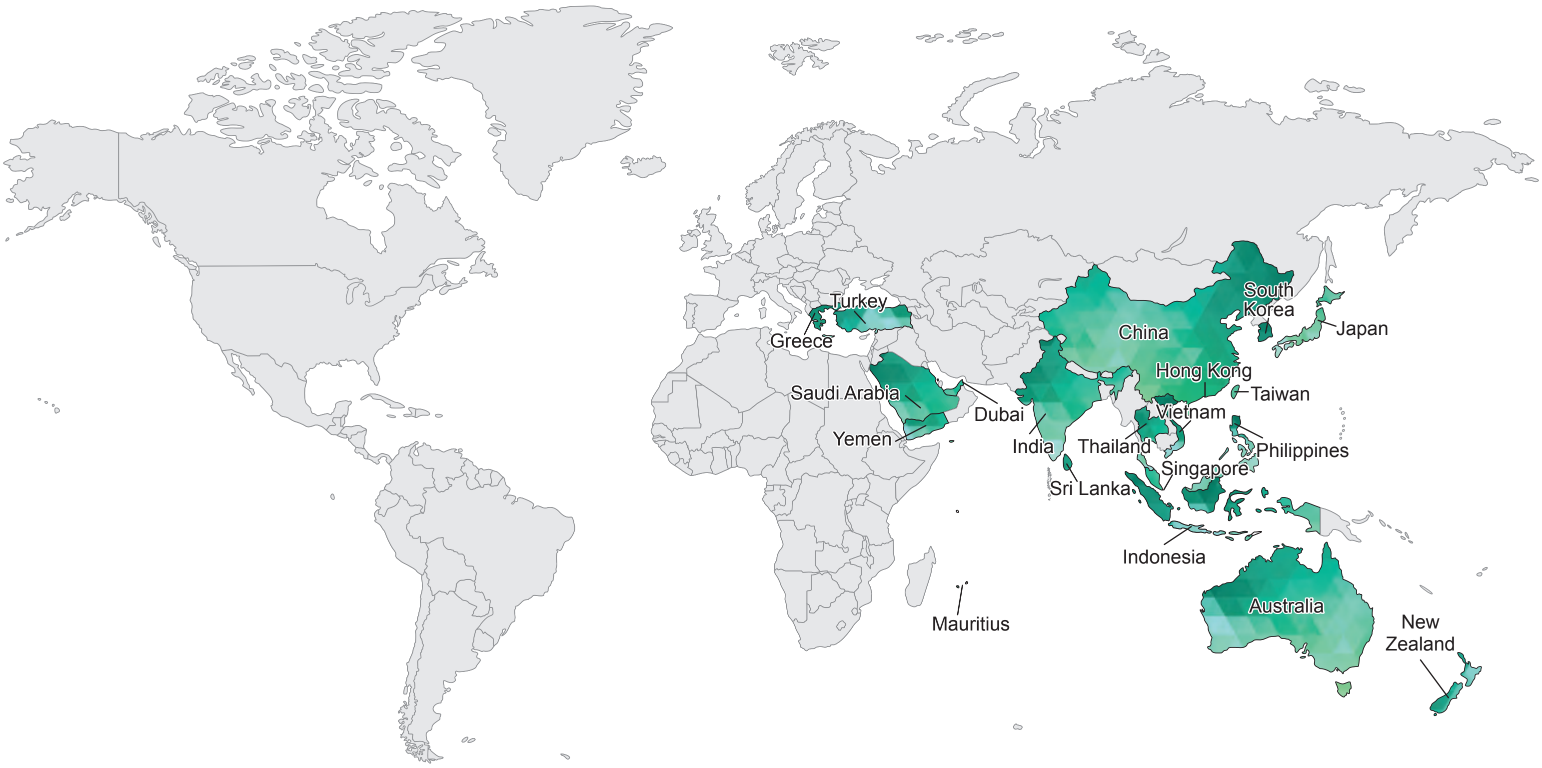


67% Timber Operations and Reforestation

32% Oil Palm Operations

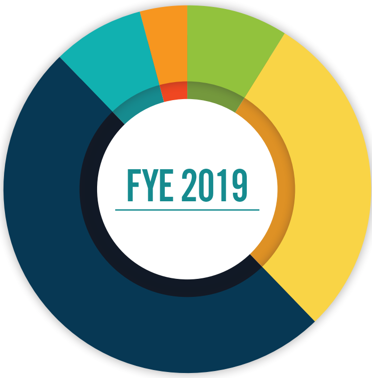
1% Others

EXPORT MARKET HIGHLIGHTS



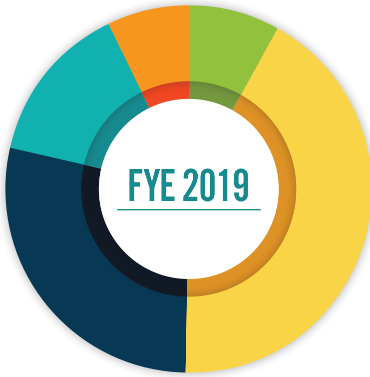
EXPORT VOLUME IN %

- 4% Charcoal
- 8% Sawn Timber
- 50% Particleboard
- 29% Plywood
- 9% Logs



EXPORT VALUE IN %

- 7% Charcoal
- 14% Sawn Timber
- 29% Particleboard
- 42% Plywood
- 8% Logs



EXPORT VOLUME IN %

- 3% Charcoal
- 10% Sawn Timber
- 49% Particleboard
- 26% Plywood
- 12% Logs

EXPORT VALUE IN %

- 7% Charcoal
- 14% Sawn Timber
- 29% Particleboard
- 39% Plywood
- 11% Logs

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Tiong Kiong King
Chairman, Non-Independent Non-Executive Director

YBhg. Dato' Tiong Ing
Managing Director

Mdm. Ngu Ying Ping
Senior Independent Director

Mr. Tiong Ing Ming
Independent Director

Mr. Poh Kee Eng
Independent Director

AUDIT COMMITTEE

Mdm. Ngu Ying Ping (Chairperson)
Mr. Tiong Ing Ming
Mr. Poh Kee Eng

NOMINATION COMMITTEE

Mdm. Ngu Ying Ping (Chairperson)
Mr. Tiong Kiong King
Mr. Tiong Ing Ming
Mr. Poh Kee Eng

REMUNERATION COMMITTEE

Mdm. Ngu Ying Ping (Chairperson)
Mr. Tiong Kiong King
Mr. Tiong Ing Ming
Mr. Poh Kee Eng

COMPANY SECRETARIES

Mdm. Ling Chieh Min (MIA 18531)
Ms. Voon Jan Moi (MAICSA 7021367)

REGISTERED OFFICE

No. 66-78, Pusat Suria Permata, Jalan Upper Lanang
C.D.T. 123, 96000 Sibu, Sarawak
Tel : 084-211 555
Fax : 084-211 545
E-mail : info@suburtiasa.com
Website : www.suburtiasa.com

SHARE REGISTRAR

Boardroom Share Registrars Sdn. Bhd.
Registration No 199601006647 (378993-D)
(Formerly known as Symphony Share Registrars Sdn. Bhd.)
11th Floor, Menara Symphony,
No.5, Jalan Prof. Khoo Kay Kim, Seksyen 13,
46200 Petaling Jaya, Selangor, Malaysia
Tel : 03-7890 4700
Fax : 03-7890 4670

PRINCIPAL BANKERS

Affin Bank Berhad
Ambank (M) Berhad
Bank of China (Malaysia) Berhad
CIMB Bank Berhad
Hong Leong Bank Berhad
Malayan Banking Berhad
RHB Bank Berhad
United Overseas Bank (Malaysia) Berhad

AUDITORS

Crowe Malaysia PLT (LLP0018817-LCA & AF1018)
Chartered Accountants
1st Floor No. 1
Lorong Pahlawan 7A2
Jalan Pahlawan
96000 Sibu, Sarawak
Tel : 084-211 777
Fax : 084-216 622

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

Stock name

SUBUR

Stock Code

6904

PROFILE OF DIRECTORS

MR. TIONG KIONG KING

Chairman
Non-Independent Non-Executive Director
Age 72, Malaysian, Male

Mr. Tiong Kiong King was appointed to the Board of Directors ("Board") of Subur Tiasa Holdings Berhad on 21 June 1997 and was subsequently appointed as Chairman of the Board on 19 March 2013. He is also a member of the Nomination and Remuneration Committees of the Company.

Mr. Tiong Kiong King has more than 48 years of managerial experience in the timber industry in various capacities. Presently, Mr. Tiong also holds key posts in several non-government organisations. Among them, he is the Life Honorary President for Sibu Chinese Chamber of Commerce and Industry, Vice President of World Federation of Fuzhou Association Limited, Life Honorary President of Persekutuan Persatuan-Persatuan Foochow Sarawak, Honorary Chairman of the World Zhang Clan Association Limited and Chairman of Persatuan Klan Zhang Negeri Sarawak. He is also the Vice Chairman of a public listed company, Rimbunan Sawit Berhad.

YBHG. DATO' TIONG ING

Managing Director
Age 62, Malaysian, Female

YBhg. Dato' Tiong Ing was first appointed to the Board of Subur Tiasa Holdings Berhad on 25 July 2001 and was subsequently appointed as the Managing Director on 1 October 2003.

YBhg. Dato' Tiong Ing holds a Bachelor of Arts Degree in Business Administration from University of Winnipeg, Manitoba, Canada. She has more than 38 years hands on experience, in-depth knowledge and extensive market network in the timber industry and more than 14 years exposure in the oil palm plantation industry.

On 19 July 2007, YBhg. Dato' Tiong Ing was conferred with Darjah Sultan Ahmad Shah Pahang (D.S.A.P) which carries the title "Dato". Between 2009 and 2011, YBhg. Dato' Tiong Ing was appointed as director of EON Bank Berhad and sat on the Bank's Board Group Credit Committee. YBhg. Dato' Tiong Ing has been actively involved as a Council member of Sarawak Timber Association ("STA") which has more than 400 members from companies involved in timber, timber related industries and trades. She also acts as Chairperson of STA Log Marketing Committee for 2018 and 2019. YBhg. Dato' Tiong Ing has been an Industry Advisory Council member of University College Technology Sarawak since April 2016.

PROFILE OF DIRECTORS (CONT'D)

MDM. NGU YING PING

Senior Independent Director
Age 59, Malaysian, Female

Mdm. Ngu Ying Ping joined the Board of Subur Tiasa Holdings Berhad on 29 June 2009. She was subsequently appointed as the Chairperson of Audit, Nomination and Remuneration Committees of the Company on 19 March 2013.

Mdm. Ngu Ying Ping graduated with Bachelor of Economics (Major in Accounting) from Monash University, Melbourne, Australia. She is a member of the Malaysian Institute of Accountants, Fellow Member of the Malaysian Institute of Taxation, Fellow Member of the CPAs Australia and Affiliate of Malaysian Institute of Chartered Secretaries and Administrators. She does not hold directorship in any other public company.

MR. TIONG ING MING

Independent Director
Age 62, Malaysian, Male

Mr. Tiong Ing Ming joined the Board of Subur Tiasa Holdings Berhad on 19 March 2013 and he is a member of the Audit, Nomination and Remuneration Committees of the Company.

Mr. Tiong Ing Ming graduated with a Bachelor of Building (Hons) from University of Melbourne, Australia in 1982 and began his career in a consulting quantity surveying practice since 1994. He is a registered quantity surveyor of the Board of Quantity Surveyors, Malaysia and a member of the Institution of Surveyors Malaysia. He also sits on the Board of a public listed company, Rimbunan Sawit Berhad.

PROFILE OF DIRECTORS (CONT'D)

MR. POH KEE ENG

Independent Director
Age 70, Malaysian, Male

Mr. Poh Kee Eng joined the Board of Subur Tiasa Holdings Berhad on 14 September 2015 and he is a member of the Audit, Remuneration and Nomination Committees of the Company.

Mr. Poh Kee Eng graduated with a Bachelor of Science (Hons) and Diploma in Education from University of Malaya in 1975 and began his career as a teacher, and subsequently as a School Inspector of Sarawak Education Department Kuching and then a School Principal from 1976 to 2005. He joined Subur Tiasa Holdings Berhad as a Human Resources Manager in 2005. He then served as Senior Manager, Administration and Human Resources Department and was also in charge of Corporate Social Responsibility from 2007 to 2014. He had extensive exposure to logging, manufacturing and oil palm operations. He also has vast experience in management and training. He does not hold directorship in any other public company.

OTHER INFORMATION OF DIRECTORS:

(i) Family Relationship
None of the Directors have any family relationship with each other or the major shareholders of the Company, except as disclosed below:

- Mr. Tiong Kiong King is a brother of YBhg. Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King, a major shareholder of the Company and an uncle to YBhg. Dato' Tiong Ing, who is the Managing Director of the Company.
- YBhg. Dato' Tiong Ing is the daughter of YBhg. Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King, a major shareholder of the Company and a niece to Mr. Tiong Kiong King who is also a Director of the Company.

(ii) Conflict of Interest
None of the Directors has been involved in situation that will create a conflict of interest with the Company.

(iii) List of Convictions for Offences
None of the Directors has been convicted of any offence, other than traffic offences within the past five (5) years and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year under review.

(iv) Attendance of Directors at Board Meetings
There were five (5) Board Meetings held during the financial year ended 31 July 2019. Details of attendance of each Director at Board Meetings are as stipulated in the Corporate Governance Overview Statement set out on page 33 of this annual report.

(v) Securities holdings in the Company and its subsidiaries
The Directors' shareholdings as at 23 October 2019 are as disclosed on page 147 of this annual report.

PROFILE OF KEY SENIOR MANAGEMENT

MR. TENG KING HUAT

Chief Operating Officer
Age 56, Malaysian, Male

Mr. Teng King Huat was appointed as Chief Operating Officer of Subur Tiasa Holdings Berhad on 1 September 2015.

Mr. Teng King Huat graduated with a Bachelor of Engineering (Chemical) degree from University of Adelaide, Australia. Prior to his appointment as Chief Operating Officer of Subur Tiasa Holdings Berhad, he had also served as Personal Assistant to Managing Director, Dato' Tiong Ing since 2008. During his tenure with Rimbunan Hijau Group and Subur Tiasa Holdings Berhad, he has acquired extensive exposure in businesses of chemical, logging, timber based manufacturing and oil palm. He has more than 20 years of diversified experience in strategic and operational management.

He does not hold directorship in any public companies and listed issuer. He has not been involved in situation that will create a conflict of interest with the Company and has no conviction for offences within the past five (5) years. There was no public sanction or penalty imposed on him by the relevant regulatory bodies during the financial year under review.

CORPORATE STRUCTURE
AS AT 23 OCTOBER 2019

SUBUR TIASA HOLDINGS BERHAD (341792-W)

TIMBER OPERATIONS AND REFORESTATION

- 100% • AA Plywood Sdn. Bhd. (752393-M)
- 100% • Borneo Lumber Industries Sdn. Bhd. (34515-V)
- 100% • Diamond Biowood Sdn. Bhd. (750284-A)
- 100% • Excel Logging Sdn. Bhd. (1267334-K)
- 100% • Excelle Timber Sdn. Bhd. (761744-T)
- 100% • Grace Million Sdn. Bhd. (624862-D)
- 100% • Homet Raya Sdn. Bhd. (189955-D)
- 100% • JPH Logging Sdn. Bhd. (809224-M)
- 100% • R H Timber Processing Industries Sdn. Bhd. (48217-K)
- 100% • Saraju Holding Sdn. Bhd. (179762-K)
- 100% • Sarawak Plywood (M) Sdn. Bhd. (012934-U)
- 100% • Semarak Veneer & Plywood Sdn. Bhd. (230578-K)
- 100% • Subur Tiasa Forestry Sdn. Bhd. (323421-T)
- 100% • Subur Tiasa Particleboard Sdn. Bhd. (198523-K)
- 100% • Subur Tiasa Plywood Sdn. Bhd. (167681-D)
- 100% • Trimogreen Sdn. Bhd. (190362-D)

OIL PALM OPERATIONS

- 100% • Blessings Palm Sdn. Bhd. (776528-A)
- 100% • Fruitful Palm Sdn. Bhd. (1057611-U)
- 100% • Infrapalm Sdn. Bhd. (769262-T)
- 100% • Palmlyn Sdn. Bhd. (614569-U)
- 100% • Tiasa Mesra Sdn. Bhd. (938319-P)
- 100% • Tiasa Palm Sdn. Bhd. (809230-X)
- 100% • United Superland Sdn. Bhd. (1090607-K)
- 100% • Victory Round Sdn. Bhd. (751569-X)
    - 60% • Victory Pelita Kabah Sdn. Bhd. (1015888-K)
- 75% • Hahn Fert Sdn. Bhd. (1185250-K)

OTHERS

- 100% • Allied Asiatic Sdn. Bhd. (734184-M)
- 100% • Blessings Realty Sdn. Bhd. (775270-M)
- 100% • Dchord Sdn. Bhd. (formerly known as Merri Marketing Sdn Bhd) (1067349-P)
- 100% • Enerrich Sdn. Bhd. (formerly known as Merri Mee Sdn Bhd) (1067347-D)
- 100% • Honeybrix Sdn. Bhd. (1019826-W)
- 100% • Joyful Realty Sdn. Bhd. (770831-M)
- 100% • JPH Enterprise Sdn. Bhd. (771097-V)
- 100% • LX Photonics Sdn. Bhd. (1167330-X)
- 100% • Mamo Sdn. Bhd. (1012769-P)
- 100% • Momaspace Sdn. Bhd. (1014468-D)
- 100% • Momaworld Sdn. Bhd. (1032328-H)
- 100% • Momawater Sdn. Bhd. (1033245-V)
    - 100% • MOMA Marketing Pte. Ltd. (201623094H)
- 100% • Subur Global Pte. Ltd. (201539306M)
- 100% • Subur Properties Sdn. Bhd. (1151173-H)
    - 100% • Tiasa Heights Sdn. Bhd. (1151223-H)
    - 100% • Prestige Superland Sdn. Bhd. (1151205-M)
- 100% • Subur Tiasa R&D Sdn. Bhd. (1157521-A)
- 100% • Supreme Standard Development Sdn. Bhd. (717556-V)
- 100% • Tiasa Cergas Sdn. Bhd. (935519-H)
- 100% • T.Q. Oriental Sdn. Bhd. (257848-D)

CHAIRMAN'S STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

MR. TIONG KIONG KING
CHAIRMAN

Dear fellow shareholders,

On behalf of the Board of Directors of Subur Tiasa Holdings Berhad, it is my pleasure to present the Annual Report and Audited Financial Statements of the Group for the financial year ended 31 July 2019.

FINANCIAL PERFORMANCE

The Group recorded positive earnings before interest, taxation, depreciation and amortization ("EBITDA") of RM32.7 million in the financial year ('FY") 2019 despite the challenging operating landscape and downward trend of Crude Palm Oil ("CPO") price. The group revenue was RM314.6 million whereas loss before tax was RM28.3 million. This was mainly due to reduction in CPO price by 20% from RM2,510 per metric tonne to RM1,999 per metric tonne in FY2019. Net assets per share stood at RM2.98 as at end of FY2019.

The Group's financial and operational performance will be further reported in the Management Discussion & Analysis section.

CHAIRMAN'S STATEMENT (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

CORPORATE DEVELOPMENT

During the year, the Group has completed the acquisition of Simunjan Estate in October 2018. This has expanded our land bank by another 15,000 hectares for oil palm plantation and sustainable tree planting. The successful acquisition marked another milestone achieved by the Group to transform and expand its oil palm plantation as the core business.

On 3 July 2018, our Group has signed a Memorandum of Understanding with Sarawak Timber Industry Development Corporation ("STIDC") on the development of bamboo plantation and bamboo integrated industry. To promote biodiversity, we have since then intensified our collaboration efforts with STIDC on the research and development of bamboo. This augurs well with our undertaking to advance the sustainability of raw materials.

GOING FORWARD

Our Group will focus on creating values for all stakeholders with the regular evaluation of the effectiveness of the Group strategies. This will improve the core business models and achieve sustainable profitability in the long run. In order to ensure the Group stays resilient in this challenging business environment, the Group is committed to transforming our businesses via reengineering, optimization, yield improvement and cost competitiveness programs.

APPRECIATION

My heartfelt thanks go to my fellow Board members for their invaluable advice and contributions. I am also very grateful to the resilient and resourceful management team under the leadership of Managing Director, Dato' Tiong Ing and the staff for their commitment, hard work and concerted efforts.

On behalf of the Board, I wish to extend my gratitude and appreciation to our valued shareholders, customers, suppliers, financial institutions, business associates and various regulatory bodies for your continuous support and confidence placed in us. We will continue to increase momentum in our transformation journey to strive for better results and deliver values to our stakeholders.

Tiong Kiong King
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS
BY GROUP MANAGING DIRECTOR

OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS

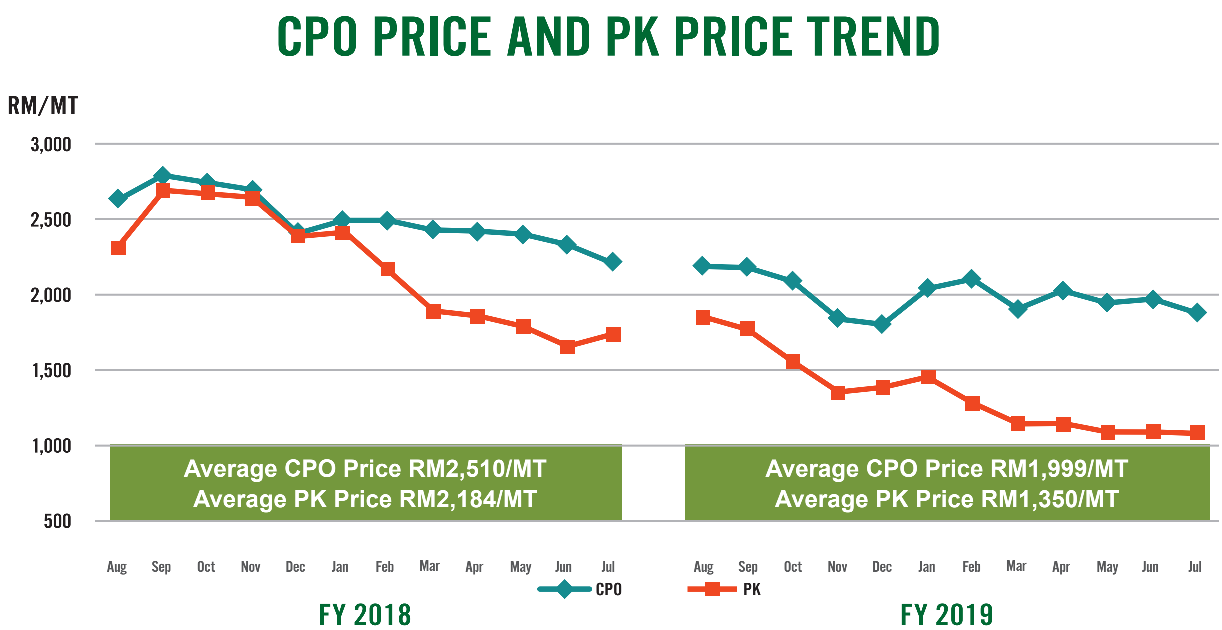
During the year in review, oil palm and timber remain as the two core business divisions of Subur Tiasa Holdings Berhad Group ("The Group").

The Group improves profitability by increasing production volumes in the oil palm segment with lower operation costs. Good Agricultural Practices ("GAP") are implemented to improve the yield of fresh fruit bunches ("FFB"). Currently, we have successfully obtained Malaysian Sustainable Palm Oil ("MSPO") certification for two estates. All estates are expected to be MSPO certified by the end of 2019.

The Group's downstream manufacturing faces challenges of increasing production costs due to the tight supply of raw material. To stay ahead, we re-engineered the business process to improve productivity, reduce operation costs without affecting the quality of outputs. We automate and innovate timber processes to increase productivity and reduce labour cost. We also train and educate workers on multi-tasking at the production line.

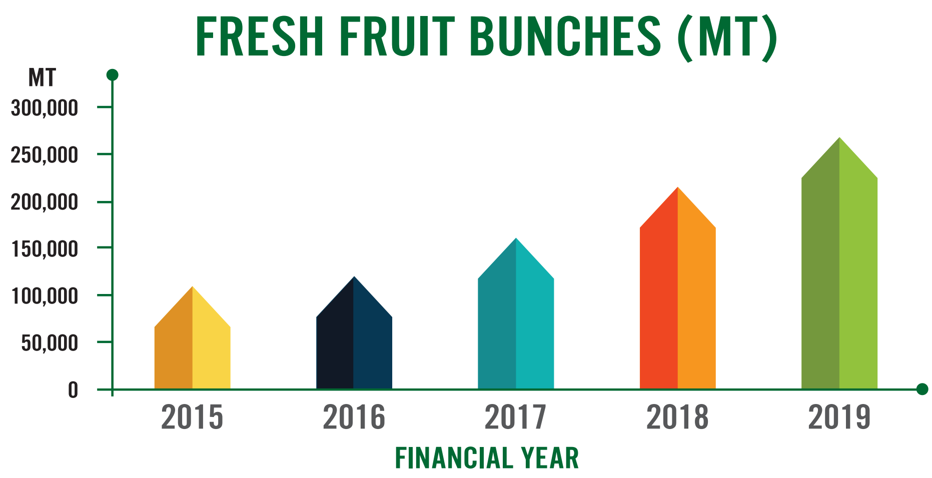
OIL PALM SEGMENT

The oil palm plantation segment contributed 32% of the total revenue of the Group for the financial year ended 31 July 2019 ("FY2019"). The Group has recorded significant improvement in sales volume of FFB by 25% from 213,915 metric tonnes ("MT") to 268,377 MT. Our FFB yield from our various estates surpassed the average yield in the respective regions. Subur Tiasa has emerged as one of the leading oil palm plantations which achieved remarkable yield improvement in the year.



The weakening of crude palm oil ("CPO") price of 20% from RM2,510 per MT in FY2018 to RM1,999 per MT in FY2019 has impacted on the revenue and profit contribution of our oil palm plantation segment. Our oil palm segment contributed earnings before interest, taxation, depreciation and amortization ("EBITDA") of RM11.3 million in FY2019.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)
BY GROUP MANAGING DIRECTOR



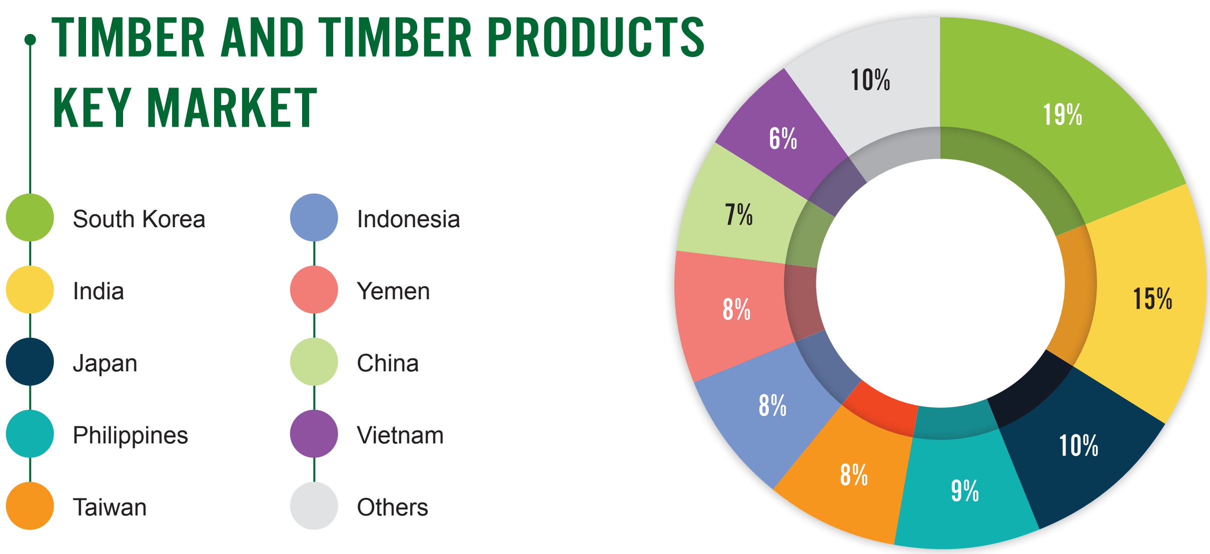
Our oil palm estates are located in Sibu, Mukah, Samarahan and Kapit regions. Total land bank of the Group has expanded to 44,000 hectares upon the completion of the acquisition of Simunjan Estate in October 2018. The weighted average palm age is 7.5 years old. The Group expects a better performance with improvement in FFB yield in line with the growth of the palm age profile from young mature to prime age.

TIMBER SEGMENT

The Group's timber segment consists of upstream logging operation, reforestation and downstream manufacturing. Our downstream manufacturing products comprise plywood, particleboard, sawn timber and charcoal.

Our logging operations and reforestation are located in Sibu, Bintulu and Kapit regions. Our downstream manufacturing hubs are located in Sibu, Bintulu and Tanjung Manis, Sarawak.

India remains the main export market for our logs. South Korea, Japan and the Philippines are the key export markets for our timber products. We continue to develop and penetrate new or niche markets globally for our value-added products.



MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)
BY GROUP MANAGING DIRECTOR

Logging

Log sales contributed about 15% of the total revenue of the Group. The average export selling price remained strong due to the tightening of the tropical hardwood supply from Sarawak.

Under the Malaysian Timber Certification Scheme, the Group remains steadfast in its undertaking to pursue Forest Management Certification ("FMC"). We expect to obtain FMC in the near future.

Reforestation

Reforestation secures the sustainable supply in raw material for downstream manufacturing. We conducted research and development of tree species cultivation in order to improve the planting quality, to achieve optimum growth and marketable value of our tree plantation.

The Group signed a Memorandum of Understanding ("MOU") in July 2018 with Sarawak Timber Industry Development Corporation. The MOU encompasses research and development of bamboo and bamboo integrated industry. This collaboration signifies the Group's commitment to promoting bamboo, the 21st Century "Green Steel", as a new source of eco-friendly and sustainable raw material.

Downstream Manufacturing of Timber Products

Plywood

Plywood accounted for 18% of the total Group revenue in FY2019. Export market share was about 93%.

