



CB INDUSTRIAL PRODUCT HOLDING BERHAD

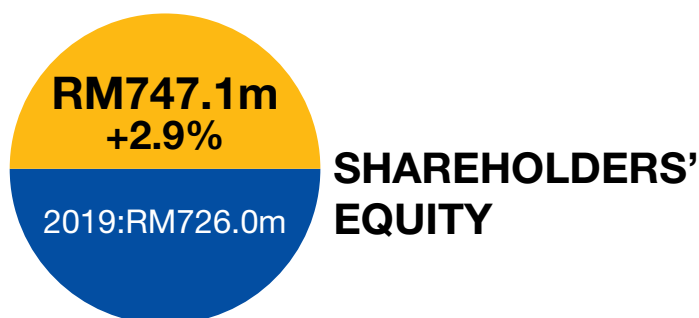
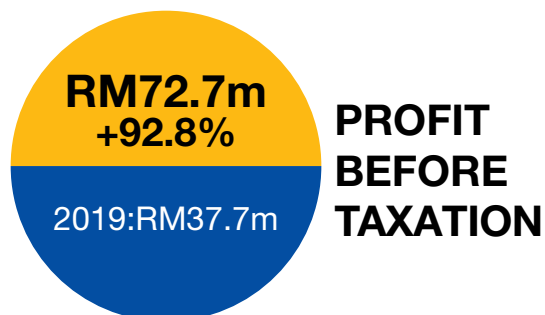
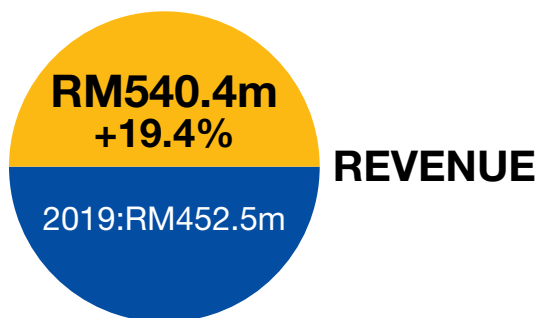
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# ANNUAL REPORT 2020

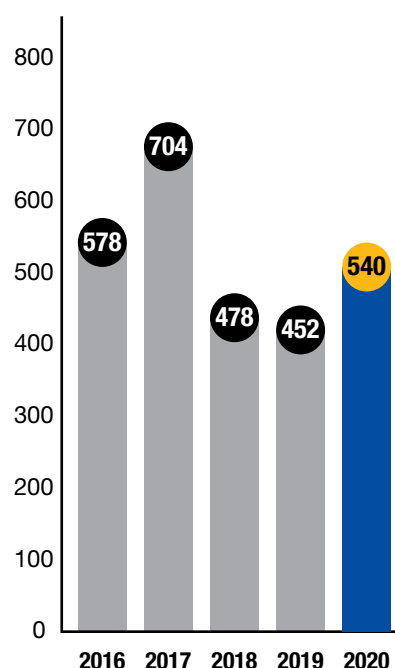
EQUIPPING PALM OIL MILLS  
WITH GREEN AND INNOVATIVE  
TECHNOLOGIES AROUND THE WORLD

# FINANCIAL HIGHLIGHTS

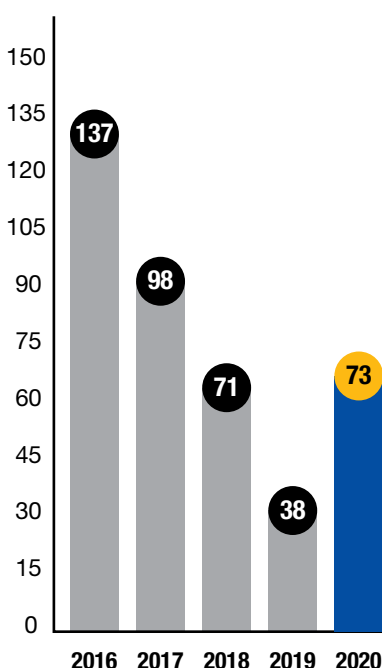


In RM'000	2016	2017	2018	2019	2020
Revenue	577,883	704,058	478,086	452,487	540,381
Profit Before Taxation	137,176	98,306	70,614	37,718	72,710
Profit Attributable To Shareholders	102,210	52,046	23,344	35,500	54,875
Shareholders' Equity	724,770	724,449	720,273	726,029	747,065
Earnings Per Share (Sen)	19.5	9.8	4.4	6.6	11.2

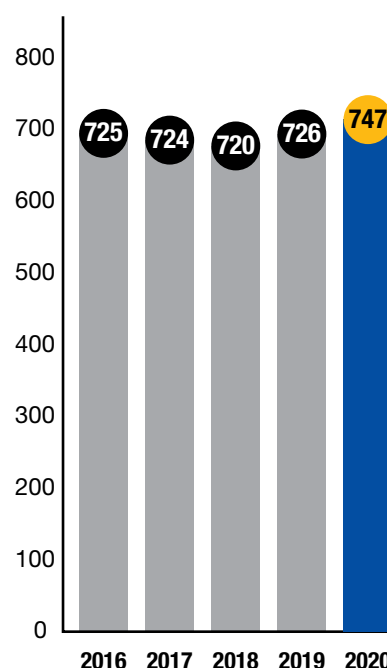
**REVENUE**  
(RM Million)



**PROFIT BEFORE TAXATION**  
(RM Million)



**SHAREHOLDERS' EQUITY**  
(RM Million)



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# 24<sup>th</sup> ANNUAL GENERAL MEETING

**Date**  
28th June 2021

**Time**  
10:00am

The 24th Annual General Meeting will be conducted fully virtual and live-stream

**Broadcast Venue**  
Aquamarin Room  
The Saujana Hotel Kuala Lumpur  
Jalan Lapangan Terbang SAAS  
40150 Shah Alam  
Selangor Darul Ehsan

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# VISION & MISSION

## OUR VISION

To be the preferred provider of innovative engineering products and solutions to the global oil palm industry and related sectors.





# OUR MISSION

## SHAREHOLDERS

To continue to enhance shareholder's value.

## LEADER

To be the leading global manufacturer and supplier of technologically advanced and cost effective palm oil mills.

## INNOVATOR

To be a reliable, reputable, speedy and competitive provider of quality and innovative engineering products and solutions.

## CORPORATE CITIZEN

To continue to be a responsible corporate citizen who contributes towards its social and environmental responsibilities.

## CUSTOMERS

To exceed customers expectations through our expertise, research & development and strategic collaborations.

## WORKFORCE

To develop a highly motivated, efficient and creative workforce by providing opportunities for growth and clear career path.

# CHAIRMAN'S STATEMENT



**TAN SRI DATUK  
DR. YUSOF BIN BASIRAN**  
*Independent Non-Executive  
Chairman*

**Dear Shareholders,**

On behalf of the Board of Directors of CB Industrial Product Holding Berhad (“CBIP” or “the Company”), I am pleased to present the Annual Report and Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2020.

# CHAIRMAN'S STATEMENT

## Introduction

For the financial year under review, the Group registered a higher revenue of RM540.4 million with the profit before tax ("PBT") recorded at RM72.7 million representing an increase of 19.4% and 92.8% as compared to the preceding financial year's revenue of RM452.5 million and PBT of RM37.7 million respectively.

## Management Discussion and Analysis

The detailed analysis on the performance for the financial year ended 31 December 2020 is discussed in the enclosed Management Discussion and Analysis Statement.

## Moving Forward

The Global economy was surrounded by uncertainties driven by concerns over the unprecedented Covid-19 outbreak, which is