Particleboard

Particleboard contributed 15% of the total Group revenue in FY2019. Export market made up 78% of the total sales volume.

FINANCIAL REVIEW

	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000
Revenue	754,031	554,603	492,636	322,163	314,569
Profit / (Loss) Before Tax	16,449	(31,739)	4,438	(9,449)	(28,313)
Profit / (Loss) After Tax	16,422	(32,871)	(17,402)	(21,086)	(35,840)
EBITDA	135,830	79,259	67,446	49,193	32,720
Equity Attributable to Equity Holders	687,376	648,869	627,547	598,366	555,825
Total Assets	1,287,843	1,277,335	1,318,132	1,318,180	1,466,114
Net Assets Per Share (RM)	3.58	3.45	3.35	3.20	2.98

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)
BY GROUP MANAGING DIRECTOR

The Group recorded revenue of RM314.6 million in FY2019, as compared to RM322.2 million reported in the previous year. Timber and oil palm plantation segments accounted for 66% and 32% respectively of the Group's revenue. The Group reported loss before tax of RM28.3 million as compared to loss of RM9.4 million in the preceding year. Loss after tax was RM35.8 million. The financial performance was mainly attributed to the followings:

Oil Palm Segment

- FFB annual sales volume increased by 25%, resulting from improved yield due to operational efficiency and more matured palm trees.
- Nevertheless, year-on-year revenue and profit before tax decreased mainly due to reduction in CPO and FFB average selling prices by 20% and 27% respectively.

Timber Segment

- Operating performance improved as compared to preceding financial year, mainly supported by improved average selling prices of timber products and implementation of cost optimization measures.

FINANCIAL POSITION

Property, plant and equipment ("PPE")

The PPE increased by RM133.7 million as compared to FY2018. Total PPE addition of RM196.2 million was partially offset by depreciation charged for the year of RM46.8 million and disposal of non-productive machinery of RM15.7 million. The increase in PPE was largely in relation to the acquisition of Simunjan Estate and reclassification of plantation development expenditure to bearer plants, in line with MFRS 141 and 116. The proceeds from disposal were then re-invested into productive business assets. Some properties have been reclassified as investment properties.

Biological assets

Biological assets of the reforestation and the planted trees are classified as non-current assets while the agricultural produce such as FFB is classified as current assets at fair value, in line with the requirements of MFRS 141 and 116. The net increase in biological assets of RM16.7 million from FY2018 was mainly due to a fair value gain of RM8.8 million as well as the addition of RM7.9 million during the year.

Inventories

There was an increase in inventories of RM8.7 million as compared to FY2018. It was mainly attributed to the increase of timber products and work-in-progress towards the current financial year-end.

Trade and other receivables

The decrease in trade and other receivables of RM59.9 million as compared to FY2018 was mainly due to the refund of deposits and debt collection efforts.

Trade and other payables

The trade and other payables increased by RM10.4 million as compared to FY2018. It was mainly due to down payment received from customers towards the financial year-end.

Working capital and liquidity

The Group remains resilient with a healthy financial position backed by closing cash and cash equivalents amounting to RM9.7 million. During the year, our operations generated positive cash flows of RM63.2 million which was used to finance partially the plantation expenditure in the oil palm estates.

Capital commitment

The approved and contracted capital expenditure of RM1.8 million is in relation to the balance of the construction costs of the oil palm estates' quarters and purchase of machinery.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)
BY GROUP MANAGING DIRECTOR

DIVIDEND

The Board of Directors does not recommend any dividend in respect of the financial year ended 31 July 2019.

ANTICIPATED OR KNOWN RISK

Risk management remains an integral part of the Group's day-to-day operations. The Group adopts a robust risk management framework to mitigate risks.

Industrial wide shortage of labour remains one of the primary operating risks in oil palm business. The Group has increased productivity and boosted workers' morale across the estate. In terms of regulatory risk, any changes in government policy of foreign workers levy and minimum wages, for instance, could have substantial impact on the Group's operating costs. The Group is committed to adopting proactive measures to mitigate such risks and to improve cost competitiveness.

FORWARD LOOKING

The Group expects a better performance in oil palm segment with improvement in FFB yield and increasing area of more matured palm trees in prime age category. We are confident that our FFB production and oil extraction rate can be further boosted through operational efficiencies. Barring unforeseen circumstances, CPO price is expected to recover gradually in anticipation of the decline in palm oil inventory and higher demand from key importers.

Our Group expects to obtain Forest Management Certification in the near future. The impending certification will enhance the sustainability of our forest and competitiveness of our timber products.

The Group will continue to support local communities and contribute to poverty alleviation through provision of job opportunities, trainings, sponsorships, donations and community-based activities.

SUSTAINABILITY STATEMENT

At Subur Tiasa Holdings Berhad Group ("Subur Tiasa'' or the "Group"), we continue to embed sustainability in our business model. The Group thrives alongside nature and our people. To this end, our Group has made significant strides in recent years to implement sustainability measures, in the hope that they would have contributed positive impacts on the economy, environment and society.

SCOPE

The scope of this Sustainability Statement applies to Subur Tiasa and all its subsidiaries, mainly on its core businesses in oil palm plantation and timber for the financial year ended 31 July 2019 ("FY2019").

CORPORATE GOVERNANCE

The Group adheres to the highest standards of corporate governance for effective implementation of sustainability practices and achieves our objectives within the boundaries of business ethics. To accomplish long term success and to create stakeholders' value, we implement good governance practices with adequate risk management control.

With sustainable practices already embedded in our business activities, our Group continuously improves current practices. We look beyond the financial perspective to understand the connection between sustainable value and its lasting impacts on our environment and society at large.

Subur Tiasa upholds high level of accountability, integrity and professionalism in our relationships and business dealings, as well as complying with legal requirements and regulations. These are critical contributing factors to achieve business profitability and commercial success. With the engagement of strong leadership and innovation efforts, our business will continue to stay resilient in a challenging and evolving environment.

STAKEHOLDER ENGAGEMENT

Summarized below is an overview of our engagement with stakeholders through various channels and the outcomes achieved. We will continue to have transparent and open communications with stakeholders to understand their expectations and address the arising issues.

Stakeholder Group	Mode of Engagement	Outcomes
Shareholders & Investors	• Annual general meeting • Annual report • Announcement of quarterly results • Company website	• Update of investment return, financial status and future plans • Provide insight into sustainability efforts • Good relationship
Local Communities	• Meetings, engagements and dialogues • Community Representative Committee (CRC) Meeting • Annual Social Impact Assessment	• Support the development and social need of local communities • Build rapport and maintain good relationship • Better understanding and support to the needs of local communities • Solutions for complaints and grievances raised

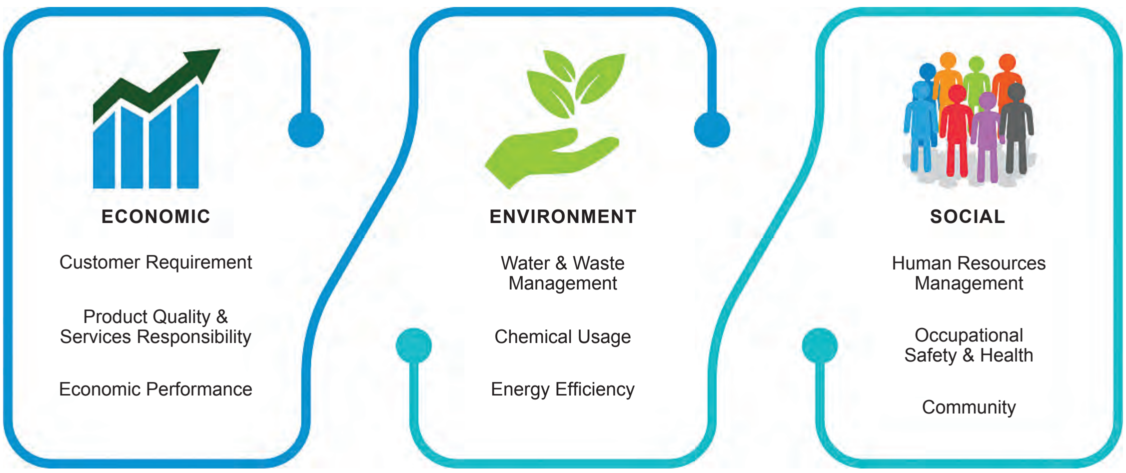
SUSTAINABILITY STATEMENT (CONT'D)

Stakeholder Group	Mode of Engagement	Outcomes
Employees / Field Workers	• Morning muster • Safety and Health Committee (SHC) Meeting • Company meeting • Memo and notices • Recreational & sports activities • Trainings	• Awareness and understanding of company policies and direction • Build rapport and promote teamwork • Educate on the importance of sustainability • Solutions for complaints and grievances raised • Upgrading of knowledge and job skills
Government	• Meetings, engagement and dialogues • Verbal and written correspondence • Sites inspections	• Awareness and understanding of government direction and initiatives • Compliance to statutory requirements and regulations
Customer	• Networking sessions • Verbal and written correspondence • Annual report • Company website • Sites visits	• Update and awareness on our sustainability progress and implementation • Customer retention and brand recognition • Enhance company reputation
Suppliers & Contractors	• Verbal and written correspondence • Formal meetings	• Update and awareness on legal and sustainability requirements • Timely delivery and works completion

MATERIAL SUSTAINABILITY MATTERS

Our Group has identified key Economic, Environmental and Social ("EES") matters that would have significant impacts to our core businesses. Through management meetings, we have assessed and reviewed each EES matter and how they may affect our businesses and stakeholders' interests.

This statement highlights some of our material sustainability matters and how our Group is addressing them.



SUSTAINABILITY STATEMENT (CONT'D)

ECONOMIC

In conjunction with the evolving needs of customers and competitive market, our Group incorporates customer requirements and satisfaction along with our long-term goals for business continuity in this challenging environment. Our Group has taken various initiatives to benchmark our operation and products against local and international standards. These include standards such as Hazard Analysis and Critical Control Point ("HACCP"), California Air Resources Board ("CARB"), Japanese Agricultural Standards ("JAS"), Japanese Industrial Standards ("JIS"), ISO 9001:2015, Forest Management Certification ("FMC") and Malaysian Sustainable Palm Oil ("MSPO") Certification.

i. Customer Requirement

Our Group undertakes strategic approaches to achieve our vision as the preferred reliable supplier of premium products. By achieving recognized standards as our benchmark, our Group managed to add value to our products and services and gain competitive edges including better market penetration, brand recognition and loyalty.

ii. Product Quality and Services Responsibility

Our Group continuously upholds our mission of achieving the utmost customer satisfaction for all our products with compliance to current and new regulations, industry best practices and requirements for certification. We perform annual audits and surveillances for certifications such as HACCP and ISO 9001:2015 to ensure that our operations and products comply and meet the standards' requirements.

Our Fast-Moving Consumer Goods ("FMCG") product, Momawater complies with food safety certification such as HACCP certification, Makanan Selamat Tanggungjawab Industri ("MeSTI") certification, Halal certification and Good Manufacturing Practice ("GMP") certification in producing premium safe drinking water for consumers.

Momawater has gained recognition as an outstanding homegrown Superbrand and has been awarded Superbrands Malaysia's Choice 2018. Participation in Superbrands is by invitation only and offered to the most outstanding brands in their field. Attaining Superbrands status strengthens our brand positions, adds prestige and reassures consumers and suppliers that they are buying the best brand in its category. Momawater has also been awarded Malaysia Health and Wellness Brand Awards 2018 in the Home Healthcare Category by Sin Chew Daily and Life Magazine.

Our manufacturing division has achieved various certifications for our wood-based products. The certifications include CARB, JAS, JIS, Sarawak Timber Legality Verification System ("STLVS") Principle 5-6, ISO 9001:2015, Wood Packaging Material Treatment Providers Certification and United States Environmental Protection Agency ("US EPA") Certification.

SUSTAINABILITY STATEMENT (CONT'D)

Front Row (left to right): YB Datuk Haji Mohd Naroden Bin Haji Majais (Assistant Minister of International Trade and Industry), YB Datuk Amar Haji Awang Tengah Ali Hasan (Deputy Chief Minister), Daniel Tai (Subur Tiasa Representative), YAB Datuk Patinggi (Dr) Abang Haji Abdul Rahman Zohari Bin Tun Datuk Abang Haji Openg (Chief Minister of Sarawak), YB Datu Haji Len Talif Salleh (Assistant Minister of Urban Development and Resources) at 4th Sarawak Timber & Small and Medium Enterprises Expo 2019

Left to right: Tuan Haji Hashim Haji Bojet (STIDC General Manager), YB Datuk Amar Haji Awang Tengah Ali Hasan (Deputy Chief Minister), Tuan Yang Terutama Yang Di-Pertua Negeri Sarawak Tun Pehin Sri Haji Abdul Taib Mahmud (Yang di-Pertua Negeri Sarawak), Daniel Tai (Subur Tiasa Representative), YB Datu Haji Len Talif Salleh (Assistant Minister of Urban Development and Resources) at 4th Sarawak Timber & Small and Medium Enterprises Expo 2019

Forest Management Certification

To date, our Group is making positive progress towards obtaining FMC for our logging operations. Having successfully undergone the first stage audit under the Malaysian Timber Certification Scheme in July 2019, our Group is within the target to complete the second stage audit by December 2019. The Group has developed and implemented a comprehensive Forest Management Plan ("FMP") for Mujong-Melinau Forest Management Unit ("FMU"). This demonstrates our commitment to continuously improve and progress in our sustainability journey.

SUSTAINABILITY STATEMENT (CONT'D)

MSPO Certification

The Group has also successfully obtained MSPO Certification for Palmlyn Sdn Bhd and Victory Pelita Kabah Sdn Bhd, and MSPO confirmation pending official certification for Tiasa Palm Sdn Bhd and Tiasa Mesra Sdn Bhd. The Group expects to achieve MSPO certification for all oil palm plantations by December 2019. The Group will continue to supply sustainable fresh fruit bunches to local mills while ensuring local communities participate and reap both economic and social benefits.

Presently, our products and operations are certified or on the way to full certification by leading local and international certification bodies such as SIRIM QAS International, BM Trada and SGS International.

iii. Economic Performance

Our Group achieves financial goals and maintain our economic viability without compromising our corporate shared values, stakeholders' expectations and sustainability commitments. Embedding sustainability into business not only helps to secure a sustainable future but also enables us to prepare for potential risks and challenges, identify opportunities and create more viable values for our business and stakeholders.

For detailed information on the Group's economic performance, please refer to Management Discussion and Analysis and Financial Statements of this Annual Report.

ENVIRONMENT

Over the last two decades, Subur Tiasa has been investing in environmental conservation. The Group made good progress in preserving biodiversity, maintaining ecosystem stability and reducing environmental impact. The Group carries out reduced impact logging practices that minimize the impact on the ecosystem. Subur Tiasa invests in technologies that turn wood waste into valuable finished products such as particleboard and charcoal to maximize the utilization of wood resources.

In the meantime, Subur Tiasa has also embarked on the PLANT FOR THE FUTURE project. Over the years, the Group has gained an understanding of the invaluable potential of bamboo, the 21st Century "Green Steel". In January 2018, Subur Tiasa established its first bamboo nursery. A few months later, Subur Tiasa signed a Memorandum of Understanding with Sarawak Timber Industry Development Corporation ("STIDC") for the development of bamboo plantation and bamboo integrated industry.

Our Group maintains and protects High Conservation Value ("HCV") areas identified in our operation sites in accordance with the requirements and regulations of biodiversity protection. The Group has conducted Wildlife and Environment Awareness Programs regularly to educate our workers and surrounding communities on the importance of biodiversity conservation. Besides installing signage for HCV areas, the Group also restricts access to these areas by visible boundary marking and monitor closely through regular ground patrolling to prevent illegal hunting and encroachment.

Signage installed for HVC area

Awareness and poster distribution to local communities

SUSTAINABILITY STATEMENT (CONT'D)

i. Water and Waste Management

Subur Tiasa has efficient water management in place for logging and plantations sites to ensure that clean water is available for our workers and nearby local communities with these measures:

- Installation of water tanks for rainwater harvesting and storing;
- Maintenance of water treatment facility;
- Prohibition of chemical or domestic wastes dumping into the river;
- Prohibition of spraying and manuring activities at the buffer zones or riparian reserves;
- Performing annual water sampling to monitor water quality; and
- Disposal of hazardous waste by licensed scheduled waste contractors.

ii. Chemical Usage

Our plantation operations apply Good Agricultural Practices ("GAP") for better productivity and best practice. Our Group has implemented various measures to reduce the usage of chemicals in terms of fertilizers, weedicide and pesticide such as:

- Application of environment-friendly and biodegradable sachet fertilizer;
- Application of weedicide and pesticide on selected areas; and
- Usage of compost and organic fertilizers made from empty fruit bunches and palm fronds.

iii. Energy Efficiency

Our Group monitors our energy usage to minimize Greenhouse Gas ("GHG") emission to the environment by implementing various sustainable practices such as:

- On-going exercise to replace existing fluorescent light with light-emitting diode ("LED") lights at offices and sites;
- Installation of solar lightings in plantations;
- Regular maintenance of vehicles, machinery and generator sets;
- Monitoring the GHG emissions from our manufacturing plants continuously according to the regulations and requirements of the Department of Environment ("DOE");
- Implementation of Zero Burning Policy for replanting, land clearing and eliminating wastes at plantations and logging sites; and
- Implementing recycle, reuse and reduce practices in our operation sites to avoid excessive waste accumulation and air pollution caused by burning domestic waste.

SOCIAL

The Group views training and development as key elements to build our workforce capability. Subur Tiasa reaches out to the local communities by giving back to those in need and facilitating local communities' access to basic infrastructures. This also creates opportunities for our people to contribute more collectively than what each could do as an individual and build a greater sense of purpose.

i. Human Resources Management

Subur Tiasa provides equal employment opportunities, a non-discriminatory and safe working environment. Our Group supports inclusiveness and diversity in the workplace by providing training and development, career progression and retention regardless of gender, ethnicity, religion and socioeconomic backgrounds. Diversity to us is about embracing our differences and acknowledging the unique blend of skills, knowledge and experiences that our people bring to the workplace.

Our Group develops our people by constantly engaging, motivating and providing training. This empowers them to learn the necessary skills and knowledge to improve work performance. Besides training, our Group sends our people to attend exhibitions, seminars and workshops regularly to obtain industry updates, broaden work experience

SUSTAINABILITY STATEMENT (CONT'D)

and gain networking opportunities with peers in similar or related industries. Some of the trainings conducted during the year at our office and sites are as below:


Advocacy Program on Accident Prevention with Social Security Organization ("SOCSO")

Reduced Impact Logging ("RIL") Field Practical Training at Mujong- Melinau FMU

Talk on FUSO Truck & Boric Acid in Oil Palm Plantation

Social Impact Assessment Training at Mujong-Melinau FMU

SUSTAINABILITY STATEMENT (CONT'D)

Basic First Aid Training at estates

Various recreational events and sports activities are organized annually and periodically to maintain our people's work-life balance and promote team building through Subur Recreational Club ("SRC"). Some of the more memorable events organized in FY2019 were Subur Healthy Walk and Run at Sibu Kutien Memorial Park. Sports tournaments such as ping pong, badminton and basketball have been organized to help us maintain healthy lifestyle in a fun way.

Subur Healthy Walk & Run

SRC Badminton Competition

SRC Basketball Competition

Quiz Competition

Board Game Friendly Match

As Subur Tiasa is a diverse group of people with different cultural and religious backgrounds, SRC has also been actively involved in organizing various festive celebrations. Together we celebrate and conduct open houses during Chinese New Year, Hari Raya, Hari Gawai, Christmas and other festivals at our office and sites. The Management and all members of Subur Family alike have enjoyed the camaraderie and casual interaction during these gatherings.

SUSTAINABILITY STATEMENT (CONT'D)

Chinese New Year Open House

ii. Occupational Safety and Health

Subur Tiasa complies with all the relevant national laws, regulations and other requirements relating to best practices in Occupational Safety and Health ("OSH"). The following measures have been established to ensure that our workers' safety and well-being are being taken care of:

- Regular trainings on safety and health practices and requirements;
- Personal Protective Equipment ("PPE") is provided for workers who handle hazardous materials or other tasks as necessary;
- Technical trainings are provided for workers who handle heavy machinery and equipment;
- Safety inductions are provided to all new workers on basic safety requirements;
- OSH Standard Operating Procedures have been implemented across all our operations;
- Regular workplace safety inspections at operation sites by Safety and Health Personnel;
- Daily basic safety briefing during morning musters;
- Fire drills and basic first aid trainings are conducted periodically; and
- Emergency Response Team ("ERT") is established at plantation and logging sites.

Safety signboards are placed at visible areas and buildings to ensure suitable PPE are used and sufficient control measures are taken by our workers before entering or performing the required tasks.

Appropriate safety signages are installed and PPE is provided to workers

SUSTAINABILITY STATEMENT (CONT'D)

Morning muster

Using fire extinguisher exercise

iii. Community

Our Group builds and maintains a good rapport with local communities where we operate. Our Group undertakes sustainability initiatives to protect community well-being. The Group has been actively involved in various Corporate Social Responsibility ("CSR") events and community outreach activities that focus on the welfare of our community such as community projects, fund-raising events and charity works. Some of the CSR activities for FY2019 were blood donation drive, sponsorship of plywood to Nanga Kua School and sponsorship of furniture items to Mukah Clinic.

Subur Tiasa also supports local suppliers and entrepreneurs by purchasing locals goods and services for our businesses. As part of our commitment to strengthen and support the local economy, our Group has been providing job opportunities to local communities from surrounding areas of our plantations and logging sites. Our Group contributes to the construction of roads, bridges and jetties at our sites and nearby area. The Group also improves cell phone and internet connectivity to most sites. Such infrastructures improve the local communities' accessibility and quality of life.

Through direct engagement with the local communities, the Group hopes to gain greater mutual understanding and harmonious relationships that are built on trust and respect. As such, the Group conducts regular consultation and communication with our stakeholders through various community gatherings and meetings. During stakeholder meetings, all attendees are briefed and updated on the ongoing sustainability initiatives and the need for collaboration in our journey towards achieving sustainability.

SRC Blood Donation

SUSTAINABILITY STATEMENT (CONT'D)

Sponsorship to Nanga Kua School

Sponsorship to Mukah Clinic

Community Representatives Committee (CRC) Meeting

Forest Management Certification Liaison Committee (FMCLC) Meeting

AWARDS & RECOGNITIONS

SUBUR TIASA HOLDINGS BERHAD
- Diploma Best Enterprise Award 2012
- Century International Diamond Quality Era Award 2012
- 2nd Malaysia Independence Award 2010
- International Diamond Star For Quality Award (Geneva 2010)
- World Quality Commitment (WQC) International Gold Star For Quality Award (Paris 2007)
- Business Summit Award 2007

SUBUR TIASA PLYWOOD SDN. BHD.
- Celebrity Brand Award 2011 Celebrity Brand Center @ The Nomad Pavilion
- Quality Summit Platinum Award For Excellence & Business Prestige (New York 2009)
- World Quality Commitment (WQC) International Gold Star For Quality Award (Paris 2008)
- Platinum Technology Award For Quality & Best Trade Name (Rome 2008)

SUBUR TIASA PARTICLEBOARD SDN. BHD.
- The Sarawak Chief Minister's Environmental Award 2015/2016
- Product Excellence Award In Industry Excellence Awards 2009
- The Majestic Five Continents Award For Quality & Excellence (GENEVA 2008)
- Diamond Eye Award 2007 For Quality Commitment & Excellence
- The Top Quality Customer Satisfaction Aptitude Seal For High Quality Performance & Best Customer Satisfaction 2007
- 32nd International Award For The Best Trade Name 2007 (New Millennium Award)

MOMAWATER SDN. BHD.
- Superbrands Malaysia's Choice 2018
- Malaysia Health and Wellness Brand Awards 2018 in the Home Healthcare Category

SUBUR TIASA HOLDINGS BERHAD
- Achieving the target of At Least 30 Percent Women on Board in Public Listed Companies

SUBUR TIASA PLYWOOD SDN. BHD.
- Japanese Agricultural Standards (JAS) Certification
- California Air Resources Board (CARB) Certification
- ISO 9001:2015 Certification

SUBUR TIASA PARTICLEBOARD SDN. BHD.
- Japan Ministry Certification
- California Air Resources Board (CARB) Certification
- ISO 9001:2015 Certification
- Japanese Industrial Standard JIS A 5908:2015

MOMAWATER SDN. BHD.
- Certificate of Authentication Healthier Choice Logo (HCL)

PALMLYN SDN. BHD. & VICTORY PELITA KABAH SDN. BHD.
- Malaysian Sustainable Palm Oil (MSPO) Certification

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("Board") of Subur Tiasa Holdings Berhad ("Subur Tiasa" or the "Company") reinforces the importance of good corporate governance in building a sustainable business, and is committed to ensuring that the highest standard of corporate governance built on core values such as accountability, transparency and integrity is practised throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and the financial performance of the Group.

Subur Tiasa acknowledges that corporate governance is a continuous process that requires periodic reassessment and refinement of management practices and systems as set out in the Malaysian Code on Corporate Governance 2017 ("Code"). The Corporate Governance Overview Statement ("CG Statement") is to be read together with Corporate Governance Report ("the CG Report"), based on prescribed format as outlined in paragraph 15.25 of the Main Market Listing Requirements. The CG Statement and CG Report are available for reference on the Group's website at www.suburtiasa.com.

The Board is pleased to present the following statement which describes how the Company has applied the principles and practices as set out in the Code that has been in place throughout the financial year ended 31 July 2019.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

The Board acknowledges its leadership role in the direction and business operations of the Group toward enhancing shareholders' value and ensuring long term sustainable development and growth of the Group.

The Board delegates the authority to the Group Managing Director who is supported by the senior management team in achieving the corporate objectives. The Group Managing Director remains accountable to the Board for the performance of the Group.

The Board also delegates specific responsibilities to Board Committees, namely Audit Committee, Nomination Committee and Remuneration Committee, all of which operate within defined terms of reference. All Board Committees do not have executive power but report to the Board on all matters considered and the ultimate responsibility for decision making on recommendations presented by the Board Committees lies with the Board.

ETHICAL STANDARDS THROUGH CODE OF CONDUCT

The Board is committed to conducting its business in accordance with the highest standard of business ethics and complying with the laws, rules and regulations.

The Board has adopted a Code of Conduct covering Business Ethics, workplace safety, employees' personal conduct and for Directors in the performance and discharge of their duties and responsibilities as Directors of the Company. A summary of the Code of Conduct is available on the Company's website at www.suburtiasa.com.

The Board has also adopted a Whistleblowing Policy which aims to encourage reporting by employees in good faith, of any suspected and/or known instances of misconduct, wrongdoings, corruption, fraud, waste and/or abuse involving the resources of the Group and the employees making such reports will be protected from reprisal.

BUSINESS SUSTAINABILITY

The Board is mindful of the importance of business sustainability and the impact on the environment, social and governance aspects in conducting the business is taken into consideration. Subur Tiasa Group also embraces sustainability in its operations and supply chain, through its own actions as well as in partnership with its stakeholders including suppliers, customers and other organisations.

The Group's activities to promote sustainability during the financial year under review are also disclosed in the Sustainability Statement set out on pages 17 to 27 of this annual report.

ACCESS TO INFORMATION AND ADVICE

Management has an obligation to provide the whole Board with complete, well-focused and adequate information of which it is aware of in order to discharge the Board's responsibilities. The Board therefore expects to receive timely advice on all material information about the Group, its operating units, its activities and performance, particularly

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

any significant variances from a planned course of progress. As a general rule, the agendas and papers on subjects discussed during Board meetings are disseminated to the Board in a timely manner prior to the Board meetings to accord sufficient time for their review, consideration and to seek clarifications (if any) so as to enable them to participate effectively in Board deliberations and decisions making. This, in turn, enables the time at the Board meeting to be conserved and used for focused discussion. All Directors have the rights and duties to make further enquiries whenever necessary.

The Board may seek independent professional advice at the Group's expense, in the furtherance of their duties to make well-informed decisions.

COMPANY SECRETARIES

The Board is supported by qualified and competent Company Secretaries to provide sound governance advice, ensure adherence to Board policies and procedures, laws and regulatory requirements, and advocate adoption of corporate governance best practices in addition to the administrative matters. All Directors have full access to the advice and services of the Company Secretaries at all times.

BOARD CHARTER

The Board has adopted a Board Charter which provides Directors with greater clarity regarding the role of the Board, the requirements of Directors in carrying out their role and discharging their duties to the Company and the Board's operating practices. The Board Charter is reviewed and updated annually in line with changes in the expectations of the investing public and stakeholders of the Company in general and the guidelines issued by the regulatory authorities from time to time.

The summary of the Board Charter is accessible through the Company's website at www.suburtiasa.com.

II. BOARD COMPOSITION

BOARD BALANCE

The Board currently has five (5) members, comprising three (3) Independent Directors, one (1) Non-Independent Non-Executive Director and one (1) Managing Director. Together, the Directors bring wide range of business, regulatory, industry and financial experience relevant to the direction of the Group.

The Board complies with paragraph 15.02 of the listing requirement of Bursa Malaysia which requires that at least two (2) Directors or one-third (1/3) of the Board, whichever is the higher, are Independent Directors. The Directors have the necessary skills, experience, qualification and other core competencies, in order to carry sufficient weight in making balanced, objective and accountable decisions.

The concept of independence as adopted by the Board is consistent with the definition of an Independent Director as set out in Paragraph 1.01 and Practice Note 13 of the Listing Requirements. The key elements for fulfilling the criteria are the appointment of Directors who are not members of Management and who are free of any relationship which could interfere the exercise of independent judgement or the ability to act in the best interest of the Company and the Group. Although all the Directors have an equal responsibility for the Group's operations, the role of Independent Directors is particularly important in ensuring that the strategies proposed by the management are fully discussed and examined, taking into account the long term interest, not only of the shareholders, but the employees, customers, suppliers and the communities in which the Group operates in.

Further, the current size and composition of the Board are considered adequate to provide an optimum mix of skills, experience and expertise. Although the Chairman is not an independent director, more than half of the Board members are independent directors. The Board is of the view that with the current Board composition, there is no imbalance of power and authority on the Board between the non-independent and independent directors. The Board believes that the Chairman is well placed to act in the best interests of the shareholders as a whole as he has significant interests in Subur Tiasa Group. The Board will continue to monitor and review the Board size and composition from time to time.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

ANNUAL ASSESSMENT OF INDEPENDENT DIRECTORS

The Board has, through the Nomination Committee, adopted the same criteria of independence as set out in the Listing Requirements to assess the Independent Directors on an annual basis. In assessing the independence of Independent Directors, the Board, taking into account their skills, experience and contributions, as well as their background, will consider whether the Independent Directors have any relationships with the Company and their ability to exercise independent and objective judgement to the Board's deliberations at all times and to act in the best interests of the Company.

The Board, through the Nomination Committee has assessed all the Independent Directors and concluded that they met the criteria and are able to bring unbiased, independent view and advice in discharging their duties and responsibilities.

TENURE OF INDEPENDENT DIRECTORS

Under Practice 4.2 of the Code, it is recommended that the tenure of an Independent Director shall not exceed a cumulative or consecutive term of nine (9) years. However, the Nomination Committee and the Board have assessed the independence of Mdm. Ngu Ying Ping, who has served for more than nine (9) years in the Board and recommended that she continues in office as an Independent Director of the Company based on the following justifications:

(a) Her experience, networking, understanding of business and objectively in approach enables her to provide the Board and Board Committees with pertinent expertise, skills and competence and her independent judgement will continue to add credence to the Company;
(b) She remains professionally independent and vocal, actively participated in deliberations and exercised independent judgment at Board and Board Committee meetings without being influenced by operational consideration; and
(c) She acts in the best interests of all shareholders and her continuation in office as Independent Director will provide a check and balance to operational management.

SEPARATION OF ROLES OF CHAIRMAN AND GROUP MANAGING DIRECTOR

There is a clear division of responsibility between the Chairman and the Group Managing Director to ensure that there is a balance of power and authority to the Board's dynamics, such that no one individual dominates the decision-making process and powers. The positions of Chairman and Group Managing Director are held by different individuals.

The Chairman, Mr. Tiong Kiong King is a Non-Independent Non-Executive Director who is responsible for the orderly conduct of meetings, facilitating matters between the Board and its investors and stakeholders, leadership, effectiveness, conduct and governance of the Board. The Group Managing Director, YBhg. Dato' Tiong Ing is responsible for the development and implementation of strategy, policies and decisions made by the Board, managing the day-to-day business operations of the Group and in ensuring the efficiency and effectiveness of the operations for the Group.

DIRECTORS' TRAINING

As an integral element of the process in appointing new Directors, the Nomination Committee provides for adequate orientation of newly appointed Directors with respect to the business structure, corporate strategy, risk profile, legal requirements, financial overview as well as expected contributions to the Board and Group.

All the Directors had completed the Mandatory Accreditation Programme ("MAP") as required by Bursa Securities. The Board acknowledges that continuous training is important to broaden Directors' perspectives and to keep them abreast with latest developments in the industry, particularly on relevant new laws, regulations and changing risk factors in competitive business environment.

The Board through its Nomination Committee has assessed the training needs of its members to ensure that they are equipped with the necessary skills and knowledge in discharging of their duties as Directors of the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

The descriptions of the trainings/seminars attended by the Directors during the financial year ended 31 July 2019 are as follows:

Director	Title of training/ seminar	Number of day(s) spent
YBhg. Dato' Tiong Ing	- 2019 International Entrepreneurs Missional Disciples Training Conference (IEMDTC)	4 days
Mdm. Ngu Ying Ping	- Seminar Percukaian Kebangsaan 2018	1 day
	- Common Offences Under The Companies Act 2016	1 day
	- Seminar on Malaysian Anti-Corruption Commission Amendment Act 2018	1 day
Mr. Poh Kee Eng	- Case Study Workshop for Independent Directors	1 day

The other Directors were unable to attend any formal training during the financial year under review due to their unavoidable tight schedule. Throughout the year, all Directors regularly received updates and briefings, particularly from the Company Secretaries, internal and external auditors on changes in regulatory and requirements. They continue to remain updated on industrial practice, business environment, IT products and knowledge.

NOMINATION COMMITTEE

The Board has on 19 June 2003 set up a Nomination Committee and members of the Nomination Committee for the financial year ended 31 July 2019 are as follows:

Chairperson	Mdm. Ngu Ying Ping	Senior Independent Director
Member	Mr. Tiong Kiong King	Non-Independent Non-Executive Director
Member	Mr. Tiong Ing Ming	Independent Director
Member	Mr. Poh Kee Eng	Independent Director

The Nomination Committee shall consist of not less than three (3) members, all of whom shall be non-executive directors and a majority of whom are independent.

The terms of reference of the Nomination Committee is available at the Company's website at www.suburtiasa.com.

The activities carried out by the Nomination Committee during the financial year ended 31 July 2019 are as follows:

(a) reviewed the mix of skills, size and composition, experience, core competencies and other qualities required for the Board;

(b) evaluated the performance and effectiveness of the Board and Board Committees including contribution of each individual director;

(c) assessed the independence of the Independent Directors;

(d) assessed the Directors who are due for retirement and re-appointment pursuant to the Company's Articles of Association and the Companies Act 2016;

(e) reviewed the term of office, performance and effectiveness of the Audit Committee and Remuneration Committee;

(f) assessed the training needs of Directors; and

(g) carried out annual assessment of Directors.

The Nomination Committee meets as and when required. One (1) meeting was held during the financial year ended 31 July 2019 and was attended by all the members.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

CRITERIA FOR RECRUITMENT AND ANNUAL ASSESSMENT OF DIRECTORS

The Code endorses, as good principles, a formal and transparent procedure for appointment of Directors to the Board, where the Nomination Committee shall recommend to the Board the suitable candidates to be appointed. The Code, however, states that the Board as a whole may perform this procedure, although, as a matter of good corporate governance, it is recommended that this responsibility be delegated to an independent committee.

The Nomination Committee is responsible to recommend the identified candidate to the Board if there is vacancy arises from resignation, retirement or any other reasons or if there is a need to appoint additional director with the required skill or profession to the Board.

The Board has adopted a gender diversity policy. The Board currently has two (2) female Directors namely YBhg. Dato' Tiong Ing and Mdm. Ngu Ying Ping. The Board will ensure that women candidates are sought as part of its recruitment exercise should the needs arise in the future.

TIME COMMITMENT

The existing Directors are obliged to notify the Board before accepting any new directorship in other listed issuer. The notification will include an indication of time spent on the new appointment to ensure the Directors have sufficient time to discharge their duties to the Board and other Board Committees on which they serve. All the Directors hold less than five (5) directorships in listed issuers as defined in the Listing Requirements.

All the Directors are required to submit to the Company an update on their total number of directorships held by them in listed issuers every six (6) months for monitoring purpose.

During the financial year ended 31 July 2019, five (5) Board meetings were held. The details of attendance of each of the Directors at the Board meetings are outlined as follows:

Directors	Total
Mr. Tiong Kiong King	5 out of 5
YBhg. Dato' Tiong Ing	5 out of 5
Mdm. Ngu Ying Ping	5 out of 5
Mr. Tiong Ing Ming	5 out of 5
Mr. Poh Kee Eng	5 out of 5

The Board is satisfied with the level of time commitment given by all the Directors in fulfilling their roles and responsibilities as Directors of the Company.

III. REMUNERATION

The Board has on 19 June 2003 set up a Remuneration Committee and the members of the Remuneration Committee are as follows:

Chairperson	Mdm. Ngu Ying Ping	Senior Independent Director
Member	Mr. Tiong Kiong King	Non-Independent Non-Executive Director
Member	Mr. Tiong Ing Ming	Independent Director
Member	Mr. Poh Kee Eng	Independent Director

The Remuneration Committee shall consist of at least three (3) members, all of whom must be non-executive directors.

The Remuneration Committee met once during the financial year ended 31 July 2019.

The Board has adopted and formalised Remuneration Policies and Procedures for the Directors.

Each individual Director has abstained from the Board discussion and decision making on his/her own remuneration.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

The Remuneration Committee will be responsible for developing the remuneration policy and recommending the remuneration packages for Executive Directors of the Company and its subsidiaries so as to ensure that the remuneration package offered is sufficient to attract and retain Directors with necessary calibre, experience and quality required to run the Group in an effective and efficient manner. In formulating the remuneration package, the Remuneration Committee takes into account the responsibility and job functions, remuneration packages of comparable companies within the same industry as well as individual and corporate performance. The fees for Non-Executive Directors are determined by the Board as a whole.

Details of the remuneration of the Directors of the Company for the financial year ended 31 July 2019 distinguishing between executive and non-executive Directors are set out as below:

	Fee		Salary		Bonus		Other Emoluments		Total	
	Company (RM)	Group (RM)	Company (RM)	Group (RM)	Company (RM)	Group (RM)	Company (RM)	Group (RM)	Company (RM)	Group (RM)
Executive Director										
YBhg. Dato' Tiong Ing	55,000	75,000	1,864,000	1,864,000	928,500	928,500	1,141,960	1,141,960	3,989,460	4,009,460
Non-Executive Director										
Tiong Kiong King	60,000	60,000	-	-	-	-	-	-	60,000	60,000
Ngu Ying Ping	55,000	74,000	-	-	-	-	-	-	55,000	74,000
Tiong Ing Ming	55,000	55,000	-	-	-	-	-	-	55,000	55,000
Poh Kee Eng	55,000	55,000	-	-	-	-	-	-	55,000	55,000

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT COMMITTEE

In presenting the annual financial statements and quarterly announcement to shareholders, the Directors have fiduciary responsibility to present a balanced evaluation and comprehensive assessment of the Group's performance, position and prospects.

The Board through its Audit Committee ensures that the quarterly financial statements and audited financial statements prepared are drawn in accordance with the provision of the Companies Act 2016, Listing Requirements and the Financial Reporting Standards in Malaysia. The Audit Committee provides assistance to the Board of Directors in fulfilling these statutory and fiduciary responsibilities with regard to the financial reporting process, reviewing the scope of and results of internal and external auditing processes and monitoring the effectiveness of the internal controls and risk management to ensure the Board makes properly informed decisions and the interests of shareholders are protected.

The Statement of Directors' Responsibility in respect of preparation of financial statements is set out on page 42 of this annual report.

The Company undertakes an annual assessment of the External Auditors, via the Audit Committee, based on the criteria including quality of audit services, audit fees and audit independence as set out in the Auditor Independence Policy.

In supporting the Audit Committee's assessment of their independence, the External Auditors had provided a written assurance, confirming that they were, and had been, independent throughout the conduct of the audit engagement with the Company in accordance with the By-laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants.

During the financial year under review, the Audit Committee met with the External Auditors once without the presence of other Directors and employees. The External Auditors received full cooperation from management, had full access to the Group's records and had no issue of concern that required the Audit Committee's attention.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

Audit and non-audit fees payable by the Group and the Company to the External Auditors during the financial year ended 31 July 2019 are set out below:

	Group FY 2019 RM	Company FY 2019 RM
Statutory audit fee:		
- Crowe Malaysia PLT (a)	269,500	65,000
- Messrs CA Trust PAC	10,416	-
Total	**279,916**	**65,000**
Non-audit fees:		
- Crowe Malaysia PLT	5,000	5,000
- Affiliates of Crowe Malaysia PLT	-	-
Total (b)	**5,000**	**5,000**
% of non-audit fees (b/a)	1.9%	7.7%

In considering the nature and scope of non-audit fees, the Audit Committee was satisfied that they were not likely to create any conflict or impair the independence and objectivity of the External Auditors.

The Audit Committee, having assessed the performance and independence of Messrs. Crowe Malaysia PLT for the financial year ended 31 July 2019 was satisfied with their suitability and independence and recommended to the Board for their re-appointment as External Auditors at the forthcoming Annual General Meeting subject to the shareholders' approval.

II. RISK MANAGEMENT AND INTERNAL CONTROL

The Directors acknowledge their responsibilities for the Group's system of internal controls covering not only financial controls but also operational and compliance controls as well as risk management. The Internal Control System involves each business and key management from each business, including the Board, and is designed to meet the Group's particular needs and to manage the risks to which it is exposed. This system, by its nature, can only provide reasonable but not absolute assurance against misstatement or loss.

The Statement on Risk Management and Internal Control on pages 38 to 39 of this annual report provides an overview of the state of risk management and internal controls within the Group.

The Risk Management Committee, led by the Managing Director, YBhg. Dato' Tiong Ing, comprises heads of the respective business units.

The Risk Management Committee provides oversight and direction for the implementation and application of the Risk Management Policy and framework, reviewing Risk Management Policy and framework and make recommendation to the Board for approval, reviewing risk management process and assessing whether they provide reasonable assurance that risk are effectively managed, reviewing key business risks to ensure that action and risk mitigation plans have been implemented effectively, encouraging promotion of risk management awareness among the staff and reporting key business risks of the Group to the Board.

INTERNAL AUDIT FUNCTION

The Board has established an internal audit function within the Company, which is led by the Head of Internal Audit who reports directly to the Audit Committee. The Audit Committee reviews and approves the annual internal audit plan and audit programme and ensures that there are adequate resources available for the Internal Auditors to carry out their audit responsibilities.

Details of the Company's internal audit functions are set out in the Audit Committee Report on page 41 of this annual report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

I. COMMUNICATION WITH STAKEHOLDERS

The Board and management value the importance of effective and transparent communications with shareholders and investors. This is achieved through the timely release of annual reports, quarterly announcements and other corporate announcements made to Bursa Securities. Corporate and financial information on the Group are easily accessible by the shareholders and the public through the Company's website, www.suburtiasa.com. The website provides up-to-date corporate details, overview of business activities and operations, Company's performance and position, annual reports, and all announcements made. This ensures no selective dissemination of information and there is always symmetry of information disclosure.

Currently, communications are made through the quarterly announcements of financial results to Bursa Securities, relevant announcements and circulars, general meetings of shareholders and the Company's website www.suburtiasa.com where shareholders can access corporate information, annual reports, financial information and Company announcements.

II. CONDUCT OF GENERAL MEETINGS

The Annual General Meeting is a crucial mechanism as it provides the Board an important forum for shareholders' communication. At each Annual General Meeting, the Board encourages shareholders to participate in question and answer session in order to communicate their views and to seek clarifications. The Chairman, members of the Board, Company Secretaries, senior management and external auditors are present to address queries during the meeting.

All concerns or queries regarding the Group may be conveyed to the Senior Independent Director at the Company's registered address and feedback and responses will be provided where such information can be made available to the public.

Notice of Annual General Meeting is issued and served to all shareholders at least twenty-eight (28) days prior to the Annual General Meeting. The outcome of the annual general meeting is announced to Bursa Securities on the same meeting day.

Each item of special business included in the notice of the Annual General Meeting is accompanied by a full explanation of the effects of a proposed resolution in order to facilitate understanding and evaluation of the issues involved. Separate resolutions are proposed at the Annual General Meeting for each separate issues.

COMPLIANCE STATEMENT

The Group is considered complied with the principles and recommendations of the Code, except for those disclosed herein before. With the introduction of the new Code, the Board remains committed to inculcating good corporate governance for the Group. The Group will continue to endeavour to comprehend with all the key principles and practices of the new Code where the Board deems appropriate, in its efforts to observe high standard of transparency, accountability and integrity to achieve the intended outcome.

This statement is made in accordance with the resolution of the Board of Directors dated 1 November 2019.

ADDITIONAL COMPLIANCE INFORMATION

The following information is presented in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"):

MATERIAL CONTRACTS

There were no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Company or its subsidiaries involving interests of the directors and major shareholders, either subsisting at the end of the financial year ended 31 July 2019 or entered into since the end of the previous financial year.

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

The significant RRPT entered into during the financial year under review are disclosed in Note 35 to the Financial Statements. A breakdown of the aggregate value of the RRPT conducted pursuant to the shareholder mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed under paragraph 10.09(1)(a) of the Listing Requirements, are set out below:

Type of RRPT	Name of Related Party(ies)	Relationship with the Group[1]	Actual Amount of RRPT for year ended 31 July 2019 RM'000
Contract fee income for logging / reforestation	Rejang Height Sdn Bhd	A	13,017
Logging contract fee income	Saforin Sdn Bhd	A	6,422
Sale of fresh fruit bunches	Unique Palm Oil Mill Sdn Bhd	B	44,239
Towage and handling income	Jaya Tiasa Group[2]	A	176
Purchase of adhesive materials	Petanak Enterprises Sdn Bhd	A	20,390
Purchase of logs	Rejang Height Sdn Bhd	A	26,112
Purchase of spare parts and equipments	Rimbunan Hijau General Trading Sdn Bhd	A	363

Note:

1 *The relationships denoted by A to B indicate that the following persons have interest in the related parties that transacted with the Group:*

A *These are companies in which Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King, a major shareholder of the Company and a director of certain subsidiaries, has interest, both direct and/or indirect interest.*

B *The Group's Managing Director, Dato' Tiong Ing has indirect interest.*

2 *Jaya Tiasa Group includes Jaya Tiasa Holdings Bhd and its subsidiary, namely, Jaya Tiasa Plywood Sdn Bhd.*

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors ("Board") upholds their commitment to maintaining a sound system of risk management and internal control to safeguard shareholders' investments and the Group's assets. Pursuant to paragraph 15.26(b) of the Bursa Malaysia Securities Berhad's ("Bursa Malaysia") Main Market Listing Requirements and guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, the Board is pleased to present the Statement on Risk Management and Internal Control of the Group.

BOARD RESPONSIBILITY

The Board recognises the importance of a sound risk management framework and internal control system for good corporate governance and acknowledges its responsibility to establish a sound risk management framework and internal control system.

However, in view of the inherent limitations in any system, such system of risk management and internal control is designed to manage rather than to eliminate risks of failure to the achievement of the Group's business objectives. The system can therefore only provide reasonable and not absolute assurance against material misstatements or losses, fraud, contingencies or any irregularities.

RISK MANAGEMENT FRAMEWORK

The Group has put in place an ongoing risk management process to identify, evaluate, monitor and manage significant risks that affect the achievement of the Group's business objectives. The process is supported by policies, procedures, methodologies, evaluation criteria and documentation requirements to ensure clarity and consistency of application across the Group. Risk management is practised within the Group on an iterative basis.

The Group's risk profile is assessed through a bottom-up approach covering operating and supporting functions. Major business units and departments implement risk identification process to assess, evaluate and review risks pertaining to their areas of supervision and control and implement controls to manage these risks. Risk profiles of business units or departments are regularly reviewed to ensure they remain effective and current.

The Board confirms that the risk management process in identifying, evaluating and managing key business risks faced by the Group has been in place throughout the financial year 2019 and up to the date of approval of this statement.

The Board on an annual basis reviews the adequacy and effectiveness of risk management process and ensures that appropriate processes to identify and assess key business risks of the Group are implemented and appropriate measures are taken to mitigate these risks by Management. The Group has a Risk Management Committee which is chaired by the Group Managing Director and comprises Senior Management of the Group, to provide oversight and added impetus to the risk management process.

INTERNAL CONTROL SYSTEM

The Group has in place a system of internal control that provides reasonable assurance that assets of the Group are safeguarded, transactions are properly authorized and recorded and risks are managed effectively. Existing internal controls which are embedded in the daily operations of the Group are stated as follows:-

- Policies and procedures have been established for key business processes and support functions to ensure that there are adequate risk management, financial and operational policies, procedures and rules relating to the roles and responsibilities, delegation and segregation of duties;
- Annual business plans and operating budgets are prepared by business and operating units, and are approved by the Board. Actual performances and significant variances against budget are monitored on an ongoing basis;
- Management and the Board receives timely, relevant and reliable management and financial reports which are reviewed on a regular basis;
- The Group has in place a Management Information System that captures, compiles, analyzes and reports relevant data, which enables management to make business decisions in an accurate and timely manner;

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

- The Group's policies and procedures are reviewed and revised periodically to meet changing business and operational needs and regulatory requirements;
- Board meetings are held at least on a quarterly basis with a formal agenda on matters for discussion. In addition, regular management and operational meetings are conducted by senior management which comprises the Managing Director and divisional heads; and
- The Group's Internal Audit function monitors compliance with policies, procedures, laws and regulations, and provides independent assurance on the adequacy and effectiveness of the system of risk management and internal controls by conducting regular audits and continuous assessment. Significant audit findings and recommendations for improvements are highlighted to senior management and the Audit Committee, with periodic follow-up reviews of the implementation of corrective action plans.

The internal control system is reviewed by the Board through its Audit Committee which is supported by Internal Audit function. On a quarterly basis, reports are prepared on the adequacy, efficiency and effectiveness of the internal control system based on the annual audit plan approved by the Audit Committee.

BOARD'S ASSESSMENT

The Board has reviewed the adequacy and effectiveness of the risk management and internal control system. Based on the results of these reviews as well as the assurance it has received from the Group Managing Director and Chief Operating Officer, the Board is of the view that the Group's risk management and internal control system is operating adequately and effectively throughout the financial year 2019 and up to the date of approval of this statement.

REVIEW OF THIS STATEMENT

Pursuant to paragraph 15.23 of Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this statement for inclusion in the Annual Report for the financial year ended 31 July 2019 and reported to the Board that nothing has come to their attention that causes them to believe that this statement is inconsistent with their understanding of the process the Board has adopted for review of adequacy and effectiveness of the system of internal control and risk management.

This Statement is made in accordance with the resolution of the Board dated 1 November 2019.

AUDIT COMMITTEE REPORT

The Board of Directors ("Board") of Subur Tiasa Holdings Berhad is pleased to present the Audit Committee Report for the financial year ended 31 July 2019.

The primary objective of the Audit Committee ("Committee") is to assist the Board in discharging its statutory duties and responsibilities relating to the corporate accounting and practices for the Company and all its subsidiaries ("Group") and to ensure the adequacy and effectiveness of the Group's internal control measures.

MEMBERS AND ATTENDANCE OF MEETINGS

The Committee comprises the Directors as listed below. All members of the Committee are financially literate. During the financial year ended 31 July 2019, five (5) meetings were held. The details of attendance of each of them are outlined as follows:

NAME	DESIGNATION	NO. OF MEETINGS HELD	ATTENDANCE OF MEETINGS
Mdm. Ngu Ying Ping	Chairman (Senior Independent Director)	5	5
Mr. Tiong Ing Ming	Member (Independent Director)	5	5
Mr. Poh Kee Eng	Member (Independent Director)	5	5

Details of training attended by members of the Committee are disclosed in the Corporate Governance Overview Statement set out on page 32 of this annual report.

The Group Managing Director, Chief Operating Officer, Senior Finance Manager, internal auditors and company secretaries attended all the meetings held during the year ended 31 July 2019. External auditors attended three (3) of these meetings. All proceedings, matters arising and deliberations in terms of the issue discussed, and recommendation of the committee are recorded in the minutes by the Company Secretaries, confirmed by the Committee, and signed by the Chairman. The Chairman reports on the main findings and deliberations at the meetings as well as its recommendations and views to the Board.

Terms of Reference
The terms of reference of the Committee are available at the company website at www.suburtiasa.com.

SUMMARY OF WORK OF THE AUDIT COMMITTEE

In order to discharge its duties and responsibilities in line with its terms of reference, the activities undertaken by the Committee during the financial year ended 31 July 2019 were as follows:

a) Review of the internal and external auditors' annual audit plans, scope of work and discuss results of their examinations and recommendations;

b) Review with the internal and external auditors the results of their audit, the audit report and internal control recommendations and management's responses thereto;

c) Review of the quarterly and annual financial results of the Group to ensure that the financial reporting and disclosures presented a true and fair view of the financial position and performance of the Group prior to recommendation to the Board for consideration and approval;

d) Review of the related party transactions entered into by the Group and assess conflict of interest situation that may arise;

e) Assessment of external auditors, consideration of the re-appointment of external auditors and their fees;

f) Review of the Statement on Risk Management and Internal Control and Audit Committee Report prior to recommendation to the Board for consideration and approval;

g) Review of the adequacy of scope, functions, competency and resources of the Internal Audit and perform annual assessment of Internal Audit Department's function;

AUDIT COMMITTEE REPORT (CONT'D)

SUMMARY OF WORK OF THE AUDIT COMMITTEE (CONT'D)

h) Meeting with the external auditors without the presence of the other directors and employees of the Group; and

i) Review of the draft circular to shareholders in relation to the proposed renewal of shareholder mandates for recurrent related party transactions of a revenue or trading nature.

INTERNAL AUDIT FUNCTION

The company has an in-house internal audit function. The Internal Audit Department plays an essential role in assisting the Committee in discharging its duties and functions. It undertakes independent, regular and systematic review of the system of internal control so as to provide reasonable assurance that such system continues to operate satisfactorily and effectively within the Group.

Annual audit plan is reviewed and approved by the Committee prior to the commencement of new financial year. The Internal Audit Department performs planned and routine audit covering all operating units within the Group i.e. forest operations, oil palm operations, manufacturing operations and including head office functions such as finance, human resources, IT and other administrative support. The emphasis is dependent on risk areas and its regular assessment. Internal Audit Department also performs ad-hoc audits and investigative assignments whenever relevant and so required. Audit reports are issued to the Committee incorporating findings and recommendations to rectify weaknesses or enhance controls as noted in the course of audits. Management's comments are incorporated in the audit findings with a commitment to improve on an agreed timeline. A monitoring or follow-up system is in place to ensure that all corrective and preventive actions had been taken by the Management on the agreed audit issues and recommendations disclosed in the audit reports.

The total cost incurred for the internal audit function in respect of financial year ended 31 July 2019 was RM654,258 (2018: RM658,461).

This report is made in accordance with resolution of the Board of Directors dated 1 November 2019.

STATEMENT OF DIRECTORS' RESPONSIBILITY
IN RESPECT OF THE FINANCIAL STATEMENTS

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 for each financial year, which give a true and fair view of the affairs of the Group and the Company at the end of the financial year, the results and cash flows of the Group and the Company for the financial year.

In preparing those statements, the Directors have:

- adopted suitable accounting policies and applied them consistently;
- made judgements and estimates that are prudent and reasonable;
- ensured applicable accounting standards have been followed; and
- prepared the financial statements on the going concern basis as the Directors have reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

The Directors hereby confirm that suitable accounting policies have been consistently applied in respect of the preparation of the financial statements and that the Group and the Company maintain adequate accounting records. Sufficient internal controls are also in place to safeguard the assets of the Group and the Company and to prevent as well as to detect fraud and other irregularities.

This statement is made in accordance with the resolution of the Board of Directors dated 1 November 2019.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 July 2019.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding, provision of management services, extraction and sale of logs. The principal activities of the subsidiaries are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	The Group RM'000	**The Company** RM'000
Loss after taxation for the financial year	(35,840)	(33,609)
Attributable to:-		
Owners of the Company	(35,796)	(33,609)
Non-controlling interests	(44)	-
	(35,840)	(33,609)

DIVIDENDS

No dividend was recommended by the directors for the financial year.

RESERVES AND PROVISIONS

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

ISSUES OF SHARES AND DEBENTURES

During the financial year:-

(a) there were no changes in the issued and paid-up share capital of the Company; and

(b) there were no issues of debentures by the Company.

TREASURY SHARES

During the financial year, the Company:-

(a) resold 3,100 of its issued ordinary shares held as treasury shares in the open market at an average price of RM0.74 per ordinary share; and

(b) purchased 13,000 of its issued ordinary shares from the open market at an average price of RM0.63 per ordinary share. The total consideration paid for the purchase was RM8,127 including transaction costs. The shares purchased are being held as treasury shares in accordance with Section 127(6) of the Companies Act 2016 and are presented as a deduction from equity.

DIRECTORS' REPORT (CONT'D)

TREASURY SHARES (CONT'D)

As at 31 July 2019, the Company held as treasury shares a total of 20,891,600 of its 209,000,000 issued and fully paid-up ordinary shares. The treasury shares are held at a carrying amount of RM55,172,010. The details on the treasury shares are disclosed in Note 21 to the financial statements.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that there are no known bad debts and that adequate allowance had been made for impairment losses on receivables.

At the date of this report, the directors are not aware of any circumstances that would require the writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company, 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 which would render the values attributed to the current assets in the financial statements misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

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

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

No contingent or other liability of the Group and of the Company 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 when they fall due.

CHANGE OF CIRCUMSTANCES

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

DIRECTORS' REPORT (CONT'D)

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

DIRECTORS

The names of directors of the Company who served during the financial year and up to the date of this report are as follows:-

Tiong Kiong King
YBhg. Dato' Tiong Ing
Ngu Ying Ping
Tiong Ing Ming
Poh Kee Eng

The names of directors of the Company's subsidiaries who served during the financial year and up to the date of this report, not including those directors mentioned above, are as follows:-

YBhg. Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King
YBhg. Datu Sajeli Bin Kipli
Tan Sri Datuk Amar Haji Bujang Bin Mohammed Nor
Datuk Tiong Thai King
Tiong Chiong Ie
Francis Kiyuk Anak Kudui
Teng King Huat
Samuel James Tai Huei
Daniel James Tai Hann
Deborah Elaine Tai Hwe-Lan
Ng Kim Fui
Tiong Mang Lee
Spuan @ Sapuan Bin Ahmad

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares of the Company and its related corporations during the financial year are as follows:-

	Number of Ordinary Shares			
	At 1.8.2018	Bought	Sold	At 31.7.2019
The Company				
Direct Interests				
Tiong Kiong King	1,269,743	-	(770,300)	499,443
YBhg. Dato' Tiong Ing	1,787,013	11,000	(3,000)	1,795,013
Indirect Interests				
YBhg. Dato' Tiong Ing#	570,675	18,500	(3,000)	586,175

\# Deemed interested by virtue of her substantial shareholdings in Unique Wood Sdn. Bhd., ETI Blessed Holdings Sdn. Bhd. and the interests of her children in the Company.

The other directors holding office at the end of the financial year had no interest in shares of the Company or its related corporations during the financial year.

DIRECTORS' REPORT (CONT'D)

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by directors shown in the financial statements or the fixed salary of a full-time employee of the Company or related corporations) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 35(b) to the financial statements.

Neither during nor at the end of the financial year was the Group or the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' REMUNERATION

The details of the directors' remuneration paid or payable to the directors of the Company during the financial year are disclosed in Note 34 to the financial statements.

INDEMNITY AND INSURANCE COST

During the financial year, there is no indemnity given to or professional indemnity insurance effected for directors, officers or auditors of the Company.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 5 to the financial statements.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 39 to the financial statements.

AUDITORS

The auditors, Crowe Malaysia PLT (converted from a conventional partnership, Crowe Malaysia), have expressed their willingness to continue in office.

The auditors' remuneration is disclosed in Note 30 to the financial statements.

Signed in accordance with a resolution of the directors dated 1 November 2019.

Tiong Kiong King
Chairman

YBhg. Dato' Tiong Ing
Managing Director

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

We, Tiong Kiong King and YBhg. Dato' Tiong Ing, being two of the directors of Subur Tiasa Holdings Berhad, state that, in the opinion of the directors, the financial statements set out on pages 54 to 144 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 July 2019 and of their financial performance and cash flows for the financial year ended on that date.

Signed in accordance with a resolution of the directors dated 1 November 2019.

Tiong Kiong King
Chairman

YBhg. Dato' Tiong Ing
Managing Director

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

I, Ling Chieh Min, MIA Membership Number: 18531, being the officer primarily responsible for the financial management of Subur Tiasa Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 54 to 144 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 abovementioned
Ling Chieh Min
at Sibu
in the State of Sarawak
on this 1 November 2019

Ling Chieh Min
Officer

Before me

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF SUBUR TIASA HOLDINGS BERHAD (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Subur Tiasa Holdings Berhad, which comprise the statements of financial position as at 31 July 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 54 to 144.

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 July 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis of Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

We have determined the matters described below to be the key audit matters to be communicated in our report.

Impairment of Property, Plant and Equipment Refer to Note 6 in the financial statements	
Key Audit Matter	**How our audit addressed the Key Audit Matter**
The Group has property, plant and equipment with an aggregate carrying amount of RM1,003.1 million as at 31 July 2019. Following a review of the business, the outlook for the timber industry and the Group's operating plans, management assessed the carrying amount of these property, plant and equipment. No further impairment allowance was recorded for the financial year. Management uses independent professional valuers to determine the fair values of property, plant and equipment of those subsidiaries (involving in the timber-related businesses) that had been making losses for the past few years. We gave audit focus on the impairment of property, plant and equipment because of the significant judgement required for the determination of recoverable amounts of these property, plant and equipment.	Our procedures included, amongst others:- • assessing the competence, capabilities and objectivity of management's valuation expert. • evaluating the valuation methodologies and the appropriateness of the assumptions used by the valuation expert. • evaluating the adequacy of the disclosures in the financial statements.

INDEPENDENT AUDITORS' REPORT (CONT'D)
TO THE MEMBERS OF SUBUR TIASA HOLDINGS BERHAD (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key Audit Matters (Cont'd)

Valuation of Investment Properties Refer to Note 7 in the financial statements	
Key Audit Matter	**How our audit addressed the Key Audit Matter**
The Group measured its investment properties using the fair value model. As at 31 July 2019, the Group's investment properties carried a fair value totaling RM147.1 million. Management uses independent professional valuers to determine the fair values of its investment properties. We identified valuation of investment properties as a key audit matter of our audit because of the significant judgement required for the determination of fair values of these investment properties.	Our procedures included, amongst others:- • assessing the competence, capabilities and objectivity of management's valuation expert. • evaluating the valuation methodologies and the appropriateness of the assumptions used by the valuation expert. • evaluating the adequacy of the disclosures in the financial statements.

Fair Values of Biological Assets Refer to Note 10 in the financial statements	
Key Audit Matter	**How our audit addressed the Key Audit Matter**
As at 31 July 2019, the Group's biological assets carried a fair value in an aggregate of RM59.8 million. The biological assets of the Group comprise fresh fruit bunches ("FFBs") and standing timbers prior to harvest. Management uses the income approach to estimate the fair values of FFBs by discounting the net cash flows expected to be generated from the sale of FFBs; whereas the market approach is used to estimate the fair values of standing timbers prior to harvest. These approaches use several key assumptions, including assumptions about future prices of FFBs and standing timbers, as well as yields of oil palm and different species of trees. Due to the degree of management judgement involved in estimating the fair values of biological assets, we considered this to be an area of audit focus.	Our procedures included, amongst others:- • evaluating the valuation methodologies and the appropriateness of the assumptions used by management. • performing sensitivity analysis to evaluate the impact on the currently estimated headroom. • evaluating the adequacy of the disclosures in the financial statements.

INDEPENDENT AUDITORS' REPORT (CONT'D)
TO THE MEMBERS OF SUBUR TIASA HOLDINGS BERHAD (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key Audit Matters (Cont'd)

<table>
<tr><td colspan="2">Valuation of Inventories
Refer to Note 16 in the financial statements</td></tr>
<tr><td>Key Audit Matter</td><td>How our audit addressed the Key Audit Matter</td></tr>
<tr><td>The Group's inventories were stated at a carrying amount of RM119.1 million as at 31 July 2019. These inventories mainly consist of work-in-progress and finished goods.

Inventories are measured at the lower of cost and net realisable value. The cost of work-in-progress and finished goods is based on a bill of materials that includes an allocation of the costs, including labour and overheads, to convert raw materials into finished goods.

The allocation of conversion costs and the assessment of net realisable value of inventories on hand as at the end of the reporting period require management estimates and judgements. This, in combination with the significance of inventories in the financial statements, made us identify the valuation of inventories as a key audit matter of our audit.</td><td>Our procedures included, amongst others:-

• understanding management's process in determining an appropriate costing basis, including the allocation of labour and overhead costs.

• comparing, on a sample basis, the net realisable value to the cost of inventories as at the end of the reporting period to assess the reasonableness of inventories write-down; including testing the actual selling prices of inventories post year-end and the estimated costs to make the sale.

• evaluating the adequacy of the disclosures in the financial statements.</td></tr>
</table>

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 other information and we do not express any form of assurance conclusion thereon.

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

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

Responsibilities of the Directors for the Financial Statements

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

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

INDEPENDENT AUDITORS' REPORT (CONT'D)
TO THE MEMBERS OF SUBUR TIASA HOLDINGS BERHAD (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities 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, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial 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 report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT (CONT'D)
TO THE MEMBERS OF SUBUR TIASA HOLDINGS BERHAD (Incorporated in Malaysia)

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 5 to the financial statements.

OTHER MATTERS

1. As stated in Note 3.1 to the financial statements, Subur Tiasa Holdings Berhad adopted Malaysian Financial Reporting Standards on 1 August 2018 with a transition date of 1 August 2017. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position of the Group and of the Company as at 31 July 2018 and 1 August 2017, 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 financial year ended 31 July 2018 and related disclosures. We were not engaged to report on the comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the financial year ended 31 July 2019, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 August 2018 do not contain misstatements that materially affect the financial position as at 31 July 2019 and the financial performance and cash flows for the financial year then ended.

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

Crowe Malaysia PLT
LLP0018817-LCA & AF 1018
Chartered Accountants

Ling Hang Ngee
03188/07/2021 J
Chartered Accountant

Sibu

1 November 2019

STATEMENTS OF FINANCIAL POSITION AT 31 JULY 2019

		The Group			The Company		
	Note	31.7.2019 RM'000	31.7.2018 RM'000	1.8.2017 RM'000	31.7.2019 RM'000	31.7.2018 RM'000	1.8.2017 RM'000
ASSETS							
NON-CURRENT ASSETS							
Investments in subsidiaries	5	-	-	-	429,702	366,030	376,980
Property, plant and equipment	6	1,003,081	869,332	828,200	153,280	173,607	207,417
Investment properties	7	147,094	104,241	84,085	1,400	-	-
Land held for property development	8	6,628	6,628	6,437	-	-	-
Intangible assets	9	20,944	-	-	-	-	-
Biological assets	10	56,991	40,783	33,575	-	-	-
Investment securities	11	15,583	25,321	33,156	15,583	25,321	33,156
Goodwill	12	2,720	2,720	2,720	-	-	-
Long-term receivable	13	2,117	3,042	3,156	2,117	3,042	3,156
Amount owing by subsidiaries	14	-	-	-	327,302	349,981	293,581
Deferred tax assets	15	6,554	10,365	11,378	-	3,811	3,811
		1,261,712	1,062,432	1,002,707	929,384	921,792	918,101
CURRENT ASSETS							
Inventories	16	119,084	110,431	134,722	5,764	6,280	11,602
Biological assets	10	2,776	2,268	2,609	-	-	-
Trade receivables	17	29,252	28,226	48,735	2,336	3,354	10,968
Other receivables, deposits and prepayments	18	37,027	97,909	96,312	13,781	31,078	39,614
Current tax assets		4,938	5,692	4,739	241	97	1,133
Deposits with licensed banks	19	4,721	4,091	16,003	390	549	8,293
Cash and bank balances		6,604	7,131	12,305	2,064	1,149	3,133
		204,402	255,748	315,425	24,576	42,507	74,743
TOTAL ASSETS		1,466,114	1,318,180	1,318,132	953,960	964,299	992,844

The annexed notes form an integral part of these financial statements.

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

		The Group			The Company		
	Note	31.7.2019 RM'000	31.7.2018 RM'000	1.8.2017 RM'000	31.7.2019 RM'000	31.7.2018 RM'000	1.8.2017 RM'000
EQUITY AND LIABILITIES							
EQUITY							
Share capital	20	268,680	268,680	268,680	268,680	268,680	268,680
Treasury shares	21	(55,172)	(55,166)	(55,165)	(55,172)	(55,166)	(55,165)
Reserves	22	342,317	384,852	414,032	392,813	433,161	423,258
Equity attributable to owners of the Company		555,825	598,366	627,547	606,321	646,675	636,773
Non-controlling interests	5	4,763	3,807	2,525	-	-	-
TOTAL EQUITY		560,588	602,173	630,072	606,321	646,675	636,773
NON-CURRENT LIABILITIES							
Bank borrowings	23	229,202	82,240	92,906	1,043	1,493	560
Deferred tax liabilities	15	35,079	39,899	32,877	-	-	-
		264,281	122,139	125,783	1,043	1,493	560
CURRENT LIABILITIES							
Trade payables	25	106,912	112,168	110,838	15,030	21,110	39,030
Other payables, deposits and accruals	26	35,981	20,296	36,098	8,436	7,920	15,460
Amount owing to subsidiaries	14	-	-	-	96,719	58,110	97,963
Bank borrowings:-	23						
- bank overdrafts		588	901	-	-	109	-
- other borrowings		497,468	460,448	414,628	226,411	228,882	203,058
Current tax liabilities		296	55	713	-	-	-
		641,245	593,868	562,277	346,596	316,131	355,511
TOTAL LIABILITIES		905,526	716,007	688,060	347,639	317,624	356,071
TOTAL EQUITY AND LIABILITIES		1,466,114	1,318,180	1,318,132	953,960	964,299	992,844

The annexed notes form an integral part of these financial statements.

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

		The Group		The Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
REVENUE	27	314,569	322,163	120,070	123,954
COST OF SALES		(278,236)	(276,263)	(65,067)	(56,748)
GROSS PROFIT		36,333	45,900	55,003	67,206
OTHER INCOME		37,050	44,795	28,788	25,366
ADMINISTRATIVE EXPENSES		(37,248)	(39,078)	(31,781)	(30,989)
SELLING AND DISTRIBUTION EXPENSES		(43,250)	(39,041)	(13,836)	(11,417)
OTHER EXPENSES		-	(5,636)	(46,178)	(18,536)
FINANCE COSTS	28	(17,882)	(16,389)	(15,353)	(11,321)
NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS	29	(3,316)	-	(4,537)	(866)
(LOSS)/PROFIT BEFORE TAXATION	30	(28,313)	(9,449)	(27,894)	19,443
INCOME TAX EXPENSE	31	(7,527)	(11,637)	(5,715)	(1,728)
(LOSS)/PROFIT AFTER TAXATION		(35,840)	(21,086)	(33,609)	17,715
OTHER COMPREHENSIVE INCOME					
<u>Items that will not be reclassified subsequently to profit or loss</u>					
Fair value changes of equity investments		(6,739)	(7,812)	(6,739)	(7,812)
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		(42,579)	(28,898)	(40,348)	9,903
(LOSS)/PROFIT AFTER TAXATION ATTRIBUTABLE TO:-					
Owners of the Company		(35,796)	(21,368)	(33,609)	17,715
Non-controlling interests		(44)	282	-	-
		(35,840)	(21,086)	(33,609)	17,715
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:-					
Owners of the Company		(42,535)	(29,180)	(40,348)	9,903
Non-controlling interests		(44)	282	-	-
		(42,579)	(28,898)	(40,348)	9,903
LOSS PER SHARE (SEN):-					
Basic	32	(19.03)	(11.36)		
Diluted		N/A	N/A		

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

	Note	Share Capital RM'000	Treasury Shares RM'000	Non-distributable Fair Value Reserve RM'000	Distributable Retained Profits RM'000	Attributable to Owners of the Company RM'000	Non-controlling Interests RM'000	Total Equity RM'000
The Group								
Balance at 1.8.2017								
- as previously reported		268,680	(55,165)	(28,032)	443,042	628,525	2,489	631,014
- effects of transition to MFRS Framework	40	-	-	-	(978)	(978)	36	(942)
- as restated		268,680	(55,165)	(28,032)	442,064	627,547	2,525	630,072
(Loss)/profit after taxation for the financial year		-	-	-	(21,368)	(21,368)	282	(21,086)
Other comprehensive income for the financial year:-								
- fair value changes of equity investments		-	-	(7,812)	-	(7,812)	-	(7,812)
Total comprehensive income for the financial year		-	-	(7,812)	(21,368)	(29,180)	282	(28,898)
Contributions by and distributions to owners of the Company:-								
- purchase of treasury shares	21	-	(1)	-	-	(1)	-	(1)
- additional investments in existing subsidiaries by non-controlling interests		-	-	-	-	-	1,000	1,000
Transactions with owners		-	(1)	-	-	(1)	1,000	999
Balance at 31.7.2018		268,680	(55,166)	(35,844)	420,696	598,366	3,807	602,173

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

	Note	Share Capital RM'000	Treasury Shares RM'000	Non-distributable Fair Value Reserve RM'000	Distributable Retained Profits RM'000	Attributable to Owners of the Company RM'000	Non-controlling Interests RM'000	Total Equity RM'000
The Group								
Balance at 31.7.2018/1.8.2018		268,680	(55,166)	(35,844)	420,696	598,366	3,807	602,173
Loss after taxation for the financial year		-	-	-	(35,796)	(35,796)	(44)	(35,840)
Other comprehensive income for the financial year:-								
- fair value changes of equity investments		-	-	(6,739)	-	(6,739)	-	(6,739)
Total comprehensive income for the financial year		-	-	(6,739)	(35,796)	(42,535)	(44)	(42,579)
Contributions by and distributions to owners of the Company:-								
- purchase of treasury shares	21	-	(8)	-	-	(8)	-	(8)
- sale of treasury shares	21	-	2	-	-	2	-	2
- additional investments in existing subsidiaries by non-controlling interests		-	-	-	-	-	1,000	1,000
Transactions with owners		-	(6)	-	-	(6)	1,000	994
Balance at 31.7.2019		268,680	(55,172)	(42,583)	384,900	555,825	4,763	560,588

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

	Note	Share Capital RM'000	Treasury Shares RM'000	Non-distributable Fair Value Reserve RM'000	Distributable Retained Profits RM'000	Total Equity RM'000
The Company						
Balance at 1.8.2017		268,680	(55,165)	(28,032)	451,290	636,773
Profit after taxation for the financial year		-	-	-	17,715	17,715
Other comprehensive income for the financial year:-						
- fair value changes of equity investments		-	-	(7,812)	-	(7,812)
Total comprehensive income for the financial year		-	-	(7,812)	17,715	9,903
Contributions by and distributions to owners of the Company:-						
- purchase of treasury shares	21	-	(1)	-	-	(1)
Balance at 31.7.2018/1.8.2018		268,680	(55,166)	(35,844)	469,005	646,675
Loss after taxation for the financial year		-	-	-	(33,609)	(33,609)
Other comprehensive income for the financial year:-						
- fair value changes of equity investments		-	-	(6,739)	-	(6,739)
Total comprehensive income for the financial year		-	-	(6,739)	(33,609)	(40,348)
Contributions by and distributions to owners of the Company:-						
- purchase of treasury shares	21	-	(8)	-	-	(8)
- sale of treasury shares	21	-	2	-	-	2
		-	(6)	-	-	(6)
Balance at 31.7.2019		268,680	(55,172)	(42,583)	435,396	606,321

The annexed notes form an integral part of these financial statements.

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

	The Group		The Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES				
(Loss)/profit before taxation	(28,313)	(9,449)	(27,894)	19,443
Adjustments for:-				
Allowance for slow-moving inventories	2,492	1,066	23	251
Amortisation of intangible assets	21	-	-	-
Depreciation of property, plant and equipment	43,130	42,253	11,928	12,781
Dividend income	(17)	(19)	(21,647)	(45,219)
Fair value (gain)/loss on:-				
- biological assets	(8,793)	2,333	-	-
- investment properties	(12,246)	(17,293)	30	-
- investment securities	(14)	37	(14)	37
Impairment losses on:-				
- amount owing by subsidiaries	-	-	8,549	866
- investments in subsidiaries	-	-	46,178	18,500
- property, plant and equipment	-	5,600	-	-
- trade and other receivables	3,316	-	1,185	-
Impairment losses on amount owing to subsidiaries no longer required	-	-	(5,197)	-
Interest expense	17,882	16,389	15,353	11,321
Interest income	(258)	(578)	(18,294)	(8,501)
Gain on disposal of property, plant and equipment	(10,812)	(19,582)	(3,251)	(9,033)
Property, plant and equipment written off	66	335	1	317
Unrealised loss/(gain) on foreign exchange	163	322	8	(1)
Write-down of inventories	10,898	7,553	-	-
Operating profit before working capital changes	17,515	28,967	6,958	762
(Increase)/decrease in inventories	(22,043)	15,672	493	5,071
Decrease in trade and other receivables	57,297	18,741	18,055	16,265
Increase/(decrease) in trade and other payables	10,448	(14,494)	(5,563)	(25,460)
Net decrease/(increase) in amount owing by subsidiaries	-	-	57,936	(97,119)
CASH FROM/(FOR) OPERATIONS	63,217	48,886	77,879	(100,481)
Income tax paid	(8,454)	(5,693)	(2,048)	(692)
Income tax refunded	913	480	-	-
Interest paid	(22,518)	(18,933)	(15,266)	(11,048)
Interest received	258	578	18,294	8,501
NET CASH FROM/(FOR) OPERATING ACTIVITIES	33,416	25,318	78,859	(103,720)

The annexed notes form an integral part of these financial statements.

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

	Note	The Group 2019 RM'000	The Group 2018 RM'000	The Company 2019 RM'000	The Company 2018 RM'000
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Acquisition of subsidiaries, net of cash and cash equivalents acquired	5(a)	-	-	-	-
Additional investments in subsidiaries		-	-	(109,850)	(7,550)
Additional investments in existing subsidiaries by non-controlling interests		250	250	-	-
Costs incurred on biological assets		(2,238)	(5,143)	-	-
Dividend received		17	19	21,647	45,219
Proceeds from disposal of investment securities		3,027	-	3,027	-
Proceeds from disposal of property, plant and equipment		26,410	34,373	11,093	35,049
Purchase of intangible assets		(20,983)	-	-	-
Purchase of investment securities		(14)	(14)	(14)	(14)
Purchase of land held for property development		-	(191)	-	-
Purchase of property, plant and equipment	33(a)	(200,639)	(100,009)	(874)	(5,304)
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(194,170)	(70,715)	(74,971)	67,400
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES					
Drawdown of hire purchase obligations	33(b)	-	1,426	-	-
Drawdown of term loans	33(b)	166,891	5,850	-	2,030
Net of drawdown/(repayment) of bankers' acceptance	33(b)	18,360	3,010	-	-
Net of drawdown/(repayment) of revolving credit	33(b)	10,200	56,000	(2,000)	35,000
Payment of interests on long-term borrowings	33(b)	(11,789)	(5,518)	(87)	(273)
Proceed from disposal of treasury shares	21	2	-	2	-
Purchase of treasury shares	21	(8)	(1)	(8)	(1)
Repayment of hire purchase obligations	33(b)	(7,504)	(17,610)	(541)	(10,060)
Repayment of term loans	33(b)	(14,968)	(15,732)	(380)	(213)
Increase in pledged deposits with licensed banks		(20)	(38)	(1)	(20)
NET CASH FROM/(FOR) FINANCING ACTIVITIES		161,164	27,387	(3,015)	26,463
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		410	(18,010)	873	(9,857)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(14)	(15)	(9)	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		9,301	27,326	1,200	11,057
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	33(c)	9,697	9,301	2,064	1,200

The annexed notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office, which is also the principal place of business, is No. 66 – 78, Pusat Suria Permata, Jalan Upper Lanang, C.D.T. 123, 96000 Sibu, Sarawak.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 1 November 2019.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding, provision of management services, extraction and sale of logs. The principal activities of the subsidiaries are set out in Note 5 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

3.1 These are the Group's first set of financial statements prepared in accordance with MFRSs, which are also in line with International Financial Reporting Standards as issued by the International Accounting Standards Board.

In the previous financial year, the financial statements of the Group were prepared in accordance with Financial Reporting Standards ("FRSs").

The transition to MFRSs is accounted for in accordance with MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards,* with 1 August 2017 as the date of transition. An opening statement of financial position as at the date of transition has been prepared based on the accounting policies as described in Note 4 to the financial statements. Such accounting policies have also been applied to other financial information covered under this set of financial statements, including the comparative information presented. The financial impacts on the transition from FRSs to MFRSs are disclosed in Note 40 to the financial statements.

3.2 The Group has not applied in advance the following accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial year:-

MFRSs and/or IC Interpretations (Including the Consequential Amendments)	Effective Date
MFRS 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 23 Uncertainty Over Income Tax Treatments	1 January 2019
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Annual Improvements to MFRS Standards 2015 – 2017 Cycles	1 January 2019

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

3. BASIS OF PREPARATION (CONT'D)

3.2 The adoption of the above accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application except as follows:-

(a) MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and will replace the current guidance on lease accounting when it becomes effective. Under MFRS 16, the classification of leases as either finance leases or operating leases is eliminated for lessees. All lessees are required to recognise their leased assets and the related lease obligations in the statement of financial position (with limited exceptions). The leased assets are subject to depreciation and the interest on lease liabilities is calculated using the effective interest method. The Group is currently assessing the financial impact that may arise from the adoption of this standard.

(b) Under MFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are solely payments of principal and interest on the principal amount outstanding (the “SPPI criterion”) and the instrument is held within the appropriate business model for that classification. The amendments to MFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Key Sources of Estimation Uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:-

(a) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of property, plant and equipment as at the reporting date is disclosed in Note 6 to the financial statements.

(b) Valuation of Investment Properties

Investment properties of the Group are reported at fair value which is based on valuations performed by independent professional valuers by reference to the selling prices of recent transactions and asking prices of similar properties of nearby location and where necessary, adjusting for tenure, location, size and market trends. Other factors such as model assumptions, market dislocations and unexpected correlations can also materially affect these estimates and the resulting valuations. The carrying amount of investment properties as at the reporting date is disclosed in Note 7 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key Sources of Estimation Uncertainty (Cont'd)

(c) Impairment of Goodwill

The assessment of whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating unit to which the goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at the reporting date is disclosed in Note 12 to the financial statements.

(d) Impairment of Property, Plant and Equipment

The Group determines whether its property, plant and equipment are impaired by evaluating the extent to which the recoverable amounts of the assets are less than their carrying amounts. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amounts, such as valuation reports and discounted cash flows. For discounted cash flows, significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates. The carrying amount of property, plant and equipment as at the reporting date is disclosed in Note 6 to the financial statements.

(e) Fair Value Estimates for Biological Assets

The biological assets of the Group consist of fresh fruit bunches ("FFBs") and trees prior to harvest. The Group adopts the income approach and the market approach to estimate the fair value of biological assets. For the income approach, significant judgement is required to estimate the present value of the net cash flows expected to be generated from the sale of agricultural produce. Such estimation involves uncertainties and is affected by assumptions used and judgements made regarding future cash flows and discount rates. The carrying amount of biological assets as at the reporting date is disclosed in Note 10 to the financial statements.

(f) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of inventories as at the reporting date is disclosed in Note 16 to the financial statements.

(g) Impairment of Trade Receivables

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying value of trade receivables. The carrying amount of trade receivables as at the reporting date is disclosed in Note 17 to the financial statements.

(h) Impairment of Non-trade Receivables

The loss allowances for non-trade financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting appropriate inputs to the impairment calculation, based on the past payment trends, existing market conditions as well as forward-looking estimates at the end of each reporting period. The carrying amounts of other receivables and amount owing by subsidiaries as at the reporting date are disclosed in Notes 18 and 14 to the financial statements respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key Sources of Estimation Uncertainty (Cont'd)

(i) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the period in which such determination is made.

(j) Deferred Tax Assets

Deferred tax assets are recognised for all deductible temporary differences, and unused tax losses and tax credits to the extent that it is probable that future taxable profits would be available against which the deductible temporary differences, and unused tax losses and tax credits could be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the assessment of the probability of the future taxable profits. The carrying amount of deferred tax assets as at the reporting date is disclosed in Note 15 to the financial statements.

Critical Judgements Made in Applying Accounting Policies

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:-

(a) Classification between Investment Properties and Owner-occupied Properties

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment properties.

(b) Classification of Leasehold Land

The classification of leasehold land as a finance lease or an operating lease requires the use of judgement in determining the extent to which risks and rewards incidental to its ownership lie. Despite the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease. Accordingly, management judged that the Group has acquired substantially all the risks and rewards incidental to the ownership of the land through a finance lease.

4.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 BASIS OF CONSOLIDATION (CONT'D)

Subsidiaries are entities (including structured entities, if any) controlled by the Group. The Group controls an entity when the Group is exposed to, 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.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

(a) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

(b) Non-controlling Interests

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(c) Changes in Ownership Interests in Subsidiaries Without Change of Control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

(d) Loss of Control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 BASIS OF CONSOLIDATION (CONT'D)

(d) Loss of Control (Cont'd)

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

As part of its transition to MFRSs, the Group elected not to restate those business combinations that occurred before 1 August 2017 (date of transition). Such business combinations and the related goodwill and fair value adjustments have been carried forward from the previous accounting framework (i.e. FRSs) as at the date of transition.

4.3 GOODWILL

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised in profit or loss immediately.

4.4 FUNCTIONAL AND FOREIGN CURRENCIES

(a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency and has been rounded to the nearest thousand, unless otherwise stated.

(b) Foreign Currency Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the exchange rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

(c) Foreign Operations

Assets and liabilities of foreign operations (including any goodwill and fair value adjustments arising on acquisition) are translated to the Group's presentation currency at the exchange rates at the end of the reporting period. Income, expenses and other comprehensive income of foreign operations are translated at exchange rates at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity; attributed to the owners of the Company and non-controlling interests, as appropriate.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FUNCTIONAL AND FOREIGN CURRENCIES (CONT'D)

(c) Foreign Operations (Cont'd)

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign subsidiary, or a partial disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that foreign operation attributable to the owners of the Company are reclassified to profit or loss as part of the gain or loss on disposal. The portion that related to non-controlling interests is derecognised but is not reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is reattributed to non-controlling interests and is not recognised in profit or loss. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

In the consolidated financial statements, when settlement of an intragroup loan is neither planned nor likely to occur in the foreseeable future, the exchange differences arising from translating such monetary item are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income.

4.5 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 *Revenue from Contracts with Customers* at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(a) Financial Assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

Debt Instruments

(i) Amortised Cost

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

(ii) Fair Value through Other Comprehensive Income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

(iii) Fair Value through Profit or Loss

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

Equity Instruments

All equity investments are subsequently measured at fair value with gains and losses recognised in profit or loss except where the Group has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial Liabilities

(i) Financial Liabilities at Fair Value through Profit or Loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value of these financial liabilities are recognised in profit or loss.

(ii) Other Financial Liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or a shorter period (where appropriate).

(c) Equity Instruments

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently.

(i) Ordinary Shares

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(ii) Treasury Shares

When the Company's own shares recognised as equity are bought back, the amount of the consideration paid, including all costs directly attributable, are recognised as a deduction from equity. Own shares purchased that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares.

Where treasury shares are reissued by resale, the difference between the sales consideration received and the carrying amount of the treasury shares is recognised in equity.

Where treasury shares are cancelled, their costs are transferred to retained profits.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 FINANCIAL INSTRUMENTS (CONT'D)

(d) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

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

(e) 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 specific debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee or, when there is no specific contractual period, recognised in profit or loss upon discharge of the guarantee. If the debtor fails to make payment relating to a financial guarantee contract when it is due and the Company, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the amount of the credit loss determined in accordance with the expected credit loss model and the amount initially recognised less cumulative amortisation.

4.6 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

4.7 PROPERTY, PLANT AND EQUIPMENT

(a) Bearer Plants

Bearer plants, included within property, plant and equipment, are defined as living plants that are used in the production or supply of agricultural produce and for which there is only a remote likelihood that the plant will also be sold as agricultural produce. Bearer plants (before maturity), representing nursery development, and immature oil palm plantation, are measured at cost, which consists of the costs incurred in the preparation of the nursery, purchase of seedlings and maintenance of the plantation. No depreciation is provided for immature bearer plants. Upon maturity, bearer plants are measured at cost less accumulated depreciation and impairment losses, if any. Mature bearer plants are depreciated over the estimated useful lives of the bearer plants of 25 years.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.7 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(b) Other Property, Plant and Equipment

All other items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Freehold land is not depreciated. Depreciation on other property, plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on a straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Leasehold land	Over the leasehold periods of 16 to 184 years
Buildings	2% - 10%
Watercrafts, trucks and motor vehicles	5% - 25%
Plant and machinery	5% - 20%
Infrastructure facilities	5% - 10%
Furniture, fittings and equipment	5% - 20%

Capital work-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment. Any changes are accounted for as a change in estimate.

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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss.

4.8 INVESTMENT PROPERTIES

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Subsequent to initial recognition, investment properties are stated at fair value with fair value changes recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 INVESTMENT PROPERTIES (CONT'D)

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

On the derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property or inventories, the fair value at the date of change becomes the cost for subsequent accounting purposes. If owner-occupied property becomes an investment property, such property shall be accounted for in accordance with the accounting policy for property, plant and equipment up to the date of change in use.

4.9 LAND HELD FOR PROPERTY DEVELOPMENT

Land held for property development consists of 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 the Group's normal operating cycle. Such land is classified as a non-current asset and is stated at cost less accumulated impairment losses, if any.

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the Group's normal operating cycle.

Costs associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees, other direct development expenditure and related overheads.

4.10 INTANGIBLE ASSETS

(a) Computer Software

Computer software is initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable cost of preparing the asset for its intended use. Direct expenditure, which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured, is recognised as capital improvement and added to the original cost of the software. Costs associated with maintaining the computer software are recognised as an expense as incurred.

Capitalised computer software is subsequently carried at cost less accumulated amortisation and impairment losses, if any. These costs are amortised on a straight-line basis over their estimated useful life of 10 years.

(b) Rights in Timber Licences

Rights in timber licences are expenditure incurred in respect of the acquisition of timber licences.

The rights acquired by the Group are stated at cost less accumulated amortisation and impairment losses, if any. The cost is amortised on a straight-line basis over the remaining tenure of the licence periods, which range from 7 to 15 years.

(c) Commercial Rights on Licence for Planted Forest ("LPF")

Commercial rights on LPF represent rights granted to the Group to plant trees on licensed area, which will expire in March 2064.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 INTANGIBLE ASSETS (CONT'D)

(c) Commercial Rights on Licence for Planted Forest ("LPF") (Cont'd)

The rights acquired by the Group are stated at cost less accumulate amortisation and impairment losses, if any. The cost is amortised on a straight-line basis over the remaining term of the licence of 45 years at the date of acquisition.

4.11 BIOLOGICAL ASSETS

Biological assets comprise produce growing on bearer plants and planted trees.

Produce growing on bearer plants (i.e. FFBs) is classified as current assets as it is expected to be harvested and sold or used for production on a date not more than 15 days after the reporting date. Planted trees are classified as non-current assets as they are expected to be harvested and sold or used for production on a date more than 12 months after the reporting date.

Biological assets are measured at fair value less costs to sell. Any gains or losses arising on initial recognition and from changes in the fair value less costs to sell are recognised in profit or loss for the period in which they arise.

4.12 LEASED ASSETS

(a) Finance Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the statement of financial position as hire purchase liabilities.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss and allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

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

(b) Operating Leases

All leases that do not transfer substantially to the Group all the risks and rewards incidental to ownership are classified as operating leases and, the leased assets are not recognised on the statement of financial position of the Group and of the Company.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.13 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:-

(a) Raw materials and general stores – original cost of purchase, determined on a weighted average basis.

(b) Finished goods and work-in-progress – cost of raw materials, direct labour, and an appropriate proportion of production overheads, determined on an average basis.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

4.14 CASH AND CASH EQUIVALENTS

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

4.15 IMPAIRMENT

(a) Impairment of Financial Assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at fair value through other comprehensive income and trade receivables, as well as on financial guarantee contracts.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit losses for trade receivables using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and are adjusted for forward-looking information (including time value of money where appropriate).

For all other financial instruments, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.15 IMPAIRMENT (CONT'D)

(b) Impairment of Non-financial Assets

The carrying values of assets, other than those to which MFRS 136 *Impairment of Assets* does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value in use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

4.16 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The discount rate shall be 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 interest expense in profit or loss.

4.17 EMPLOYEE BENEFITS

(a) Short-term Benefits

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss and included in the property, plant and equipment, and biological assets, where appropriate, in the period in which the associated services are rendered by employees of the Group.

(b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss and included in the property, plant and equipment, and biological assets, where appropriate, in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

4.18 INCOME TAXES

(a) Current Tax

Current tax assets and liabilities are the expected amount of income tax recoverable or payable to the taxation authorities.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.18 INCOME TAXES (CONT'D)

(a) Current Tax (Cont'd)

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

(b) Deferred Tax

Deferred tax is recognised using the liability method for all temporary differences other than those that arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Where investment properties are carried at their fair value, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodies in the property over time, rather than through sale.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

4.19 CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements, unless the probability of outflow of economic benefits is remote. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

4.20 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. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.21 EARNINGS PER ORDINARY SHARES

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

Diluted earnings per ordinary share is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

4.22 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. The capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the weighted average of the borrowing costs applicable to borrowings that are outstanding during the financial year, other than borrowings made specifically for the purpose of financing a specific project-in-progress, in which case the actual borrowing costs incurred on that borrowings less any investment income on temporary investment of that borrowings will be capitalised.

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

4.23 FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For a 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.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

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

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

4.24 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer net of sales and service tax, returns, rebates and discounts. The Group recognises revenue when (or as) it transfers control over a product or service to the customer. An asset is transferred when (or as) the customer obtains control of the asset. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.24 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONT'D)

(a) Sale of Goods

Revenue from the sale of timber products, FFBs and other goods is recognised when the Group has transferred control of the goods to customers, being when the goods are delivered to the customers and upon their acceptance. Rebates and volume discounts are given to eligible customers, and are taken up as variable consideration in determining the transaction prices contracted.

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

(b) Rendering of Services

Revenue from the rendering of timber extraction services is recognised over time in the period in which the services are rendered, determined based on the volume of logs extracted.

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

There is no significant financing component in the revenue arising from the sale of goods and the rendering of services as they are made on the normal credit terms not exceeding 12 months upon delivery of goods or billings.

4.25 OTHER INCOME

(a) Dividend Income

Dividend income from investment is recognised when the right to receive dividend payment is established.

(b) Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

(c) Rental Income

Rental income is accounted for on a straight-line method over the lease term.

5. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2019	**2018**
	RM'000	RM'000
Unquoted shares, at cost	541,631	431,781
Less: Accumulated impairment losses	(111,929)	(65,751)
	429,702	366,030

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows:-

Name of subsidiary	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent 2019 %	2018 %	Principal Activities
Subsidiary of the Company				
JPH Logging Sdn. Bhd.	Malaysia	100	100	Logging contractor, provision of handling and management services
Saraju Holding Sdn. Bhd.	Malaysia	100	100	Extraction and sale of timber logs
Subur Tiasa Forestry Sdn. Bhd.	Malaysia	100	100	Development and maintenance of planted forests and forest plantation contractor
Subur Tiasa Plywood Sdn. Bhd.	Malaysia	100	100	Manufacture and trading of plywood and veneer
Subur Tiasa Particleboard Sdn. Bhd.	Malaysia	100	100	Manufacture and trading of raw and laminated particleboard
Borneo Lumber Industries Sdn. Bhd.	Malaysia	100	100	Manufacture and sale of sawn timber
Grace Million Sdn. Bhd.	Malaysia	100	100	Manufacture and sale of sawn timber
R H Timber Processing Industries Sdn. Bhd.	Malaysia	100	100	Sawmilling of timber
Trimogreen Sdn. Bhd.	Malaysia	100	100	Manufacture and trading of sawn timber and finger-joint moulding
Diamond Biowood Sdn. Bhd.	Malaysia	100	100	Manufacture and trading of charcoal
Excelle Timber Sdn. Bhd.	Malaysia	100	100	Manufacture and trading of charcoal
Homet Raya Sdn. Bhd.	Malaysia	100	100	Supply of electricity, steam, and trading of lighting products and general hardware
Momawater Sdn. Bhd.	Malaysia	100	100	Manufacture and trading of drinking water
Infrapalm Sdn. Bhd.	Malaysia	100	100	Cultivation of oil palm
Palmlyn Sdn. Bhd.	Malaysia	100	100	Cultivation of oil palm
Tiasa Palm Sdn. Bhd.	Malaysia	100	100	Cultivation of oil palm
Tiasa Mesra Sdn. Bhd.	Malaysia	100	100	Cultivation of oil palm
Fruitful Palm Sdn. Bhd.	Malaysia	100	100	Cultivation of oil palm

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows (cont'd):-

Name of subsidiary	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent 2019 %	2018 %	Principal Activities
Subsidiary of the Company (Cont'd)				
United Superland Sdn. Bhd.	Malaysia	100	100	Cultivation of oil palm
Blessings Palm Sdn. Bhd.	Malaysia	100	100	Cultivation of oil palm and tree planting
Allied Asiatic Sdn. Bhd.	Malaysia	100	100	Towage and transportation services
JPH Enterprise Sdn. Bhd.	Malaysia	100	100	Insurance agency
Tiasa Cergas Sdn. Bhd.	Malaysia	100	100	Insurance agency
Blessings Realty Sdn. Bhd.	Malaysia	100	100	Property holding and development
Joyful Realty Sdn. Bhd.	Malaysia	100	100	Property holding and development
Supreme Standard Development Sdn. Bhd.	Malaysia	100	100	Property holding and development
Victory Round Sdn. Bhd.	Malaysia	100	100	Investment holding
Subur Properties Sdn. Bhd.	Malaysia	100	100	Investment holding
Subur Tiasa R&D Sdn. Bhd.	Malaysia	100	100	Biotech laboratory and research, consultancy and general trading activities
Subur Global Pte. Ltd.^	Singapore	100	100	Provision of consultancy services
Hahn Fert Sdn. Bhd.	Malaysia	75	75	Trading of agriculture fertilisers
Momaspace Sdn. Bhd.	Malaysia	100	100	Trading of drinking water and provision of advertising services
T. Q. Oriental Sdn. Bhd.	Malaysia	100	100	Dormant
Sarawak Plywood (M) Sdn. Bhd.	Malaysia	100	100	Dormant
AA Plywood Sdn. Bhd.	Malaysia	100	100	Dormant
Semarak Veneer & Plywood Sdn. Bhd.	Malaysia	100	100	Dormant
Honeybrix Sdn. Bhd.	Malaysia	100	100	Dormant
Mamo Sdn. Bhd.	Malaysia	100	100	Dormant

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows (cont'd):-

Name of subsidiary	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent 2019 %	2018 %	Principal Activities
Subsidiary of the Company (Cont'd)				
Momaworld Sdn. Bhd.	Malaysia	100	100	Dormant
Enerrich Sdn. Bhd. (formerly known as Merri Mee Sdn. Bhd.)	Malaysia	100	100	Dormant
Dchord Sdn. Bhd. (formerly known as Merri Marketing Sdn. Bhd.)	Malaysia	100	100	Dormant
LX Photonics Sdn. Bhd.	Malaysia	100	100	Dormant
Excel Logging Sdn. Bhd.	Malaysia	100	100	Dormant
Subsidiary of Momawater Sdn. Bhd.				
MOMA Marketing Pte. Ltd.^	Singapore	100	100	General wholesale trade
Subsidiary of Victory Round Sdn. Bhd.				
Victory Pelita Kabah Sdn. Bhd.	Malaysia	60	60	Cultivation of oil palm
Subsidiaries of Subur Properties Sdn. Bhd.				
Tiasa Heights Sdn. Bhd.	Malaysia	100	100	Property holding and development
Prestige Superland Sdn. Bhd.	Malaysia	100	100	Dormant

^ *Not required to be audited under the laws of the country of incorporation.*

(a) In the previous financial year, the Company subscribed for 1 ordinary share, representing 100% equity interest, in Excel Logging Sdn. Bhd. for a cash consideration of RM1.

(b) During the financial year, the Company carried out a review of the recoverable amounts of its investments in certain subsidiaries that had been making losses for the past few years. An impairment loss of RM46,178,000 (2018: RM18,500,000), representing the write-down of the investments to their recoverable amounts, was recognised in "Other Expenses" line item of the statement of profit or loss and other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(c) The non-controlling interests at the end of the reporting period comprise the following:-

	Effective Equity Interest		The Group	
	2019	2018	**2019**	**2018**
	%	%	RM'000	RM'000
Hahn Fert Sdn. Bhd.	25	25	852	845
Victory Pelita Kabah Sdn. Bhd.	40	40	3,911	2,962
			4,763	3,807

(d) The summarised financial information (before intra-group elimination) for each subsidiary that has non-controlling interests is as follows:-

	Hahn Fert Sdn. Bhd.	
	2019	**2018**
	RM'000	RM'000
At 31 July		
Non-current assets	15,230	848
Current assets	15,770	35,434
Non-current liabilities	-	-
Current liabilities	(27,594)	(32,904)
Net assets	3,406	3,378
Financial Year Ended 31 July		
Revenue	33,874	32,977
Profit for the financial year	28	1,105
Total comprehensive income	28	1,105
Total comprehensive income attributable to non-controlling interests	7	276
Dividends paid to non-controlling interests	-	-
Net cash flows for operating activities	(7,167)	(338)
Net cash flows from investing activities	-	-
Net cash flows from financing activities	7,218	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(d) The summarised financial information (before intra-group elimination) for each subsidiary that has non-controlling interests is as follows (cont'd):-

	Victory Pelita Kabah Sdn. Bhd.	
	2019	**2018**
	RM'000	RM'000
At 31 July		
Non-current assets	68,682	44,864
Current assets	1,268	1,565
Non-current liabilities	(25,337)	(761)
Current liabilities	(34,921)	(38,348)
Net assets	9,692	7,320
Financial Year Ended 31 July		
Revenue	1,341	453
(Loss)/profit for the financial year	(128)	14
Total comprehensive income	(128)	14
Total comprehensive income attributable to non-controlling interests	(51)	6
Dividends paid to non-controlling interests	-	-
Net cash flows (for)/from operating activities	(5,013)	11,029
Net cash flows for investing activities	(16,798)	(16,522)
Net cash flows from financing activities	22,021	4,486

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

6. PROPERTY, PLANT AND EQUIPMENT

The Group	At 1.8.2018 RM'000	Additions RM'000	Disposals RM'000	Write-offs RM'000	Reclassi-fications RM'000	Depreciation Charge RM'000	At 31.7.2019 RM'000
2019							
Carrying Amount							
Freehold land	17,245	-	-	-	(17,245)	-	-
Long leasehold land	24,167	750	-	-	(1,345)	(445)	23,127
Short leasehold land	52,744	-	-	-	-	(1,490)	51,254
Bearer plants	287,219	157,381	-	-	5,183	(11,007)	438,776
Buildings	111,673	5,533	(12)	(14)	5,007	(5,672)	116,515
Watercrafts, trucks and motor vehicles	212,387	3,856	(6,864)	-	1,757	(14,499)	196,637
Plant and machinery	85,351	247	(677)	(22)	574	(8,296)	77,177
Infrastructure facilities	33,683	7,742	(4)	-	38,494	(3,371)	76,544
Furniture, fittings and equipment	10,167	703	(87)	(30)	172	(2,050)	8,875
Capital work-in-progress	34,696	50,638	(7,954)	-	(63,204)	-	14,176
	869,332	226,850	(15,598)	(66)	(30,607)	(46,830)	1,003,081

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

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

The Group	At 1.8.2017 RM'000	Additions RM'000	Disposals RM'000	Write-offs RM'000	Reclassi-fications RM'000	Depreciation Charge RM'000	Impairment Losses RM'000	At 31.7.2018 RM'000
2018								
Carrying Amount								
Freehold land	17,245	-	-	-	-	-	-	17,245
Long leasehold land	23,865	750	-	-	-	(448)	-	24,167
Short leasehold land	54,235	-	-	-	-	(1,491)	-	52,744
Bearer plants	212,194	81,799	-	-	-	(6,774)	-	287,219
Buildings	116,621	110	(11)	-	519	(5,566)	-	111,673
Watercrafts, trucks and motor vehicles	238,693	451	(14,389)	(1)	2,807	(15,174)	-	212,387
Plant and machinery	100,243	558	(105)	(4)	1,512	(11,253)	(5,600)	85,351
Infrastructure facilities	27,854	6,121	(101)	-	2,093	(2,284)	-	33,683
Furniture, fittings and equipment	11,581	416	(104)	(13)	450	(2,163)	-	10,167
Capital work-in-progress	25,669	19,669	(81)	(317)	(10,244)	-	-	34,696
	828,200	109,874	(14,791)	(335)	(2,863)	(45,153)	(5,600)	869,332

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

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

The Group	At Cost RM'000	Accumulated Depreciation RM'000	Accumulated Impairment Losses RM'000	Carrying Amount RM'000
2019				
Long leasehold land	26,046	(2,919)	-	23,127
Short leasehold land	72,719	(21,465)	-	51,254
Bearer plants	485,622	(46,846)	-	438,776
Buildings	238,208	(118,283)	(3,410)	116,515
Watercrafts, trucks and motor vehicles	464,837	(268,200)	-	196,637
Plant and machinery	366,339	(282,068)	(7,094)	77,177
Infrastructure facilities	180,090	(103,546)	-	76,544
Furniture, fittings and equipment	36,385	(27,510)	-	8,875
Capital work-in-progress	14,176	-	-	14,176
	1,884,422	(870,837)	(10,504)	1,003,081
2018				
Freehold land	17,245	-	-	17,245
Long leasehold land	26,727	(2,560)	-	24,167
Short leasehold land	72,719	(19,975)	-	52,744
Bearer plants	323,058	(35,839)	-	287,219
Buildings	232,344	(117,237)	(3,434)	111,673
Watercrafts, trucks and motor vehicles	483,963	(271,576)	-	212,387
Plant and machinery	381,365	(288,920)	(7,094)	85,351
Infrastructure facilities	133,890	(100,207)	-	33,683
Furniture, fittings and equipment	36,050	(25,883)	-	10,167
Capital work-in-progress	34,696	-	-	34,696
	1,742,057	(862,197)	(10,528)	869,332

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

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

The Company	At 1.8.2018 RM'000	Additions RM'000	Disposals RM'000	Write-offs RM'000	Reclassi-fications RM'000	Depreciation Charge RM'000	At 31.7.2019 RM'000
2019							
Carrying Amount							
Long leasehold land	1,745	-	-	-	-	(33)	1,712
Short leasehold land	10,917	-	-	-	-	(327)	10,590
Buildings	16,858	4	-	-	(1,430)	(731)	14,701
Watercrafts, trucks and motor vehicles	139,059	399	(7,745)	-	100	(9,639)	122,174
Plant and machinery	549	1	(82)	-	-	(124)	344
Infrastructure facilities	22	-	-	-	-	(15)	7
Furniture, fittings and equipment	4,394	229	(15)	(1)	136	(1,059)	3,684
Capital work-in-progress	63	241	-	-	(236)	-	68
	173,607	874	(7,842)	(1)	(1,430)	(11,928)	153,280

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

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

The Company	At 1.8.2017 RM'000	Additions RM'000	Disposals RM'000	Write-offs RM'000	Reclassi-fications RM'000	Depreciation Charge RM'000	At 31.7.2018 RM'000
2018							
Carrying Amount							
Long leasehold land	1,778	-	-	-	-	(33)	1,745
Short leasehold land	11,243	-	-	-	-	(326)	10,917
Buildings	15,779	74	(297)	-	2,106	(804)	16,858
Watercrafts, trucks and motor vehicles	170,064	4,825	(25,663)	-	30	(10,197)	139,059
Plant and machinery	535	-	(42)	-	274	(218)	549
Infrastructure facilities	112	-	-	-	-	(90)	22
Furniture, fittings and equipment	4,757	331	(14)	-	433	(1,113)	4,394
Capital work-in-progress	3,149	74	-	(317)	(2,843)	-	63
	207,417	5,304	(26,016)	(317)	-	(12,781)	173,607

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

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

The Company	At Cost RM'000	Accumulated Depreciation RM'000	Accumulated Impairment Losses RM'000	Carrying Amount RM'000
2019				
Long leasehold land	2,575	(863)	-	1,712
Short leasehold land	12,605	(2,015)	-	10,590
Buildings	25,364	(8,728)	(1,935)	14,701
Watercrafts, trucks and motor vehicles	293,170	(170,996)	-	122,174
Plant and machinery	2,988	(2,644)	-	344
Infrastructure facilities	70,129	(70,122)	-	7
Furniture, fittings and equipment	20,657	(16,973)	-	3,684
Capital work-in-progress	68	-	-	68
	427,556	(272,341)	(1,935)	153,280
2018				
Long leasehold land	2,575	(830)	-	1,745
Short leasehold land	12,605	(1,688)	-	10,917
Buildings	26,826	(8,033)	(1,935)	16,858
Watercrafts, trucks and motor vehicles	312,045	(172,986)	-	139,059
Plant and machinery	3,186	(2,637)	-	549
Infrastructure facilities	70,129	(70,107)	-	22
Furniture, fittings and equipment	20,552	(16,158)	-	4,394
Capital work-in-progress	63	-	-	63
	447,981	(272,439)	(1,935)	173,607

(a) The carrying amount of property, plant and equipment acquired under hire purchase terms is as follows:-

	The Group		**The Company**	
	2019 RM'000	**2018** RM'000	**2019** RM'000	**2018** RM'000
Watercrafts, trucks and motor vehicles	21,719	21,961	65	5,639
Plant and machinery	16,210	17,800	-	-
	37,929	39,761	65	5,639

These assets are pledged as security for the related hire purchase obligations of the Group as disclosed in Note 24 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

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

(b) The carrying amount of property, plant and equipment pledged to licensed banks as security for banking facilities granted to the Group (Note 23) is as follows:-

	The Group		The Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Long leasehold land	4,878	4,207	-	-
Short leasehold land	2,371	2,426	-	-
Bearer plants	367,291	207,644	-	-
Buildings	33,003	26,768	1,194	2,649
Watercrafts, trucks and motor vehicles	29,563	12,177	-	-
Plant and machinery	25,756	50,006	-	-
Infrastructure facilities	63,928	5,672	-	-
Furniture, fittings and equipment	2,865	2,817	-	-
Capital work-in-progress	4,115	3,114	-	-
	533,770	314,831	1,194	2,649

(c) Certain buildings of the Group with a total carrying amount of RM1,973,000 (2018: RM2,070,000) are situated on land which is held by a company in which a director of certain subsidiaries and certain substantial shareholders of the Company have financial interests.

(d) During the financial year, the Group carried out a review of the recoverable amount of its property, plant and equipment because certain subsidiaries had been making losses for the past few years. An impairment loss of Nil (2018: RM5,600,000), representing the write-down of the property, plant and equipment to the recoverable amount was recognised in "Other Expenses" line item of the Statement of Profit or Loss and Other Comprehensive Income as disclosed in Note 30 to the financial statements. The recoverable amount of the property, plant and equipment was determined based on valuations performed by independent professional valuers on market comparison approach and depreciated replacement cost method. The methods make reference to:-

(i) Land – the recent transacted prices of similar land in close proximity with adjustments made for size, location, improvements and tenure.

(ii) Buildings – the estimation of reproduction cost of the buildings of same kind and design as when new based on current market prices for materials, labour and current construction techniques and deducting therefrom the accrued depreciation due to use and disrepair, age and obsolescence through technology and market changes.

(iii) Plant and machinery – the remaining economic life span of the plant and machinery, current state of the technology of the industry and the observed physical condition of the plant and machinery.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

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

(e) The Group's bearer plants comprise oil palm plantation, and are classified into mature and immature plantation as follows:-

The Group	Mature Oil Palm Plantation RM'000	Immature Oil Palm Plantation RM'000	Nursery Development RM'000	Total RM'000
2019				
Cost:-				
At 1.8.2018	177,047	145,625	386	323,058
Additions during the financial year	67,765	88,560	1,056	157,381
Reclassifications	50,760	(45,117)	(460)	5,183
At 31.7.2019	295,572	189,068	982	485,622
Accumulated depreciation:-				
At 1.8.2018	35,839	-	-	35,839
Depreciation for the financial year	11,007	-	-	11,007
At 31.7.2019	46,846	-	-	46,846
Carrying amount:-				
At 31.7.2019	248,726	189,068	982	438,776
2018				
Cost:-				
At 1.8.2017	145,367	95,739	153	241,259
Additions during the financial year	-	81,566	233	81,799
Reclassifications	31,680	(31,680)	-	-
At 31.7.2018	177,047	145,625	386	323,058
Accumulated depreciation:-				
At 1.8.2017	29,065	-	-	29,065
Depreciation for the financial year	6,774	-	-	6,774
At 31.7.2018	35,839	-	-	35,839
Carrying amount:-				
At 31.7.2018	141,208	145,625	386	287,219

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

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

(f) The following expenses were capitalised to immature oil palm plantation:-

	The Group	
	2019	2018
	RM'000	RM'000
Amortisation of intangible assets	18	-
Depreciation of property, plant and equipment	2,651	1,785
Finance costs:-		
- bank overdraft interest	25	-
- hire purchase interest	372	112
- revolving credit interest	7,061	3,856
- term loan interest	4,331	1,152
Management fee	2,182	1,114
Rental of equipment and vehicles	674	1,805
Rental of buildings	9	12
Rental of land	2,873	-
Staff costs:-		
- short-term employee benefits	11,890	12,515
- defined contribution plans	1,002	1,063

7. INVESTMENT PROPERTIES

	The Group		The Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
At 1 August	104,241	84,085	-	-
Gain/(loss) on changes in fair value	12,246	17,293	(30)	-
Transfer from property, plant and equipment (Note 6)	30,607	2,863	1,430	-
At 31 July	147,094	104,241	1,400	-

Included in the above are:-

	The Group		The Company	
	2019	2018	2019	2018
Freehold land, at fair value	11,270	-	-	-
Long leasehold land, at fair value	104,673	93,466	-	-
Short leasehold land, at fair value	7,005	7,005	-	-
Buildings, at fair value	24,146	3,770	1,400	-
	147,094	104,241	1,400	-

(a) The investment properties have been pledged to a licensed bank as security for banking facilities granted to the Company as disclosed in Note 23 to the financial statements

(b) Investment properties are stated at fair value, which is determined based on valuations performed by independent professional valuers at the end of the reporting date using the market comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size, location, tenure and market trends. The most significant input into this valuation approach is price per acre of comparable properties. There has been no change to the valuation technique during the financial year.

The fair values of the investment properties are within level 2 of the fair value hierarchy.

There were no transfers between level 1 and level 2 during the financial year.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

7. INVESTMENT PROPERTIES (CONT'D)

(b) The fair value measurements of the investment properties are based on the highest and best use which does not differ from their actual use.

8. LAND HELD FOR PROPERTY DEVELOPMENT

	The Group	
	2019	2018
	RM'000	RM'000
Cost:-		
At 1 August	6,628	6,437
Additions during the financial year	-	191
At 31 July	6,628	6,628

9. INTANGIBLE ASSETS

	The Group		The Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Cost:-				
At 1 August	121,636	202,461	102,622	183,447
Addition during the financial year	20,983	-	-	-
Write-offs during the financial year	-	(80,825)	-	(80,825)
At 31 July	142,619	121,636	102,622	102,622
Accumulated amortisation:-				
At 1 August	121,636	202,461	102,622	183,447
Amortisation during the financial year	39	-	-	-
Retirements during the financial year	-	(80,825)	-	(80,825)
At 31 July	121,675	121,636	102,622	102,622
Carrying amount:-				
At 31 July	20,944	-	-	-
Included in the above are:-				
Computer software	-	-	-	-
Rights in timber licences	-	-	-	-
Commercial rights on LPF	20,944	-	-	-
	20,944	-	-	-

(a) Included in the amortisation charge of the Group for the financial year is an amount of RM18,000 (2018: Nil), which is capitalised under property, plant and equipment.

(b) The Group has 3 (2018: 3) timber licences. The timber licences are renewable on a yearly basis.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

9. INTANGIBLE ASSETS (CONT'D)

(c) Commercial rights on LPF are rights conferred upon the Group to plant trees under the Tree Planting Plan. The licence will expire in March 2064.

The Tree Planting Plan has been approved and incorporated the planting of oil palm for a maximum period of 25 years (with 11 years remaining at the end of the reporting period). Upon expiry of the said period of 25 years, the licensed area where oil palm is permitted to be cultivated shall be planted with trees other than oil palm.

(d) The commercial rights on LPF are pledged to a licensed bank as security for banking facilities granted to the Group as disclosed in Note 23 to the financial statements.

10. BIOLOGICAL ASSETS

	The Group	
	2019	**2018**
	RM'000	RM'000
Non-current		
At 1 August	40,783	33,575
Additions during the financial year	7,923	9,200
Changes in fair value less costs to sell	8,285	(1,992)
At 31 July	56,991	40,783
Current		
At 1 August	2,268	2,609
Changes in fair value less costs to sell	508	(341)
At 31 July	2,776	2,268
Total	59,767	43,051

The biological assets of the Group comprise trees prior to harvest and unharvested agricultural produce of bearer plants, i.e. fresh fruit bunches ("FFBs").

(a) Biological Assets, Non-current – Trees Prior to Harvest

The Group adopted the market approach to measure the fair value of unharvested trees. To arrive at the fair value of unharvested trees, management considered the yields of trees at the point of harvest (i.e. at maturity of the trees), with an adjustment to the current condition of the trees (i.e. their current age). Costs to sell, which include harvesting and transportation costs, are deducted from the fair value. The key assumptions used in the determination of the fair value less costs to sell of the unharvested trees are as follows:-

(i) number of trees planted as of the reporting date, adjusted for mortality rates estimated based on past experience.

(ii) grow-out periods of trees planted and yields at harvest based on past experience of those in natural and planted forests.

(iii) estimated prices of unharvested trees based on the market prices of trees as of the reporting date, adjusted for harvesting and transportation costs estimated based on past experience.

The fair value measurement of the Group's unharvested trees is categorised within level 3 of the fair value hierarchy.

The directors estimate that a decrease in the market price of trees by 10% would result in the carrying amount of biological assets (non-current) reducing by RM12,658,000 (2018: RM8,378,000).

As at 31 July 2019, the Group has 4,300 (2018: 4,300) hectares of planted forests.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

10. BIOLOGICAL ASSETS (CONT'D)

(b) Biological Assets, Current – Agricultural Produce of Bearer Plants (i.e. FFBs)

The Group adopted the income approach to measure the fair value of unharvested FFBs. To arrive at the fair value of unharvested FFBs, management considered the oil content of the unripe FFBs and assumed that the net cash flows to be generated from FFBs prior to more than 2 weeks to harvest are negligible. Costs to sell, which include harvesting, transportation cost and windfall profit levy, are deducted from the fair value. The key assumptions used in the determination of the fair value less costs to sell of the unharvested FFBs are as follows:-

(i) estimated volume of unharvested FFBs as of the reporting date, with reference to the actual harvest data subsequent to the reporting date.

(ii) estimated prices of unharvested FFBs based on the market prices of FFBs as of the reporting date, adjusted for the oil content of the unripe FFBs.

(iii) estimated selling costs based on past practices and experience.

The fair value measurement of the Group's unharvested FFBs is categorised within level 3 of the fair value hierarchy.

The directors estimate that a decrease in the price of FFBs by 10% would result in the carrying amount of biological assets (current) reducing by RM284,000 (2018: RM226,000).

During the financial year, the Group harvested approximately 268,000 (2018: 213,000) tonnes of FFBs from the oil palm plantation.

(c) The following expenses are included in the biological assets:-

	The Group	
	2019	**2018**
	RM'000	RM'000
Depreciation of property, plant and equipment	1,049	1,115
Revolving credit interest	4,636	2,942
Staff costs:-		
- short-term employee benefits	27	1,784
- defined contribution plans	-	142

11. INVESTMENT SECURITIES

	The Group/The Company	
	2019	**2018**
	RM'000	RM'000
Quoted debt investments, at fair value	385	357
Quoted equity investments, at fair value	9,198	18,964
Unquoted equity investments, at fair value	6,000	6,000
	15,583	25,321

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

11. INVESTMENT SECURITIES (CONT'D)

Equity Investments at Fair Value Through Other Comprehensive Income

(a) The Group designated its investments in unquoted shares to be measured at fair value through other comprehensive income because the Group intends to hold for long-term strategic purposes.

(b) The fair value of each investment is summarised below:-

	The Group/The Company	
	2019	2018
	RM'000	RM'000
Quoted shares of RH Petrogas Limited	1,877	3,679
Quoted shares of Media Chinese International Limited	44	72
Quoted shares of Rimbunan Sawit Berhad	7,132	15,097
Quoted shares of Petra Energy Berhad	145	116
Unquoted shares of Borneo Edible Oils Sdn. Bhd.	6,000	6,000
	15,198	24,964

(c) During the financial year, the Group disposed of some of its equity investments as part of its investment strategy. The shares sold had a fair value of RM3,027,000 at the time of sale and the cumulative loss of RM3,233,000 previously accumulated in the fair value reserve was not reclassified to profit or loss.

12. GOODWILL

	The Group	
	2019	2018
	RM'000	RM'000
Cost:-		
At 1 August/31 July	2,720	2,720

(a) Goodwill acquired through business combination is allocated to the Group's oil palm plantation cash-generating unit, which belongs to "Plantation" reportable segment.

(b) During the financial year, the Group assessed the recoverable amount of goodwill allocated and determined that no impairment is required. The recoverable amount of the cash-generating unit is determined using the value-in-use approach, and this is derived from the present value of the future cash flows from the cash-generating unit computed based on the projections of financial budgets approved by management covering a period of 5 years. The key assumptions used in the determination of the recoverable amount are as follows:-

(i) Discount rate (pre-tax) – an estimate of pre-tax rate that reflects specific risks relating to oil palm plantation, which is 9.9% (2018: 9.7%).

(ii) Growth rate – management's estimate of commodity prices, oil palm yields and oil extraction rates.

(iii) Selling prices of fresh fruit bunches – an estimate based on expectations of future changes in the market.

(iv) Development and direct costs – an estimate based on past practices and experience.

The values assigned to the key assumptions represent management's assessment of future trends in the cash-generating unit and are based on both external sources and internal historical data.

(c) The directors believe that there is no reasonable possible change in the above key assumptions applied that is likely to materially cause the cash-generating unit carrying amount to exceed its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

13. LONG-TERM RECEIVABLE

Long-term receivable represents an advance payment made to a third party in respect of the purchase of all merchantable timber logs from a forest concession for a period of 20 years (with 2 years remaining at the end of the reporting period). This amount will be set off against the amount payable for future purchases of timber logs from this third party.

14. AMOUNT OWING BY/(TO) SUBSIDIARIES

	The Company	
	2019	**2018**
	RM'000	RM'000
Amount owing by subsidiaries		
Non-current		
Non-trade balances	353,076	372,403
Less: Accumulated impairment losses	(25,774)	(22,422)
	327,302	349,981
Allowance for impairment losses:-		
At 1 August	22,422	21,556
Additions during the financial year	8,549	866
Reversal during the financial year	(5,197)	-
At 31 July	25,774	22,422
Amount owing to subsidiaries		
Current		
Trade balances	19,519	17,140
Non-trade balances	77,200	40,970
	96,719	58,110

(a) Included in the non-trade balances is an amount of RM343,044,000 (2018: RM204,198,000) receivable from subsidiaries, which earns interest at rate of 5.28% (2018: 5.50%) per annum. The remaining balances are unsecured, interest-free and repayable on demand.

(b) The trade balances are subject to the normal trade credit term of 180 (2018: 180) days. Late interest is charged at 5.50% (2018: Nil) per annum on the overdue balance exceeding one year.

15. DEFERRED TAX

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	RM'000	RM'000	RM'000	RM'000
At 1 August	29,534	21,499	(3,811)	(3,811)
Recognised in profit or loss (Note 31)	(1,009)	8,035	3,811	-
At 31 July	28,525	29,534	-	(3,811)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

15. DEFERRED TAX (CONT'D)

The deferred tax is attributable to the followings:-

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	120,311	103,974	11,859	9,243
Investment properties	2,018	1,405	(2)	-
Biological assets	13,214	10,226	-	-
Inventories	(403)	(326)	(239)	(233)
Receivables	(1,589)	(1,469)	(6,802)	(6,802)
Accrued liabilities	(700)	(637)	(612)	(537)
Foreign exchange	(20)	(60)	(1)	-
Unutilised investment tax allowance	(8,444)	(8,444)	-	-
Unused tax losses	(33,120)	(27,082)	-	-
Unabsorbed agricultural/capital allowance	(62,742)	(48,053)	(4,203)	(5,482)
	28,525	29,534	-	(3,811)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax relates to the same taxable entity and the same taxation authority. The amounts determined after appropriate offsetting are included in the statements of financial position as follows:-

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	RM'000	RM'000	RM'000	RM'000
Deferred tax liabilities	35,079	39,899	-	-
Deferred tax assets	(6,554)	(10,365)	-	(3,811)
	28,525	29,534	-	(3,811)

No deferred tax assets are recognised in respect of the following items as it is not probable that taxable profits of certain subsidiaries will be available against which the deductible temporary differences, and the carryforward tax losses and tax credits can be utilised:-

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	RM'000	RM'000	RM'000	RM'000
Deductible temporary differences	2,455	2,329	-	-
Unutilised investment tax allowance	7,745	7,745	-	-
Unused tax losses	19,739	19,177	-	-
Unabsorbed agricultural/capital allowance	22,523	17,302	12,231	9,137
	52,462	46,553	12,231	9,137

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

16. INVENTORIES

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At cost:-				
Raw materials				
- logs	8,051	8,829	4,038	4,444
- waste timber	683	1,076	-	-
- others	1,182	1,691	-	-
Finished goods				
- bottled water	70	19	-	-
- charcoal	933	696	-	-
- particleboard	19,145	6,707	-	-
- others	2,359	-	-	-
Work-in-progress	313	124	-	-
General stores	27,209	34,297	1,726	1,836
	59,945	53,439	5,764	6,280
At net realisable value:-				
Raw materials				
- logs	318	10	-	-
Finished goods				
- bottled water	1,615	1,199	-	-
- charcoal	357	490	-	-
- plywood	31,918	24,371	-	-
- sawn timber	2,425	2,297	-	-
Work-in-progress	22,342	28,461	-	-
General stores	164	164	-	-
	59,139	56,992	-	-
	119,084	110,431	5,764	6,280

17. TRADE RECEIVABLES

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade receivables:-				
- third parties	13,857	15,430	772	1,962
- related parties	18,705	14,548	1,582	1,410
	32,562	29,978	2,354	3,372
Less: Allowance for impairment losses	(3,310)	(1,752)	(18)	(18)
	29,252	28,226	2,336	3,354
Allowance for impairment losses:-				
At 1 August	1,752	1,752	18	18
Additions during the financial year	1,558	-	-	-
At 31 July	3,310	1,752	18	18

The Group's normal trade credit terms range from 30 to 180 (2018: 30 to 180) days.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

18. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	RM'000	RM'000	RM'000	RM'000
Other receivables:-				
- third parties	10,266	7,201	362	2,541
- related parties	9,086	21,754	8,970	21,721
- goods and services tax recoverable	10,562	13,036	3,128	2,907
	29,914	41,991	12,460	27,169
Deposits	3,084	48,025	417	486
Prepayments	5,892	7,998	2,168	3,502
	38,890	98,014	15,045	31,157
Less: Allowance for impairment losses	(1,863)	(105)	(1,264)	(79)
	37,027	97,909	13,781	31,078
Allowance for impairment losses:-				
At 1 August	105	105	79	79
Additions during the financial year	1,758	-	1,185	-
At 31 July	1,863	105	1,264	79

(a) The amount owing by related parties is unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash.

(b) The deposits of the Group and of the Company include the followings:-

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	RM'000	RM'000	RM'000	RM'000
Deposits for:-				
- purchase of machinery	-	2,209	180	180
- acquisition of an oil palm plantation estate (Note 39)	-	10,500	-	-
- use of land for plantation	-	30,000	-	-
- others	3,084	5,316	237	306
	3,084	48,025	417	486

19. DEPOSITS WITH LICENSED BANKS

(a) The deposits with licensed banks of the Group and of the Company at the end of the reporting period bore effective interest at rates ranging from 2.40% to 3.25% (2018: 2.70% to 3.25%) per annum and 3.10% (2018: 2.50% to 3.30%) per annum respectively.

(b) Included in the deposits with licensed banks of the Group and of the Company at the end of the reporting period are RM1,040,000 (2018: RM1,020,000) and RM390,000 (2018: RM389,000) respectively, which are pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Note 23 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

20. SHARE CAPITAL

	The Group/The Company			
	2019	**2018**	**2019**	**2018**
	Number of Shares ('000)		RM'000	RM'000
Issued and Fully Paid-up				
Ordinary Shares	209,000	209,000	268,680	268,680

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company. The ordinary shares have no par value.

21. TREASURY SHARES

During the financial year, the Company:-

(a) resold 3,100 of its issued ordinary shares held as treasury shares in the open market at an average price of RM0.74 per ordinary share; and

(b) purchased 13,000 of its issued ordinary shares from the open market at an average price of RM0.63 per ordinary share. The total consideration paid for the purchase was RM8,127 including transaction costs. The shares purchased are being held as treasury shares in accordance with Section 127(6) of the Companies Act 2016.

Of the total 209,000,000 issued and fully paid-up ordinary shares at the end of the reporting period, 20,891,600 (2018: 20,881,700) ordinary shares are held as treasury shares by the Company.

22. RESERVES

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	RM'000	RM'000	RM'000	RM'000
Non-distributable:-				
- fair value reserve	(42,583)	(35,844)	(42,583)	(35,844)
Distributable:-				
- retained profits	384,900	420,696	435,396	469,005
	342,317	384,852	392,813	433,161

The fair value reserve represents the cumulative fair value changes (net of tax, where applicable) of investments designated at fair value through other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

23. BANK BORROWINGS

	The Group		The Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Long-term borrowings:-				
- hire purchase obligations (Note 24)	12,518	9,322	-	17
- term loans, secured	216,684	72,918	1,043	1,476
	229,202	82,240	1,043	1,493
Short-term borrowings:-				
- bank overdrafts, secured	588	792	-	-
- bank overdrafts, unsecured	-	109	-	109
- bankers' acceptance, secured	6,277	-	-	-
- bankers' acceptance, unsecured	60,514	48,431	-	-
- hire purchase obligations (Note 24)	6,788	6,485	17	541
- revolving credit, secured	298,000	144,000	-	-
- revolving credit, unsecured	104,700	248,500	226,000	228,000
- term loans, secured	21,189	13,032	394	341
	498,056	461,349	226,411	228,991
Total borrowings	727,258	543,589	227,454	230,484

The term loans are repayable as follows:-

	The Group		The Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
<u>Current</u>				
- not later than 1 year	21,189	13,032	394	341
<u>Non-current</u>				
- later than 1 year and not later than 2 years	25,326	13,826	414	394
- later than 2 years and not later than 5 years	85,348	48,478	629	1,082
- later than 5 years	106,010	10,614	-	-
	216,684	72,918	1,043	1,476
	237,873	85,950	1,437	1,817

The bank borrowings of the Group are secured by:-

(a) fixed charges over the Company's and certain subsidiaries' landed properties;

(b) debentures over certain subsidiaries' fixed and floating assets, both present and in the future;

(c) deposits with licensed banks of certain subsidiaries; and

(d) a corporate guarantee provided by the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

23. BANK BORROWINGS (CONT'D)

The bank overdrafts of the Group and of the Company at the end of the reporting period bore effective interest at rate of 7.81% (2018: 7.97%) and Nil (2018: 8.07%) per annum respectively.

The bankers' acceptance of the Group at the end of the reporting period bore effective interest at rate of 4.27% (2018: 4.22%) per annum.

The revolving credit of the Group and of the Company at the end of the reporting period bore effective interest at rate of 4.88% (2018: 4.89%) and 4.71% (2018: 4.88%) per annum respectively.

The term loans of the Group and of the Company at the end of the reporting period bore effective interest at rate of 5.17% (2018: 5.06%) and 4.95% (2018: 4.95%) per annum respectively.

24. HIRE PURCHASE OBLIGATIONS

	The Group		The Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Minimum hire purchase payments:-				
- not later than 1 year	7,725	7,123	18	549
- later than 1 year and not later than 2 years	5,301	5,152	-	18
- later than 2 years and not later than 5 years	8,346	3,589	-	-
- later than 5 years	-	1,159	-	-
	21,372	17,023	18	567
Less: Future finance charges	(2,066)	(1,216)	(1)	(9)
Present value of hire purchase obligations	19,306	15,807	17	558
Current				
- not later than 1 year	6,788	6,485	17	541
Non-current				
- later than 1 year and not later than 2 years	4,696	4,802	-	17
- later than 2 years and not later than 5 years	7,822	3,423	-	-
- later than 5 years	-	1,097	-	-
	12,518	9,322	-	17
	19,306	15,807	17	558

(a) The hire purchase obligations of the Group are secured by the Group's watercrafts, trucks and motor vehicles, and plant and machinery under hire purchase terms as disclosed in Note 6 to the financial statements. The hire purchase arrangements are expiring from 1 to 5 (2018: 1 to 5) years.

(b) The hire purchase obligations of the Group and of the Company at the end of the reporting period bore effective interest at rate of 5.69% (2018: 5.05%) and 5.42% (2018: 4.80%) per annum respectively. The interest rates are fixed at the inception of the hire purchase arrangements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

25. TRADE PAYABLES

	The Group		The Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Trade payables:-				
- third parties	88,954	96,689	14,246	20,370
- related parties	17,958	15,479	784	740
	106,912	112,168	15,030	21,110

The normal trade credit terms granted to the Group range from 30 to 180 (2018: 30 to 180) days.

26. OTHER PAYABLES, DEPOSITS AND ACCRUALS

	The Group		The Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Other payables:-				
- third parties	24,669	9,468	889	1,711
- related parties	1,338	626	1,123	141
	26,007	10,094	2,012	1,852
Deposits	384	1,365	10	10
Accruals	9,590	8,837	6,414	6,058
	35,981	20,296	8,436	7,920

The amount owing to related parties is unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash.

27. REVENUE

	The Group		The Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Dividend income	-	-	21,630	45,200
Contract fee from timber extraction	21,798	17,195	-	-
Management fee income	-	-	13,265	12,204
Sale of bottled water	6,401	3,746	-	-
Sale of charcoal	10,328	5,044	-	-
Sale of fertilisers	4,550	909	-	-
Sale of fresh fruit bunches	93,715	101,747	-	-
Sale of logs	48,337	29,003	85,175	66,550
Sale of plywood	57,724	69,596	-	-
Sale of raw and laminated particleboard	47,033	60,109	-	-
Sale of sawn timber, finger-joint moulding and by-products	21,742	33,286	-	-
Others	2,941	1,528	-	-
	314,569	322,163	120,070	123,954

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

28. FINANCE COSTS

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest expense on:-				
- bank overdrafts	129	6	10	5
- bankers' acceptance	2,621	1,420	4	-
- hire purchase obligations	1,007	1,157	8	219
- revolving credit	19,768	17,507	11,744	11,043
- term loans	10,782	4,361	79	54
- interest charged by subsidiaries	-	-	3,508	-
	34,307	24,451	15,353	11,321
Less: Amount capitalised under property, plant and equipment (Note 6(f))	(11,789)	(5,120)	-	-
Less: Amount capitalised under biological assets (Note 10(c))	(4,636)	(2,942)	-	-
	17,882	16,389	15,353	11,321

29. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Impairment losses during the financial year (Notes 14, 17 and 18)	3,316	-	9,734	866
Reversal of impairment losses during the financial year (Note 14)	-	-	(5,197)	-
	3,316	-	4,537	866

30. (LOSS)/PROFIT BEFORE TAXATION

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(Loss)/profit before taxation is arrived at after charging/(crediting):-				
Allowance for slow-moving inventories	2,492	1,066	23	251
Amortisation of intangible assets	21	-	-	-
Auditors' remuneration:-				
- audit fee				
- current financial year	280	246	65	55
- under provision in the previous financial year	19	-	6	-
- non-audit fee	5	5	5	5
Depreciation of property, plant and equipment	43,130	42,253	11,928	12,781
Directors' remuneration (Note 34)	4,260	4,089	4,214	4,043

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

30. (LOSS)/PROFIT BEFORE TAXATION (CONT'D)

	The Group		The Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
(Loss)/profit before taxation is arrived at after charging/(crediting) (cont'd):-				
Dividend income from investment securities:-				
- quoted equity investments in Malaysia	(3)	(5)	(3)	(5)
- quoted equity investments outside Malaysia	(14)	(14)	(14)	(14)
Dividend income from subsidiaries	-	-	(21,630)	(45,200)
Fair value (gain)/loss on:-				
- biological assets	(8,793)	2,333	-	-
- investment properties	(12,246)	(17,293)	30	-
- investment securities	(14)	37	(14)	37
Finance costs (Note 28)	17,882	16,389	15,353	11,321
Impairment losses on:-				
- amount owing by subsidiaries	-	-	8,549	866
- investments in subsidiaries	-	-	46,178	18,500
- property, plant and equipment	-	5,600	-	-
- trade and other receivables	3,316	-	1,185	-
Impairment losses on amount owing by subsidiaries no longer required	-	-	(5,197)	-
Interest income on:-				
- deposits with licensed banks	(250)	(578)	(96)	(268)
- advances to subsidiaries	-	-	(18,198)	(8,233)
- others	(8)	-	-	-
Gain on disposal of property, plant and equipment	(10,812)	(19,582)	(3,251)	(9,033)
Loss/(gain) on foreign exchange:-				
- realised	1,375	2,546	100	313
- unrealised	163	322	8	(1)
Property, plant and equipment written off	66	335	1	317
Rental expense on:-				
- buildings	341	176	131	127
- display	403	219	-	-
- equipment and vehicles	1,836	1,278	155	29
- land	1,723	837	578	465
Rental income on:-				
- buildings	(524)	(172)	(80)	(96)
- equipment	(72)	(12)	-	(3,058)
- land	(230)	(3)	(120)	(120)
Write-down of inventories	10,898	7,553	-	-
Staff costs (including other key management personnel as disclosed Note 34):-				
- short-term employee benefits	73,039	68,453	20,890	19,298
- defined contribution plans	5,919	5,987	2,357	2,292

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

31. INCOME TAX EXPENSE

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current tax:-				
- current financial year	8,595	1,775	1,924	346
- (over)/under provision in the previous financial year	(59)	1,816	(20)	1,382
	8,536	3,591	1,904	1,728
Real property gain tax	-	11	-	-
	8,536	3,602	1,904	1,728
Deferred tax (Note 15):-				
- orgination and reversal of temporary differences	(5,273)	2,766	3,051	-
- under provision in the previous financial year	4,264	5,269	760	-
	(1,009)	8,035	3,811	-
	7,527	11,637	5,715	1,728

A reconciliation of income tax expense applicable to the (loss)/profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company is as follows:-

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(Loss)/profit before taxation	(28,313)	(9,449)	(27,894)	19,443
Tax at the statutory tax rate of 24% (2018: 24%)	(6,795)	(2,268)	(6,695)	4,666
Tax effects of:-				
Differential in tax rates on fair value adjustments of investment properties	(2,327)	(3,286)	6	-
Non-taxable income	(6,447)	(10,952)	(6,443)	(10,852)
Non-deductible expenses	13,153	17,198	15,760	6,471
Control transfers	(723)	(607)	(739)	610
Real property gain tax	-	11	-	-
Deferred tax assets not recognised during the financial year	8,791	7,144	3,094	-
Utilisation of deferred tax assets previously not recognised	(2,882)	(2,751)	-	(544)
(Over)/under provision in the previous financial year:-				
- current tax	(59)	1,816	(20)	1,382
- deferred tax	4,264	5,269	760	-
Others	552	63	(8)	(5)
Income tax expense for the financial year	7,527	11,637	5,715	1,728

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

31. INCOME TAX EXPENSE (CONT'D)

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the financial year. The taxation of other jurisdictions is calculated at the rates prevailing in the respective jurisdiction.

For years of assessment 2017 and 2018, the Malaysian statutory tax rate will be reduced by 1% to 4%, based on the prescribed incremental percentage of chargeable income from business, compared to that of the immediate preceding year of assessment.

At the end of the reporting period, the Company has unabsorbed capital allowance of approximately RM68,473,000 (2018: RM60,914,000), which is available for offset against future taxable profits of the Company.

32. LOSS PER SHARE

	The Group	
	2019	2018
Loss attributable to owners of the Company (RM'000)	(35,796)	(21,368)
Weighted average number of ordinary shares in issue ('000):-		
Ordinary shares at 1 August	209,000	209,000
Effects of treasury shares held	(20,887)	(20,881)
Weighted average number of ordinary shares at 31 July	188,113	188,119
Basic loss per share (sen)	(19.03)	(11.36)

The Company has not issued any dilutive potential ordinary shares and hence, the diluted earnings per share is equal to the basic earnings per share.

33. CASH FLOW INFORMATION

(a) The cash disbursed for the purchase of property, plant and equipment is as follows:-

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cost of property, plant and equipment purchased (Note 6)	226,850	109,874	874	5,304
Less: Amount financed through hire purchase (Note (b) below)	(11,003)	(2,210)	-	-
Less: Amount financed through issuance of ordinary shares	(750)	(750)	-	-
Less: Finance costs included within property, plant and equipment (Note 28)	(11,789)	(5,120)	-	-
Less: Non-cash items included within property, plant and equipment (Note 6(f))	(2,669)	(1,785)	-	-
	200,639	100,009	874	5,304

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

33. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows:-

The Group	Bankers' Acceptance RM'000	Hire Purchase Obligations RM'000	Revolving Credit RM'000	Term Loans RM'000	Total RM'000
2019					
At 1 August	48,431	15,807	392,500	85,950	542,688
Changes in Financing Cash Flows					
Net of drawdown/(repayment) of borrowing principal	18,360	-	10,200	-	28,560
Proceeds from drawdown	-	-	-	166,891	166,891
Repayment of borrowing principal	-	(7,504)	-	(14,968)	(22,472)
Repayment of borrowing interests	-	(1,007)	-	(10,782)	(11,789)
	18,360	(8,511)	10,200	141,141	161,190
Non-cash Changes					
New hire purchase (Note (a) above)	-	11,003	-	-	11,003
Finance charges recognised in profit or loss and capitalised under property, plant and equipment, and biological assets	-	1,007	-	10,782	11,789
	-	12,010	-	10,782	22,792
At 31 July	66,791	19,306	402,700	237,873	726,670
2018					
At 1 August	45,421	29,781	336,500	95,832	507,534
Changes in Financing Cash Flows					
Net of drawdown/(repayment) of borrowing principal	3,010	-	56,000	-	59,010
Proceeds from drawdown	-	1,426	-	5,850	7,276
Repayment of borrowing principal	-	(17,610)	-	(15,732)	(33,342)
Repayment of borrowing interests	-	(1,157)	-	(4,361)	(5,518)
	3,010	(17,341)	56,000	(14,243)	27,426
Non-cash Changes					
New hire purchase (Note (a) above)	-	2,210	-	-	2,210
Finance charges recognised in profit or loss and capitalised under property, plant and equipment, and biological assets	-	1,157	-	4,361	5,518
	-	3,367	-	4,361	7,728
At 31 July	48,431	15,807	392,500	85,950	542,688

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

33. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows (cont'd):-

The Company	Hire Purchase Obligations RM'000	Revolving Credit RM'000	Term Loans RM'000	Total RM'000
2019				
At 1 August	558	228,000	1,817	230,375
Changes in Financing Cash Flows				
Net of drawdown/(repayment) of borrowing principal	-	(2,000)	-	(2,000)
Repayment of borrowing principal	(541)	-	(380)	(921)
Repayment of borrowing interests	(8)	-	(79)	(87)
	(549)	(2,000)	(459)	(3,008)
Non-cash Changes				
Finance charges recognised in profit or loss	8	-	79	87
At 31 July	17	226,000	1,437	227,367
2018				
At 1 August	10,618	193,000	-	203,618
Changes in Financing Cash Flows				
Net of drawdown/(repayment) of borrowing principal	-	35,000	-	35,000
Proceeds from drawdown	-	-	2,030	2,030
Repayment of borrowing principal	(10,060)	-	(213)	(10,273)
Repayment of borrowing interests	(219)	-	(54)	(273)
	(10,279)	35,000	1,763	26,484
Non-cash Changes				
Finance charges recognised in profit or loss	219	-	54	273
At 31 July	558	228,000	1,817	230,102

(c) The cash and cash equivalents comprise the following:-

	The Group 2019 RM'000	The Group 2018 RM'000	The Company 2019 RM'000	The Company 2018 RM'000
Deposits with licensed banks	4,721	4,091	390	549
Cash and bank balances	6,604	7,131	2,064	1,149
Bank overdrafts	(588)	(901)	-	(109)
	10,737	10,321	2,454	1,589
Less: Deposits pledged to licensed banks (Note 19)	(1,040)	(1,020)	(390)	(389)
	9,697	9,301	2,064	1,200

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

34. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of the Group and of the Company include executive directors and non-executive directors of the Company and certain members of senior management of the Group and of the Company.

The key management personnel compensation during the financial year are as follows:-

(a) Directors

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	RM'000	RM'000	RM'000	RM'000
Directors of the Company				
Short-term employee benefits:-				
- fees	319	319	280	280
- salaries, bonuses and other benefits	3,642	3,531	3,642	3,531
	3,961	3,850	3,922	3,811
Defined contribution plans	285	221	285	221
Benefits-in-kind	7	11	7	11
	4,253	4,082	4,214	4,043
Directors of the Subsidiaries				
Short-term employee benefits:-				
- fees	7	7	-	-
Total directors' remuneration (Note 30)	4,260	4,089	4,214	4,043

(b) Other Key Management Personnel

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	RM'000	RM'000	RM'000	RM'000
Short-term employee benefits	2,772	2,868	2,772	2,868
Defined contribution plans	311	336	311	336
Total compensation for other key management personnel (Note 30)	3,083	3,204	3,083	3,204

35. RELATED PARTY DISCLOSURES

(a) Identities of Related Parties

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.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, key management personnel and entities within the same group of companies.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

35. RELATED PARTY DISCLOSURES (CONT'D)

(b) Significant Related Party Transactions and Balances

Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following significant transactions with the related parties during the financial year:-

	The Group		The Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Subsidiaries				
Sale to subsidiaries:-				
- dividend income	-	-	21,630	45,200
- interest income	-	-	18,198	8,233
- logs	-	-	36,837	37,547
- management fee income	-	-	13,265	12,204
- marketing fee	-	-	-	168
- property, plant and equipment	-	-	6,280	13,455
- rental income	-	-	120	3,178
- waste timber	-	-	-	143
Purchases from subsidiaries:-				
- bottled water	-	-	113	132
- consumable stores	-	-	62	112
- lighting products	-	-	58	53
- logs	-	-	-	61
- plywood	-	-	34	2
- property, plant and equipment	-	-	185	4,752
- sawn timber	-	-	1	-
- waste timber	-	-	1	8
Services received/receivable from subsidiaries:-				
- corporate guarantee fee received	-	-	599	-
Services paid/payable to subsidiaries:-				
- administration fee	-	-	90	-
- commission	-	-	100	-
- consultancy fee	-	-	-	674
- contract fee	-	-	12,601	3,934
- freight and handling charges	-	-	2,461	2,693
- interest expense	-	-	4,186	1,102
- logpond handling charges	-	-	-	276
- rental of buildings	-	-	72	24
- rental of vehicles	-	-	126	8
- repairs and maintenance	-	-	-	5

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

35. RELATED PARTY DISCLOSURES (CONT'D)

(b) Significant Related Party Transactions and Balances (Cont'd)

Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following significant transactions with the related parties during the financial year (cont'd):-

	The Group		The Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Other Related Parties				
Sale to other related parties:-				
- bottled water	51	20	-	-
- contract income	19,439	17,195	-	-
- fertilisers	4,157	604	-	-
- fresh fruit bunches	44,565	60,766	-	-
- lighting products	-	22	-	-
- logs	-	195	-	195
- plywood	7	18	-	-
- property, plant and equipment	261	45	1	-
- rental income	-	16	-	16
- sawn timber	-	18	-	-
- towage and handling income	176	141	176	139
- transport subsidy	-	863	-	-
- sundry income	-	276	-	-
Purchases from other related parties:-				
- adhesive materials	20,390	18,797	-	-
- charcoal	996	-	-	-
- consumable stores	688	1,942	12	54
- logs	26,112	21,065	26,112	21,065
- property, plant and equipment	131	220	-	-
- veneer	-	2,617	-	-
- waste timber	437	87	-	-
Services paid/payable to other related parties:-				
- compensation	-	525	-	-
- freight and handling charges	36	166	25	29
- fresh fruit bunches premium	1,894	5,400	-	-
- logging contract fee	135	344	135	344
- marketing fee	900	900	900	900
- rental of buildings	22	13	12	13
- rental of land	120	130	-	-

The significant outstanding balances of the related parties (including the allowance for impairment loss made) together with their terms and conditions are disclosed in the respective notes to the financial statements.

36. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Group Managing Director as its chief operating decision maker in order to allocate resources to segments and to assess their performance on a quarterly basis. For management purposes, the Group is organised into business units based on their products and services provided.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

36. OPERATING SEGMENTS (CONT'D)

The Group is organised into 2 main reportable segments as follows:-

- Timber Segment – involved in the extraction, sale of logs and subcontractor for tree planting (reforestation), and the business of manufacturing and trading of plywood, veneer, raw and laminated particleboard, sawn timber, finger-joint moulding, charcoal and the supply of electricity for its manufacturing activities.
- Plantation Segment – involved in the cultivation of oil palm and sale of fresh fruit bunches.
- Others – involved in the provision of towage and transportation services, insurance services, property holding and development, and manufacturing and trading of drinking water.

(a) The Group Managing Director assesses the performance of the reportable segments based on their profit before taxation. The accounting policies of the reportable segments are the same as the Group's accounting policies.

(b) Each reportable segment assets is measured based on all assets (including goodwill) of the segment.

(c) Each reportable segment liabilities is measured based on all liabilities of the segment.

Transactions between reportable segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated on consolidation.

36.1 BUSINESS SEGMENTS

2019	**Timber** RM'000	**Plantation** RM'000	**Others** RM'000	**The Group** RM'000
Revenue				
External revenue	207,625	100,024	6,920	314,569
Inter-segment revenue	104,639	29,430	4,377	138,446
	312,264	129,454	11,297	453,015
Consolidation adjustments				(138,446)
Consolidated revenue				314,569
Results				
Segment (loss)/profit before taxation	(25,151)	(6,991)	3,829	(28,313)
Consolidated adjustments				-
Consolidated loss before taxation				(28,313)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

36. OPERATING SEGMENTS (CONT'D)

36.1 BUSINESS SEGMENTS (CONT'D)

2019	Timber RM'000	Plantation RM'000	Others RM'000	The Group RM'000
Results (Cont'd)				
Segment (loss)/profit before taxation includes the followings:-				
Interest income[1]	203	54	1	258
Interest expense[2]	(13,714)	(3,414)	(754)	(17,882)
Allowance for slow-moving inventories	(2,492)	-	-	(2,492)
Amortisation of intangible assets	-	(21)	-	(21)
Depreciation of property, plant and equipment[3]	(25,368)	(14,862)	(2,900)	(43,130)
Fair value gain/(loss) on:-				
- biological assets	8,774	19	-	8,793
- investment properties	(30)	-	12,276	12,246
- investment securities	14	-	-	14
Impairment losses on trade and other receivables	(2,539)	(392)	(385)	(3,316)
Gain on disposal of property, plant and equipment	8,166	1,125	1,521	10,812
Property, plant and equipment written off	(34)	(32)	-	(66)
Unrealised loss on foreign exchange	(163)	-	-	(163)
Write-down of inventories	(10,632)	-	(266)	(10,898)
Assets				
Segment assets	1,454,446	739,177	302,169	2,495,792
Consolidation adjustments				(1,029,678)
Consolidated total assets				1,466,114
Additions to non-current assets other than financial instruments and deferred tax assets are:-				
Property, plant and equipment[4]	2,632	224,068	150	226,850
Biological assets[5]	7,594	329	-	7,923

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

36. OPERATING SEGMENTS (CONT'D)

36.1 BUSINESS SEGMENTS (CONT'D)

2019	Timber RM'000	Plantation RM'000	Others RM'000	The Group RM'000
Liabilities				
Segment liabilities	799,885	659,023	58,000	1,516,908
Consolidation adjustments				(611,382)
Consolidated total liabilities				905,526

(1) After consolidation adjustments of RM29,842,000.
(2) After consolidation adjustments of RM29,842,000.
(3) After consolidation adjustments of RM383,000.
(4) After consolidation adjustments of RM1,327,000.
(5) After consolidation adjustments of RM434,000.

2018	Timber RM'000	Plantation RM'000	Others RM'000	The Group RM'000
Revenue				
External revenue	214,299	102,655	5,209	322,163
Inter-segment revenue	130,230	35,692	6,217	172,139
	344,529	138,347	11,426	494,302
Consolidation adjustments				(172,139)
Consolidated revenue				322,163
Results				
Segment (loss)/profit before taxation	(48,214)	27,428	11,337	(9,449)
Consolidated adjustments				-
Consolidated loss before taxation				(9,449)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

36. OPERATING SEGMENTS (CONT'D)

36.1 BUSINESS SEGMENTS (CONT'D)

2018	Timber RM'000	Plantation RM'000	Others RM'000	The Group RM'000
Results (Cont'd)				
Segment (loss)/profit before taxation includes the followings:-				
Interest income[(1)]	478	74	26	(578)
Interest expense[(2)]	(13,299)	(2,513)	(577)	(16,389)
Allowance for slow-moving inventories	(1,066)	-	-	(1,066)
Depreciation of property, plant and equipment[(3)]	(29,205)	(9,784)	(3,264)	(42,253)
Fair value (loss)/gain on:-				
- biological assets	(1,992)	(341)	-	(2,333)
- investment properties	-	-	17,293	17,293
- investment securities	(37)	-	-	(37)
Impairment losses on property, plant and equipment	(5,600)	-	-	(5,600)
Gain on disposal of property, plant and equipment	17,288	368	1,926	19,582
Property, plant and equipment written off	(320)	(15)	-	(335)
Unrealised loss on foreign exchange	(322)	-	-	(322)
Write-down of inventories	(7,363)	-	(190)	(7,553)
Assets				
Segment assets	1,444,781	513,276	278,434	2,236,491
Consolidation adjustments				(918,311)
Consolidated total assets				1,318,180
Additions to non-current assets other than financial instruments and deferred tax assets are:-				
Property, plant and equipment[(4)]	8,441	98,564	2,869	109,874
Land held for property development	-	-	191	191
Biological assets[(5)]	8,702	498	-	9,200

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

36. OPERATING SEGMENTS (CONT'D)

36.1 BUSINESS SEGMENTS (CONT'D)

2018	**Timber** RM'000	**Plantation** RM'000	**Others** RM'000	**The Group** RM'000
Liabilities				
Segment liabilities	697,366	425,002	157,798	1,280,166
Consolidation adjustments				(564,159)
Consolidated total liabilities				716,007

(1) After consolidation adjustments of RM12,430,000.
(2) After consolidation adjustments of RM12,430,000.
(3) After consolidation adjustments of RM383,000.
(4) After consolidation adjustments of RM11,775,000.
(5) After consolidation adjustments of RM305,000.

36.2 GEOGRAPHICAL INFORMATION

Revenue is based on the country in which the customers are located.

Non-current assets are determined according to the country where these assets are located. The amounts of non-current assets do not include financial instruments and deferred tax assets.

	Revenue		**Non-current Assets**	
	2019 RM'000	**2018** RM'000	**2019** RM'000	**2018** RM'000
Malaysia	186,422	162,555	1,253,041	1,049,025
India	19,806	23,407	-	-
Japan	12,584	8,586	-	-
South Korea	24,146	31,258	-	-
Taiwan	10,718	29,153	-	-
Yemen	10,407	2,827	-	-
Other countries	50,486	64,377	-	-
	314,569	322,163	1,253,041	1,049,025

36.3 MAJOR CUSTOMERS

There is no single customer that contributed 10% or more to the Group's revenue.

37. CAPITAL COMMITMENTS

	The Group	
	2019 RM'000	**2018** RM'000
Purchase of property, plant and equipment	1,576	4,203
Construction of property, plant and equipment	271	904
	1,847	5,107

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

38. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

38.1 FINANCIAL RISK MANAGEMENT POLICIES

The Group's policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the respective functional currencies of entities within the Group. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Euro ("EUR"), Japanese Yen ("JPY") and Singapore Dollar ("SGD"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes.

Foreign Currency Exposure

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:-

The Group	United States Dollar RM'000	Euro RM'000	Japanese Yen RM'000	Singapore Dollar RM'000	Ringgit Malaysia RM'000	**Total RM'000**
2019						
Financial Assets						
Investment securities	-	-	-	2,262	13,321	15,583
Trade receivables	4,367	-	-	4	24,881	29,252
Other receivables and deposits	2,073	133	-	8	18,359	20,573
Deposits with licensed banks	-	-	-	-	4,721	4,721
Cash and bank balances	355	-	-	44	6,205	6,604
	6,795	133	-	2,318	67,487	76,733
Financial Liabilities						
Trade payables	544	25	134	71	106,138	106,912
Other payables, deposits and accruals	15,848	6	369	72	19,686	35,981
Bank borrowings	-	-	-	-	727,258	727,258
	16,392	31	503	143	853,082	870,151

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

38. FINANCIAL INSTRUMENTS (CONT'D)

38.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below (cont'd):-

The Group	United States Dollar RM'000	Euro RM'000	Japanese Yen RM'000	Singapore Dollar RM'000	Ringgit Malaysia RM'000	**Total** RM'000
2019						
Net financial assets/ (liabilities)	(9,597)	102	(503)	2,175	(785,595)	(793,418)
Less: Net financial (assets)/ liabilities denominated in the Company's functional currency	-	-	-	-	785,595	785,595
Currency Exposure	(9,597)	102	(503)	2,175	-	(7,823)

The Group	United States Dollar RM'000	Euro RM'000	Japanese Yen RM'000	Singapore Dollar RM'000	Ringgit Malaysia RM'000	**Total** RM'000
2018						
Financial Assets						
Investment securities	-	-	-	4,036	21,285	25,321
Trade receivables	8,166	-	-	-	20,060	28,226
Other receivables and deposits	2,105	396	11	-	74,363	76,875
Deposits with licensed banks	-	-	-	-	4,091	4,091
Cash and bank balances	209	-	-	1	6,921	7,131
	10,480	396	11	4,037	126,720	141,644
Financial Liabilities						
Trade payables	143	93	25	258	111,649	112,168
Other payables, deposits and accruals	1,280	6	355	78	18,577	20,296
Bank borrowings	-	-	-	-	543,589	543,589
	1,423	99	380	336	673,815	676,053

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

38. FINANCIAL INSTRUMENTS (CONT'D)

38.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below (cont'd):-

The Group	United States Dollar RM'000	Euro RM'000	Japanese Yen RM'000	Singapore Dollar RM'000	Ringgit Malaysia RM'000	**Total** RM'000
2018						
Net financial assets/ (liabilities)	9,057	297	(369)	3,701	(547,095)	(534,409)
Less: Net financial (assets)/ liabilities denominated in the Company's functional currency	-	-	-	-	547,095	547,095
Currency Exposure	9,057	297	(369)	3,701	-	12,686

The Company	United States Dollar RM'000	Euro RM'000	Singapore Dollar RM'000	Ringgit Malaysia RM'000	**Total** RM'000
2019					
<u>Financial Assets</u>					
Investment securities	-	-	2,262	13,321	15,583
Trade receivables	-	-	-	2,336	2,336
Other receivables and deposits	-	-	-	8,485	8,485
Amount owing by subsidiaries	-	-	-	327,302	327,302
Deposits with licensed banks	-	-	-	390	390
Cash and bank balances	118	-	2	1,944	2,064
	118	-	2,264	353,778	356,160
<u>Financial Liabilities</u>					
Trade payables	-	-	-	15,030	15,030
Other payables, deposits and accruals	90	6	-	8,340	8,436
Amount owing to subsidiaries	-	-	-	96,719	96,719
Bank borrowings	-	-	-	227,454	227,454
	90	6	-	347,543	347,639

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

38. FINANCIAL INSTRUMENTS (CONT'D)

38.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below (cont'd):-

The Company	United States Dollar RM'000	Euro RM'000	Singapore Dollar RM'000	Ringgit Malaysia RM'000	**Total** RM'000
2019					
Net financial assets/(liabilities)	28	(6)	2,264	6,235	8,521
Less: Net financial (assets)/liabilities denominated in the Company's functional currency	-	-	-	(6,235)	(6,235)
Currency Exposure	28	(6)	2,264	-	2,286

The Company	United States Dollar RM'000	Euro RM'000	Singapore Dollar RM'000	Ringgit Malaysia RM'000	**Total** RM'000
2018					
Financial Assets					
Investment securities	-	-	4,036	21,285	25,321
Trade receivables	-	-	-	3,354	3,354
Other receivables and deposits	-	-	-	24,669	24,669
Amount owing by subsidiaries	-	-	664	349,317	349,981
Deposits with licensed banks	-	-	-	549	549
Cash and bank balances	67	-	-	1,082	1,149
	67	-	4,700	400,256	405,023
Financial Liabilities					
Trade payables	-	-	-	21,110	21,110
Other payables, deposits and accruals	50	6	-	7,864	7,920
Amount owing to subsidiaries	-	-	-	58,110	58,110
Bank borrowings	-	-	-	230,484	230,484
	50	6	-	317,568	317,624

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

38. FINANCIAL INSTRUMENTS (CONT'D)

38.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below (cont'd):-

The Company	United States Dollar RM'000	Euro RM'000	Singapore Dollar RM'000	Ringgit Malaysia RM'000	Total RM'000
2018					
Net financial assets/(liabilities)	17	(6)	4,700	82,688	87,399
Less: Net financial (assets)/liabilities denominated in the Company's functional currency	-	-	-	(82,688)	(82,688)
Currency Exposure	17	(6)	4,700	-	4,711

Foreign Currency Risk Sensitivity Analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies at the end of the reporting period, with all other variables held constant:-

	The Group 2019 RM'000	The Group 2018 RM'000	The Company 2019 RM'000	The Company 2018 RM'000
Effects on Profit After Taxation				
USD/RM - strengthened by 5% (2018: 5%)	- 365	+ 344	+ 1	+ 1
- weakened by 5% (2018: 5%)	+ 365	- 344	- 1	- 1
EUR/RM - strengthened by 5% (2018: 5%)	+ 4	+ 11	-	-
- weakened by 5% (2018: 5%)	- 4	- 11	-	-
JPY/RM - strengthened by 5% (2018: 5%)	- 19	- 14	-	-
- weakened by 5% (2018: 5%)	+ 19	+ 14	-	-
SGD/RM - strengthened by 5% (2018: 5%)	+ 83	+ 141	+ 86	+ 179
- weakened by 5% (2018: 5%)	- 83	- 141	- 86	- 179

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

38. FINANCIAL INSTRUMENTS (CONT'D)

38.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Risk Sensitivity Analysis (Cont'd)

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies at the end of the reporting period, with all other variables held constant (cont'd):-

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	RM'000	RM'000	RM'000	RM'000
Effects on Equity				
USD/RM - strengthened by 5% (2018: 5%)	- 365	+ 344	+ 1	+ 1
- weakened by 5% (2018: 5%)	+ 365	- 344	- 1	- 1
EUR/RM - strengthened by 5% (2018: 5%)	+ 4	+ 11	-	-
- weakened by 5% (2018: 5%)	- 4	- 11	-	-
JPY/RM - strengthened by 5% (2018: 5%)	- 19	- 14	-	-
- weakened by 5% (2018: 5%)	+ 19	+ 14	-	-
SGD/RM - strengthened by 5% (2018: 5%)	+ 83	+ 141	+ 86	+ 179
- weakened by 5% (2018: 5%)	- 83	- 141	- 86	- 179

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from its long-term borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available.

The Group's deposits with licensed banks and hire purchase obligations are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined in MFRS 7 since neither their carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

The Group's exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in Note 23 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

38. FINANCIAL INSTRUMENTS (CONT'D)

38.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(ii) Interest Rate Risk (Cont'd)

Interest Rate Risk Sensitivity Analysis

The following table details the sensitivity analysis to a reasonably possible change in the interest rates at the end of the reporting period, with all other variables held constant:-

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	RM'000	RM'000	RM'000	RM'000
Effects on Profit After Taxation				
Increase of 50 (2018: 50) basis points	- 904	- 327	- 5	- 7
Decrease of 50 (2018: 50) basis points	+ 904	+ 327	+ 5	+ 7
Effects on Equity				
Increase of 50 (2018: 50) basis points	- 904	- 327	- 5	- 7
Decrease of 50 (2018: 50) basis points	+ 904	+ 327	+ 5	+ 7

(iii) Equity Price Risk

The Group's principal exposure to equity price risk arises mainly from changes in quoted investment prices. The Group manages its exposure to equity price risk by maintaining a portfolio of equities with different risk profiles.

Equity Price Risk Sensitivity Analysis

The following table details the sensitivity analysis to a reasonably possible change in the prices of the quoted investments at the end of the reporting period, with all other variables held constant:

	The Group/The Company	
	2019	**2018**
	RM'000	RM'000
Effects on Other Comprehensive Income		
Increase of 10% (2018: 10%)	+ 920	+ 1,896
Decrease of 10% (2018: 10%)	- 920	- 1,896

As the Group's equity investments are measured at fair value through other comprehensive income, there is no financial impact on profit after taxation for the changes in prices of quoted investments.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

38. FINANCIAL INSTRUMENTS (CONT'D)

38.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from its trade and other receivables, and debt investments. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including quoted investments, and cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company's exposure to credit risk arises principally from its loans and advances to subsidiaries, and corporate guarantee given to financial institutions for credit facilities granted to certain subsidiaries. The Company monitors the results of these subsidiaries regularly and repayments made by the subsidiaries.

(i) Credit Risk Concentration Profile

The Group's major concentration of credit risk relates to the amounts owing by 5 customers which constituted approximately 71% of its trade receivables (including related parties) at the end of the reporting period.

(ii) Exposure to Credit Risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Group and of the Company after deducting any allowance for impairment losses (where applicable).

In addition, the Company's maximum exposure to credit risk also includes corporate guarantees provided to its subsidiaries as disclosed under the "Maturity Analysis" of item (c) below, representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period. These corporate guarantees have not been recognised in the Company's financial statements since their fair value on initial recognition was not material.

(iii) Assessment of Impairment Losses

At each reporting date, the Group assesses whether any of the financial assets at amortised cost are credit impaired.

The gross carrying amounts of financial assets are written off when there is no reasonable expectation of recovery (i.e. the debtor does not have assets or sources of income to generate sufficient cash flows to repay the debt) despite the fact that they are still subject to enforcement activities.

Trade Receivables

The Group applies the simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and the days past due.

The Group considers any receivables having financial difficulty or with significant balances outstanding for more than 120 days deemed to be credit impaired.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

38. FINANCIAL INSTRUMENTS (CONT'D)

38.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables (Cont'd)

The expected loss rates are based on the historical credit losses experienced, adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle their debts.

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for trade receivables are summarised below:-

The Group	Gross Amount RM'000	Lifetime Loss Allowance RM'000	Carrying Amount RM'000
2019			
Current (not past due)	20,143	(61)	20,082
1 to 30 days past due	1,513	(101)	1,412
31 to 60 days past due	741	(144)	597
61 to 90 days past due	880	(109)	771
91 to 120 days past due	7,357	(967)	6,390
	30,634	(1,382)	29,252
Credit impaired:-			
- more than 120 days past due	1,928	(1,928)	-
	32,562	(3,310)	29,252
2018			
Current (not past due)	15,232	-	15,232
1 to 30 days past due	4,284	-	4,284
31 to 60 days past due	823	-	823
61 to 90 days past due	507	-	507
91 to 120 days past due	7,636	(256)	7,380
	28,482	(256)	28,226
Credit impaired:-			
- more than 120 days past due	1,496	(1,496)	-
	29,978	(1,752)	28,226

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

38. FINANCIAL INSTRUMENTS (CONT'D)

38.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables (Cont'd)

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for trade receivables are summarised below (cont'd):-

The Company	Gross Amount RM'000	Lifetime Loss Allowance RM'000	Carrying Amount RM'000
2019			
Current (not past due)	570	-	570
1 to 30 days past due	18	-	18
31 to 60 days past due	20	-	20
61 to 90 days past due	36	-	36
91 to 120 days past due	1,692	-	1,692
	2,336	-	2,336
Credit impaired:-			
- more than 120 days past due	18	(18)	-
	2,354	(18)	2,336
2018			
Current (not past due)	589	-	589
1 to 30 days past due	1,179	-	1,179
31 to 60 days past due	24	-	24
61 to 90 days past due	8	-	8
91 to 120 days past due	1,554	-	1,554
	3,354	-	3,354
Credit impaired:-			
- more than 120 days past due	18	(18)	-
	3,372	(18)	3,354

The movement in the loss allowances in respect of trade receivables is disclosed in Note 17 to the financial statements.

Other Receivables

The Group applies the 3-stage general approach to measure expected credit losses for all non-trade receivables. The Group assumes that there is a significant increase in credit risk for any receivables with significant balances outstanding for more than 120 days. The Group considers a non-trade receivable to be credit impaired when a debtor is unlikely to repay its debts in full or the debtor is having financial difficulty.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

38. FINANCIAL INSTRUMENTS (CONT'D)

38.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Other Receivables (Cont'd)

The Group determines the probability of default for non-trade receivables using internal and external information available.

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for other receivables (excluding prepayments) are summarised below:-

The Group	Gross Amount RM'000	12-month Loss Allowance RM'000	Lifetime Loss Allowance RM'000	Carrying Amount RM'000
2019				
Low credit risk	8,933	(105)	-	8,828
Significant increase in credit risk	13,398	-	(1,653)	11,745
Credit impaired	105	-	(105)	-
	22,436	(105)	(1,758)	20,573
2018				
Low credit risk	53,002	-	-	53,002
Significant increase in credit risk	23,873	-	-	23,873
Credit impaired	105	-	(105)	-
	76,980	-	(105)	76,875

The Company	Gross Amount RM'000	12-month Loss Allowance RM'000	Lifetime Loss Allowance RM'000	Carrying Amount RM'000
2019				
Low credit risk	607	-	-	607
Significant increase in credit risk	9,063	-	(1,185)	7,878
Credit impaired	79	-	(79)	-
	9,749	-	(1,264)	8,485

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

38. FINANCIAL INSTRUMENTS (CONT'D)

38.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Other Receivables (Cont'd)

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for other receivables (excluding prepayments) are summarised below (cont'd):-

The Company	Gross Amount RM'000	12-month Loss Allowance RM'000	Lifetime Loss Allowance RM'000	Carrying Amount RM'000
2018				
Low credit risk	836	-	-	836
Significant increase in credit risk	23,833	-	-	23,833
Credit impaired	79	-	(79)	-
	24,748	-	(79)	24,669

The movement in the loss allowances in respect of other receivables is disclosed in Note 18 to the financial statements.

Deposits with Licensed Banks, Cash and Bank Balances

The Group considers these banks and financial institutions have low credit risk. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

Amount Owing by Subsidiaries (Non-trade Balances)

The Company applies the 3-stage general approach to measure expected credit losses for all inter-company balances. 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 in full or the subsidiary is having a deficit in its total equity.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

38. FINANCIAL INSTRUMENTS (CONT'D)

38.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Amount Owing by Subsidiaries (Non-trade Balances) (Cont'd)

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for amount owing by subsidiaries are summarised below:-

The Company	Gross Amount RM'000	12-month Loss Allowance RM'000	Lifetime Loss Allowance RM'000	Carrying Amount RM'000
2019				
Low credit risk	2,969	-	-	2,969
Significant increase in credit risk	345,810	-	(21,477)	324,333
Credit impaired	4,297	-	(4,297)	-
	353,076	-	(25,774)	327,302
2018				
Low credit risk	395	-	-	395
Significant increase in credit risk	372,008	-	(22,422)	349,586
	372,403	-	(22,422)	349,981

The movement in the loss allowances in respect of amount owing by subsidiaries is disclosed in Note 14 to the financial statements.

Financial Guarantee Contracts

All the financial guarantee contracts are considered to be performing, have low risk of default and historically there were no instances where these financial guarantee contracts were called upon by the parties of which the financial guarantee contracts were issued to. Accordingly, no loss allowances were identified based on 12-month expected credit losses.

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

38. FINANCIAL INSTRUMENTS (CONT'D)

38.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

The Group	Weighted Average Effective Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	On Demand or Within 1 Year RM'000	1 - 2 Years RM'000	2 - 5 Years RM'000	Over 5 Years RM'000
2019							
Trade and other payables	-	142,893	142,893	142,893	-	-	-
Bank borrowings:-							
- bank overdrafts	7.81	588	588	588	-	-	-
- bankers' acceptance	4.27	66,791	66,791	66,791	-	-	-
- hire purchase obligations	5.69	19,306	21,372	7,725	5,301	8,346	-
- revolving credit	4.88	402,700	402,700	402,700	-	-	-
- term loans	5.17	237,873	297,603	33,050	36,036	108,748	119,769
		870,151	931,947	653,747	41,337	117,094	119,769
2018							
Trade and other payables	-	132,464	132,464	132,464	-	-	-
Bank borrowings:-							
- bank overdrafts	7.97	901	901	901	-	-	-
- bankers' acceptance	4.22	48,431	48,431	48,431	-	-	-
- hire purchase obligations	5.05	15,807	17,023	7,123	5,152	3,589	1,159
- revolving credit	4.89	392,500	392,500	392,500	-	-	-
- term loans	5.06	85,950	100,869	16,948	17,262	54,139	12,520
		676,053	692,188	598,367	22,414	57,728	13,679

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

38. FINANCIAL INSTRUMENTS (CONT'D)

38.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (cont'd):-

The Company	Weighted Average Effective Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	On Demand or Within 1 Year RM'000	1 - 2 Years RM'000	2 - 5 Years RM'000
2019						
Trade and other payables	-	23,466	23,466	23,466	-	-
Amount owing to subsidiaries	5.43	96,719	96,719	96,719	-	-
Bank borrowings:-						
- hire purchase obligations	5.42	17	18	18	-	-
- revolving credit	4.71	226,000	226,000	226,000	-	-
- term loans	4.95	1,437	1,566	456	457	653
Financial guarantee contracts in relation corporate guarantee given to certain subsidiaries*	-	-	48,514	48,514	-	-
		347,639	396,283	395,173	457	653

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

38. FINANCIAL INSTRUMENTS (CONT'D)

38.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (cont'd):-

The Company	Weighted Average Effective Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	On Demand or Within 1 Year RM'000	1 - 2 Years RM'000	2 - 5 Years RM'000
2018						
Trade and other payables	-	29,030	29,030	29,030	-	-
Amount owing to subsidiaries	-	58,110	58,110	58,110	-	-
Bank borrowings:-						
- bank overdrafts	8.07	109	109	109	-	-
- hire purchase obligations	4.80	558	567	549	18	-
- revolving credit	4.88	228,000	228,000	228,000	-	-
- term loans	4.95	1,817	2,034	422	459	1,153
Financial guarantee contracts in relation corporate guarantee given to certain subsidiaries*	-	-	23,598	23,598	-	-
		317,624	341,448	339,818	477	1,153

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

38. FINANCIAL INSTRUMENTS (CONT'D)

38.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

* The contractual undiscounted cash flows represent the outstanding credit facilities of the subsidiaries at the end of the reporting period. The financial guarantees have not been recognised since their fair value on initial recognition were not material.

38.2 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholder(s) value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as net debt divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions less cash and cash equivalents. Capital includes equity attributable to the owners of the parent and non-controlling interest. The debt-to-equity ratio of the Group at the end of the reporting period was as follows:-

	The Group	
	2019	**2018**
	RM'000	RM'000
Bank borrowings	727,258	543,589
Less: Deposits with licensed banks	(4,721)	(4,091)
Less: Cash and bank balances	(6,604)	(7,131)
Net debt	715,933	532,367
Total equity	560,588	602,173
Debt-to-equity ratio	1.28	0.88

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

38. FINANCIAL INSTRUMENTS (CONT'D)

38.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	The Group		The Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Financial Assets				
Mandatorily at Fair Value through Profit or Loss				
Investment securities - debt securities	385	357	385	357
Designated at Fair Value through Other Comprehensive Income Upon Initial Recognition				
Investment securities - equity investments	15,198	24,964	15,198	24,964
Amortised Cost				
Trade receivables	29,252	28,226	2,336	3,354
Other receivables and deposits	20,573	76,875	8,485	24,669
Amount owing by subsidiaries	-	-	327,302	349,981
Deposits with licensed banks	4,721	4,091	390	549
Cash and bank balances	6,604	7,131	2,064	1,149
	61,150	116,323	340,577	379,702
Financial Liabilities				
Amortised Cost				
Trade payables	106,912	112,168	15,030	21,110
Other payables, deposits and accruals	35,981	20,296	8,436	7,920
Amount owing to subsidiaries	-	-	96,719	58,110
Bank borrowings	727,258	543,589	227,454	230,484
	870,151	676,053	347,639	317,624

38.4 FAIR VALUE INFORMATION

The fair values of the financial assets and financial liabilities of the Group and of the Company which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

38. FINANCIAL INSTRUMENTS (CONT'D)

38.4 FAIR VALUE INFORMATION (CONT'D)

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period:-

	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments Not Carried at Fair Value			**Total Fair Value**	**Carrying Amount**
The Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	RM'000	RM'000
2019								
Financial Assets								
Investment securities:-								
- quoted investments	9,583	-	-	-	-	-	9,583	9,583
- unquoted equity investments	-	6,000	-	-	-	-	6,000	6,000
Financial Liabilities								
Hire purchase obligations	-	-	-	-	19,431	-	19,431	19,306
Term loans	-	-	-	-	237,873	-	237,873	237,873
2018								
Financial Assets								
Investment securities:-								
- quoted investments	19,321	-	-	-	-	-	19,321	19,321
- unquoted equity investments	-	6,000	-	-	-	-	6,000	6,000
Financial Liabilities								
Hire purchase obligations	-	-	-	-	15,650	-	15,650	15,807
Term loans	-	-	-	-	85,950	-	85,950	85,950

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

38. FINANCIAL INSTRUMENTS (CONT'D)

38.4 FAIR VALUE INFORMATION (CONT'D)

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period (cont'd):-

	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments Not Carried at Fair Value			**Total Fair Value**	**Carrying Amount**
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3		
The Company	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2019								
Financial Assets								
Investment securities:-								
- quoted investments	9,583	-	-	-	-	-	9,583	9,583
- unquoted equity investments	-	6,000	-	-	-	-	6,000	6,000
Financial Liabilities								
Hire purchase obligations	-	-	-	-	17	-	17	17
Term loans	-	-	-	-	1,437	-	1,437	1,437
2018								
Financial Assets								
Investment securities:-								
- quoted investments	19,321	-	-	-	-	-	19,321	19,321
- unquoted equity investments	-	6,000	-	-	-	-	6,000	6,000
Financial Liabilities								
Hire purchase obligations	-	-	-	-	553	-	553	558
Term loans	-	-	-	-	1,817	-	1,817	1,817

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

38. FINANCIAL INSTRUMENTS (CONT'D)

38.4 FAIR VALUE INFORMATION (CONT'D)

(a) Fair Value of Financial Instruments Carried at Fair Value

The fair values above are determined using the following basis:-

(i) The fair value of quoted investments is determined at their quoted closing bid prices at the end of the reporting period.

(ii) The fair value of unquoted equity investments is determined based on market comparison technique using market multiples derived from quoted prices of companies comparable to the investee, adjusted for the effect of non-marketability of the unquoted shares.

There were no transfers between level 1 and level 2 during the financial year.

(b) Fair Value of Financial Instruments Not Carried at Fair Value

The fair values, which are for disclosure purposes, are determined using the following basis:-

(i) The fair value of hire purchase obligations is determined by discounting the relevant future contractual cash flows using current market interest rates for similar instruments at the end of the reporting period. The interest rate used to discount the estimated cash flows is as follows:-

	The Group		The Company	
	2019	2018	2019	2018
	%	%	%	%
Hire purchase obligations	5.55	5.51	5.49	5.76

(ii) The fair value of terms loans that carry floating interest rates approximated their carrying amounts as they are repriced to market interest rates on or near the reporting date.

39. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

On 22 February 2017, Tiasa Mesra Sdn. Bhd. ("TMSB"), a wholly-owned subsidiary of the Company, entered into a conditional agreement with Rimbunan Sawit Berhad ("RSB") to acquire all the rights, titles and interests in relation to an oil palm plantation estate via an absolute assignment, development costs, biological assets, commercial rights and all the fixtures and fittings relating thereto ("Proposed Acquisition") for a purchase consideration of RM150.0 million to be satisfied in cash.

The Proposed Acquisition is conditional upon the fulfilment of the followings:-

(a) RSB obtaining the approval of the Director of Forests and/or the Minister for the absolute assignment of the rights to and in favour of TMSB and to the form and content of the assignment.

The Director of Forests had, via a letter dated 6 July 2018, accepted and approved the form and content of the deed of transfer to be executed between RSB and TMSB for the transfer of the rights in place of a proposed deed of assignment, pursuant to the approval of the Minister on the application for absolute assignment of the rights from RSB to TMSB.

(b) RSB settling all its existing liabilities owing to trade payables for the development of the oil palm plantation under the rights.

RSB had, via its letter dated 26 July 2018, confirmed that it had settled all its existing liabilities owing to trade payables for the development of the oil palm plantation under the rights.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

39. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONT'D)

The Proposed Acquisition is conditional upon the fulfilment of the followings (cont'd):-

(c) RSB procuring a redemption statement cum letter of undertaking from its financier addressed to the financier of TMSB on the redemption sum payable to settle the credit facilities granted by it inter alia, for the development of the oil palm plantation under the rights.

RSB had, on 12 July 2018, received the redemption statement cum letter of undertaking from its financier addressed to the financier of TMSB on the redemption sum payable to settle the credit facilities granted by it inter alia, for the development of the oil palm plantation under the rights.

With the fulfilment of the above conditions, TMSB was required to pay the balance of the consideration of RM135.0 million ("Balance Sum") to RSB within 2 months from 26 July 2018, which was further extended to 25 October 2018. The balance sum was paid on 25 October 2018 to RSB, and the Proposed Acquisition was completed on the same date.

40. TRANSITION TO THE MFRS FRAMEWORK

As stated in Note 3.1 to the financial statements, these are the first financial statements of the Group and of the Company prepared in accordance with MFRSs. The accounting policies in Note 4 to the financial statements have been applied to all financial information covered under this set of financial statements.

The transition to MFRS framework does not have financial impact to the separate financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

40. TRANSITION TO THE MFRS FRAMEWORK (CONT'D)

In preparing the opening MFRS consolidated statement of financial position at 1 August 2017 (date of transition), the Group adjusted amounts reported previously in financial statements prepared in accordance with FRSs. The financial impacts on the transition are as below:-

RECONCILIATION OF FINANCIAL POSITION

		31.7.2018			1.8.2017		
			Transition			Transition	
		FRSs	**Effects**	**MFRSs**	**FRSs**	**Effects**	**MFRSs**
The Group	**Note**	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Consolidated Statement of Financial Position (Extracted):-							
Property, plant and equipment	(a)	582,113	287,219	869,332	616,007	212,193	828,200
Biological assets, non-current	(a), (b)	332,614	(291,831)	40,783	246,664	(213,089)	33,575
Inventories	(a)	110,736	(305)	110,431	136,752	(2,030)	134,722
Biological assets, current	(b)	-	2,268	2,268	-	2,609	2,609
Reserves	(b)	(388,088)	3,236	(384,852)	(415,010)	978	(414,032)
Non-controlling interests	(b)	(3,763)	(44)	(3,807)	(2,489)	(36)	(2,525)
Deferred tax liabilities	(b)	(39,356)	(543)	(39,899)	(32,252)	(625)	(32,877)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

40. TRANSITION TO THE MFRS FRAMEWORK (CONT'D)

RECONCILIATION OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

The Group	Note	FRSs RM'000	31.7.2018 Transition Effects RM'000	MFRSs RM'000
<u>Consolidated Statement of Profit or Loss and Other Comprehensive Income (Extracted)</u>				
Other income	(b)	44,586	209	44,795
Administrative and other expenses	(b)	(36,537)	(2,541)	(39,078)
Income tax expense	(b)	(11,719)	82	(11,637)
(Loss)/profit after taxation attributable to:-				
- owners of the Company	(b)	(19,110)	(2,258)	(21,368)
- non-controlling interests	(b)	274	8	282
Total comprehensive income attributable to:-				
- owners of the Company	(b)	(26,922)	(2,258)	(29,180)
- non-controlling interests	(b)	274	8	282

RECONCILIATION OF CASH FLOWS

There are no material differences between the consolidated statement of cash flows presented under FRSs and MFRSs.

NOTES TO RECONCILIATIONS

(a) Property, Plant and Equipment – Bearer Plants

The amendments to MFRS 116 and MFRS 141 require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with MFRS 116 instead of MFRS 141. However, the produce growing on bearer plants continues to be accounted for in accordance with MFRS 141. A bearer plant is a living plant that is used in the production and supply of agricultural produce, is expected to bear produce for more than one period, and has remote likelihood of being sold as agricultural produce, except for incidental scrap sales. The oil palm plantation meets the definition of bearer plants.

Under FRSs, the Group classified oil palm plantation as biological assets and measured them at cost less accumulated amortisation and impairment losses, if any; nursery development expenditure was classified as inventories and stated at cost (net of impairment allowance). Upon transition to MFRSs, the Group adopted MFRS 116 and accounted for oil palm plantation, and nursery development expenditure as bearer plants at cost less accumulated depreciation and impairment losses, if any; and classified them within property, plant and equipment.

The financial impacts arising from the change are summarised as follows:-

(i) an increase in property, plant and equipment at 1 August 2017 and 31 July 2018 of RM212,193,000 and RM287,219,000 respectively;

(ii) a decrease in biological assets (non-current) at 1 August 2017 and 31 July 2018 of RM210,163,000 and RM286,914,000 respectively; and

(iii) a decrease in inventories at 1 August 2017 and 31 July 2018 of RM2,030,000 and RM305,000 respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 JULY 2019

40. TRANSITION TO THE MFRS FRAMEWORK (CONT'D)

NOTES TO RECONCILIATIONS (CONT'D)

(b) Biological Assets

MFRS 141 sets out the accounting for agricultural activity – the transformation of biological assets, other than bearer plants, into agricultural produce (harvested product of an entity's biological assets). Biological assets are to be measured at fair value less costs to sell.

Under FRSs, trees prior to harvest were measured at cost less accumulated impairment losses, if any; and classified as biological assets. Agricultural produce growing on oil palm plantation, i.e. FFBs, was not recognised separately. Upon transition to MFRSs, trees prior to harvest, and agricultural produce are stated at fair value less costs to sell, with the changes in fair value less costs to sell recognised in profit or loss in the period in which they arise.

The financial impacts arising from the change are summarised as follows:-

(i) a decrease in biological assets (non-current) at 1 August 2017 and 31 July 2018 of RM2,926,000 and RM4,917,000 respectively;

(ii) an increase in biological assets (current) at 1 August 2017 and 31 July 2018 of RM2,609,000 and RM2,268,000 respectively;

(iii) an increase in deferred tax liabilities at 1 August 2017 and 31 July 2018 of RM625,000 and RM543,000 respectively;

(iv) the resulting adjustments on items (i), (ii) and (iii) above were made against reserves at 1 August 2017 and 31 July 2018;

(v) an increase in other income of RM209,000 for the financial year ended 31 July 2018;

(vi) an increase in administrative expenses of RM2,541,000 for the financial year ended 31 July 2018; and

(vii) a decrease in income tax expense of RM82,000 for the financial year ended 31 July 2018.

LIST OF PROPERTIES
As at 31 July 2019

Location	Tenure	Land Area (Hectares)	Existing Use	Approximate Age of Building	Carrying Amount as at 31.07.2019 (RM'000)	Date of Acquisition
Lot 1495, Block 16, Seduan Land District	Leasehold land expiring on 25.09.2057	24.054	Factories, office, welfare building	7 - 30 years	47,386	31.03.1989 - 30.12.1994
Lot 11726, Block 16, Kuching Central Land District	Leasehold land expiring on 31.12.2025	2.261	Vacant	-	25,360	05.06.2006
Industrial Land at Lot 400, Blk 38 Kemena Land, Bintulu	Leasehold land expiring on 15.09.2057	12.672	Factory, office, welfare building	23 years	20,450	01.10.2008
Lot 96, Block 16, Seduan Land District	Leasehold land expiring on 31.12.2031	2.135	Factory	3 years	16,092	31.10.2015
Lot 47, Block 135, Balingian Land District, Mukah	Leasehold land expiring on 11.02.2064	5,000	Oil palm plantation, office, store, welfare building	7 - 13 years	15,809	30.09.2004
Lot 57, Block 233, Kuching North Land District	Leasehold land expiring on 31.12.2038	5.536	Vacant	-	13,680	31.08.2013
Lot 854-866, Block 10, Sibu Town District	Leasehold land expiring on 06.09.2071	0.212	Office building	18 years	12,646	01.06.2001
Lot 1459, Block 16, Kuching Central Land District	Leasehold land expiring on 31.12.2027	0.977	Vacant	-	10,591	23.11.2012
Lot 69, Block 12, Buan Land District	Leasehold land expiring on 01.08.2051	12.013	Factory	6 years	10,590	24.06.2013
Lot 232, Block 11, Muara Tebas Land District	Leasehold land expiring on 31.12.2035	1.153	Vacant	-	9,975	30.01.2013

ANALYSIS OF SHAREHOLDINGS
As at 23 October 2019

Share Capital

Issued Share Capital	:	RM209,000,000
Class of Shares	:	Ordinary Shares
Voting Rights	:	One (1) vote per Ordinary Share

Distribution schedule of ordinary shares

No. of Holders	Holdings	Total Holdings	%
111	less than 100 shares	3,748	0.00 [1]
178	100 to 1,000 shares	126,406	0.07
2,325	1,001 to 10,000 shares	5,849,527	3.11
277	10,001 to 100,000 shares	7,822,301	4.16
48	100,001 to less than 5% of issued shares	69,264,922	36.82
5	5% and above of issued shares	105,042,796	55.84
2,944		188,109,700 [2]	100.00

1 Less than 0.01%

2 Excluding 20,890,300 ordinary shares bought back by the Company and retained as treasury shares based on Record of Depositors as at 23 October 2019

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS
As at 23 October 2019

Name	No. of Ordinary Shares	
	Direct Interest	Indirect Interest
1. Tiong Toh Siong Holdings Sdn. Bhd.	61,950,021 (32.93%*)	3,507,012 [1] (1.86%*)
2. Kinta Hijau Sdn. Bhd.	16,937,532 (9.00%*)	-
3. Raya Abadi Sdn. Bhd.	16,575,033 (8.81%*)	-
4. YBhg. Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King	1,109,120 (0.59%*)	71,187,010 [2] (37.84%*)

1 Deemed interested by virtue of its substantial shareholdings in Tiong Toh Siong & Sons Sdn. Bhd.

2 Deemed interested by virtue of his substantial shareholdings in Tiong Toh Siong Holdings Sdn. Bhd., Tiong Toh Siong Enterprises Sdn. Bhd., Tiong Toh Siong & Sons Sdn. Bhd. and Teck Sing Lik Enterprise Sdn. Bhd.

* Excluding 20,890,300 ordinary shares bought back by the Company and retained as treasury shares as at 23 October 2019

DIRECTORS' INTERESTS
As at 23 October 2019

Name	No. of Ordinary Shares Held in the Company			
	Direct Interest	%	Indirect Interest	%
1. Mr. Tiong Kiong King	454,443	0.24	-	-
2. YBhg. Dato' Tiong Ing	1,795,013	0.95	587,775 [1]	0.31
3. Madam Ngu Ying Ping	-	-	-	-
4. Mr. Tiong Ing Ming	-	-	-	-
5. Mr. Poh Kee Eng	-	-	-	-

The Directors by virtue of their interests in shares in the Company are also deemed to have interests in shares in all of its related corporations to the extent the Company has an interest, pursuant to Section 8 of the Companies Act 2016.

Notes :

1 Deemed interested by virtue of her substantial interests in Unique Wood Sdn. Bhd., ETI Blessed Holdings Sdn. Bhd. and the interests of her children in the Company

* Excluding 20,890,300 ordinary shares bought back by the Company and retained as treasury shares as at 23 October 2019

LIST OF THIRTY LARGEST SECURITIES ACCOUNTS HOLDERS
As at 23 October 2019

	Names	No. of ordinary shares	Percentage (%*)
1.	RHB Nominees (Tempatan) Sdn Bhd - Bank of China (Malaysia) Berhad Pledged Securities Account For Tiong Toh Siong Holdings Sdn Bhd	41,260,000	21.93
2.	Tiong Toh Siong Holdings Sdn Bhd	20,690,021	11.00
3.	Kinta Hijau Sdn Bhd	16,937,532	9.00
4.	Raya Abadi Sdn Bhd	16,575,033	8.81
5.	Citigroup Nominees (Asing) Sdn Bhd - Exempt An For Bank of Singapore Limited (Foreign)	9,580,210	5.09
6.	Pertumbuhan Tiasa Sdn Bhd	8,718,632	4.63
7.	Pertumbuhan Abadi Enterprises Sdn Bhd	7,542,295	4.01
8.	Asanas Sdn Bhd	7,200,000	3.83
9.	Insan Anggun Sdn Bhd	6,800,000	3.61
10.	CIMB Group Nominees (Asing) Sdn Bhd - Exempt An For DBS Bank Ltd (SFS-PB)	5,070,810	2.70
11.	Teck Sing Lik Enterprise Sdn Bhd	4,679,977	2.49
12.	Globegate Alliance Sdn Bhd	3,673,950	1.95
13.	Tiong Toh Siong & Sons Sdn Bhd	3,507,012	1.86
14.	Serrano Group Limited	2,639,490	1.40
15.	CIMB Group Nominees (Asing) Sdn Bhd - Exempt An For DBS Bank Ltd (SFS)	2,325,000	1.24
16.	Neoh Choo Ee & Company Sdn Bhd	1,851,900	0.98
17.	UOBM Nominees (Asing) Sdn Bhd - United Overseas Bank Nominees (Pte) Ltd For Novel Investment Group Limited	1,574,075	0.84
18.	UOBM Nominees (Asing) Sdn Bhd - United Overseas Bank Nominees (Pte) Ltd For Max Fortune Resource Inc.	1,449,200	0.77
19.	Dato' Tiong Ing	1,211,233	0.64
20.	Nustinas Sdn Bhd	1,195,950	0.64
21.	Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King	1,109,120	0.59
22.	Tiong Toh Siong Enterprises Sdn Bhd	1,050,000	0.56
23.	Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Datuk Tiong Thai King	987,120	0.52
24.	Dato' Tiong Ing	549,235	0.29
25.	Dynaquest Sdn Bhd	460,000	0.24
26.	Amsec Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Tiong Kiong King	442,773	0.24
27.	Loh Man Dee	400,000	0.21
28.	Ngu Yii Chuo	351,563	0.19
29.	Malacca Equity Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Ho Kok Kiang	306,600	0.16
30.	Foo Yong Lin	305,700	0.16
	Total	**170,444,431**	**90.58**

* Excluding 20,890,300 ordinary shares of RM1.00 each bought back by the Company and retained as treasury shares based on the Record of Depositors as at 23 October 2019

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Fourth Annual General Meeting of Subur Tiasa Holdings Berhad ("Subur" or "the Company") will be held at the Company's Auditorium Room, Ground Floor, No. 66-78, Pusat Suria Permata, Jalan Upper Lanang, C.D.T. 123, 96000 Sibu, Sarawak on Friday, 20 December 2019 at 11.30 a.m. for the following purposes:

A G E N D A

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 July 2019 together with the Reports of the Directors and Auditors thereon. **[Please refer to Explanatory Note (a)]**

2. To approve the payment of directors' fees of RM280,000 for the financial year ended 31 July 2019. **Resolution 1**

3. To re-elect Mr. Poh Kee Eng who retires in accordance with Article 86(a) of the Company's Articles of Association and being eligible, offers himself for re-election. **Resolution 2**

4. To re-elect the following directors who retire in accordance with Article 86(c) of the Company's Articles of Association and being eligible, offers themselves for re-election:

   i) YBhg. Dato' Tiong Ing; and **Resolution 3**
   ii) Mr. Tiong Kiong King **Resolution 4**

5. To re-appoint Messrs. Crowe Malaysia PLT as the Company's auditors until the conclusion of the next annual general meeting and to authorise the Directors to fix their remuneration. **Resolution 5**

As Special Business

6. To consider and, if thought fit, pass the following ordinary resolution:

   Continuation in office as Independent Director pursuant to Practice 4.2 of the Malaysian Code on Corporate Governance 2017 **Resolution 6**

   "THAT approval be and is hereby given to Mdm. Ngu Ying Ping who has served as an Independent Director of the Company for a consecutive term of more than nine (9) years, to continue in office as an Independent Director of the Company."

7. To consider and, if thought fit, pass the following ordinary resolution:

   Proposed renewal of authority for purchase of own shares by the Company **Resolution 7**

   "THAT, subject always to the Companies Act 2016 (as may be amended, modified or re-enacted from time to time) ("the Act"), rules, regulations and orders made pursuant to the Act, provisions of the Company's Memorandum and Articles of Association and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authorities, where applicable, the Company be hereby unconditionally and generally authorised to purchase and/or hold such an amount of ordinary shares ("Shares") in the Company ("Proposed Share Buy-Back") as may be determined by the Directors from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit, necessary and expedient in the interest of the Company provided that the total aggregate number of Shares purchased and/or held or to be purchased and/or held pursuant to this resolution shall not exceed ten percent (10%) of the total number of issued shares of the Company for the time being and an amount of funds not exceeding the Company's total retained profits at the time of purchase be allocated by the Company for the Proposed Share Buy-Back AND THAT such Shares purchased are to be retained as treasury shares and distributed as dividends and/or resold on the market of Bursa Securities, or subsequently may be cancelled;

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

AND THAT the Directors be and are hereby authorised and empowered to do all acts and things and to take all such steps and to enter into and execute all commitments, transactions, deeds, agreements, arrangements, undertakings, indemnities, transfers, assignments and/ or guarantees as they may deem fit, necessary, expedient and/or appropriate in order to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments, as may be required or imposed by any relevant authorities;

AND FURTHER THAT the authority hereby given will commence immediately upon the passing of this resolution and will continue to be in force until:

(a) the conclusion of the next annual general meeting of the Company, at which time it will lapse, unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions;

(b) the expiration of the period within which the next annual general meeting after that date is required by law to be held; or

(c) revoked or varied by ordinary resolution passed by the shareholders in general meeting.

whichever occurs first, in accordance with the provisions of the guidelines issued by Bursa Securities or any other relevant authorities."

8. To consider and, if thought fit, pass the following ordinary resolution:

Proposed renewal of shareholder mandate for recurrent related party transactions of a revenue or trading nature ("Shareholder Mandate") **Resolution 8**

"THAT approval be hereby given to the Company and its subsidiaries ("STH Group") to enter into any of the category of related party transactions which are recurrent, of a revenue or trading nature and are necessary for day-to-day operations of STH Group as outlined in point 3(b) of the Circular to Shareholders dated 21 November 2019 ("Circular"), with the specific related parties mentioned therein subject further to the following:

(a) the transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and not detrimental to the interest of the minority shareholders; and

(b) disclosure is made in the annual report a breakdown of the aggregate value of the transactions conducted pursuant to the Shareholder Mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed under Paragraph 10.09(1) of the Main Market Listing Requirements, and amongst others, based on the following information:

- the type of the recurrent related party transactions made; and
- the names of the related parties involved in each type of the recurrent related party transactions made and their relationship with the Company.

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

(a) the conclusion of the next annual general meeting ("AGM") of the Company, at which time it will lapse, unless by ordinary resolution passed at the meeting, the authority is renewed;

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

(b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(1) and 340(2) of the Companies Act 2016 ("Act") [but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act]; or

(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.

AND THAT the Directors of the Company be hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the Shareholder Mandate."

9. To consider and if thought fit, pass the following special resolution:

Proposed Adoption of New Constitution of the Company **Resolution 9**

"THAT the existing Memorandum and Articles of Association of the Company be and are hereby deleted in its entirety and that in place thereof, the proposed new constitution of the Company as set out in Part C of the Circular to Shareholders dated 21 November 2019 be and is hereby adopted as the new constitution of the Company with immediate effect;

AND THAT the Directors of the Company be and are hereby authorized to assent to any conditions, modifications and/or amendment as may be required by any relevant authorities, and to do all acts and things and take all such steps as may be consider necessary to give full effect of the foregoing."

10. To transact any other business which may properly be transacted at an annual general meeting, due notice of which shall have been previously given in accordance with the Companies Act 2016 and the Company's Articles of Association.

By Order of the Board of Directors
Ling Chieh Min (MIA 18531)
Voon Jan Moi (MAICSA 7021367)
Joint Company Secretaries

Dated : 21 November 2019
Sibu, Sarawak

Explanatory Notes

(a) This agenda item is meant for discussion only and therefore, it will not be put forward for voting.

(b) Ordinary resolution in relation to the re-election of Independent Director (proposed Resolution 2)
The Nomination Committee and the Board of Directors have assessed the independence of Mr. Poh Kee Eng and recommended him to be re-elected as the Director of the Company.

(c) Ordinary resolution in relation to continuation in office as Independent Director pursuant to Practice 4.2 of the Malaysian Code on Corporate Governance 2017 (proposed Resolution 6)
The proposed Resolution No. 6 is to seek shareholders' approval to retain Mdm. Ngu Ying Ping, whose tenure as Independent Director of the Company has exceeded tenure limit of nine (9) years. The Board of Directors ("Board") and the Nomination Committee have assessed her and thereby recommended that she continues in office as an Independent Director of the Company based on the following justifications:

i) her experience, networking, understanding of business and objectivity in approach enables her to provide the Board and Board Committees with pertinent expertise, skills and competence and her independent judgement will continue to add credence to the Company;

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

ii) she remains professionally independent and vocal, actively participated in deliberations and exercised independent judgement at Board and Board Committee meetings without being influenced by operational consideration; and

iii) she acts in the best interests of all shareholders and her continuation in office as Independent Director will provide a check and balance to operational management.

(d) Ordinary resolution on proposed renewal of authority for purchase of own shares by the Company (proposed Resolution 7)

The proposed Resolution No. 7, if passed, will renew the authority for the Company to purchase and/or hold up to ten per cent (10%) of the total number of issued shares of the Company through Bursa Malaysia Securities Berhad. This authority will expire at the conclusion of the next annual general meeting, unless revoked or varied by ordinary resolution passed by shareholders at general meeting.

Please refer to the Statement to Shareholders dated 21 November 2019 for further information.

(e) Ordinary resolution on Shareholder Mandate for recurrent related party transactions (proposed Resolution 8)

Paragraph 10.09 of Main Market Listing Requirements states that with regard to related party transactions which are recurrent, of a revenue or trading nature and which are necessary for day-to-day operations ("RRPT"), a public listed company may seek a shareholder mandate.

The proposed resolution No. 8, if passed, will authorise the Company and each of its subsidiaries to enter into RRPT with the mandated related parties as identified in point 3(b) of the Circular to Shareholders dated 21 November 2019 ("Circular"), which are necessary for day-to-day operations of the STH Group, provided that such transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and not detrimental to the interest of the minority shareholders.

By obtaining the Shareholder Mandate, the necessity to convene separate meetings from time to time to seek shareholders' approval as and when such RRPT occur would not arise. This would reduce substantial administrative time and costs associated with the convening of such meetings without compromising on the corporate objectives of the STH Group or adversely affecting the business opportunities available to the STH Group.

Please refer to the Circular for further information.

(f) Special resolution in relation to the proposed adoption of the New Constitution of the Company (proposed Resolution 9)

The proposed Resolution 9, if passed, will align the Constitution with the Companies Act 2016 which came into force on 31 January 2017, the updated provision of the Main Market Listing Requirements of Bursa Securities and the prevailing laws, guidelines or requirements of the relevant authorities, to enhance administrative efficiency and provide greater clarity.

Please refer to Part C of the Circular for further information.

Notes:

1. A member entitled to attend, speak and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his stead. A proxy may but need not be a member of the Company and there shall be no restriction as to the qualification of the proxy. A proxy appointed to attend, speak and vote at a meeting of a Company shall have the same rights as the member to speak at the meeting.
2. A member entitled to attend, speak and vote at this Annual General Meeting shall not be entitled to appoint more than two (2) proxies to attend, speak and vote at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

3. If the appointor is a corporation, the Form of Proxy must be executed under its Common Seal or under the hand of an officer or attorney duly authorized.
4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
5. The Form of Proxy must be deposited at the registered office of the Company at No. 66-78, Pusat Suria Permata, Jalan Upper Lanang, C.D.T. 123, 96000 Sibu, Sarawak not less than 48 hours before the time set for holding the meeting or any adjournment thereof.
6. A depositor whose name appears in the Record of Depositors as at 13 December 2019 shall be regarded as a member of the Company entitled to attend this Annual General Meeting or appoint a proxy to attend, speak and vote on his behalf.

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Subur Tiasa Holdings Berhad

[Registration No.: 199501012590 (341792-W)]
(Incorporated in Malaysia)

CDS Account no.	
Number of shares held	

FORM OF PROXY

I/We .... (Name in full) ....

(IC/Passport/Company No.) of .... (Address)

being a member/members of the abovenamed Company, hereby appoint ....

(Name in full) ………....................................…….. (IC/Passport No.) of ……..............………………………………

…... (Address) or failing him,

.... (Name in full) ……….........................…………… (IC/Passport No.)

of …………………….. (Address)
as my/our proxy to vote for me/us and on my/our behalf at the Twenty-Fourth Annual General Meeting of the Company to be held at the Company's Auditorium Room, Ground Floor, No. 66-78, Pusat Suria Permata, Jalan Upper Lanang, C.D.T. 123, 96000 Sibu, Sarawak on Friday, 20 December 2019 at 11.30 a.m. and any adjournment thereof.

Please indicate with an "X" in the appropriate box against each resolution how you wish your vote to be cast. If you do not indicate how you wish your proxy to vote on any resolution, the proxy shall vote as he thinks fit, or at his discretion, abstain from voting.

My/our proxy is to vote as indicated below:

No.	Resolutions	For	Against
1.	To approve the payment of directors' fees for the financial year ended 31 July 2019.		
2.	To re-elect Mr. Poh Kee Eng as Director.		
3.	To re-elect YBhg. Dato' Tiong Ing as Director.		
4.	To re-elect Mr. Tiong Kiong King as Director.		
5.	To re-appoint Messrs. Crowe Malaysia PLT as auditors.		
6.	To retain Mdm. Ngu Ying Ping as an Independent Director.		
7.	Proposed renewal of authority for purchase of own shares by the Company.		
8.	Proposed renewal of shareholder mandate for recurrent related party transactions of a revenue or trading nature.		
9.	To approve the proposed adoption of New Constitution of the Company.		

The proportions of *my/our holdings to be presented by my *proxy/our proxies are as follows:

Proxy 1	%
Proxy 2	%
Total	100%

Dated this .... day of 2019

....
Signature of shareholder(s)/common seal

Notes :

1. A member entitled to attend, speak and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his stead. A proxy may but need not be a member of the Company and there shall be no restriction as to the qualification of the proxy. A proxy appointed to attend, speak and vote at a meeting of a Company shall have the same rights as the member to speak at the meeting.
2. A member entitled to attend, speak and vote at this Annual General Meeting shall not be entitled to appoint more than two (2) proxies to attend, speak and vote at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
3. If the appointor is a corporation, the Form of Proxy must be executed under its Common Seal or under the hand of an officer or attorney duly authorized.
4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
5. The Form of Proxy must be deposited at the registered office of the Company at No. 66-78, Pusat Suria Permata, Jalan Upper Lanang, C.D.T. 123, 96000 Sibu, Sarawak not less than 48 hours before the time set for holding the meeting or any adjournment thereof.
6. A depositor whose name appears in the Record of Depositors as at 13 December 2019 shall be regarded as a member of the Company entitled to attend this Annual General Meeting or appoint a proxy to attend, speak and vote on his behalf.

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Affix Stamp
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The Secretary
Subur Tiasa Holdings Berhad
No 66-78, Pusat Suria Permata
Jalan Upper Lanang, C.D.T. 123
96000 Sibu, Sarawak
Malaysia

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SUBUR TIASA

Subur Tiasa Holdings Berhad (341792-W)
No. 66-78, Pusat Suria Permata, Jalan Upper Lanang
C.D.T. 123, 96000 Sibu, Sarawak, Malaysia
T +60 84 211 555 *F* +60 84 211 886
E info@suburtiasa.com
W www.suburtiasa.com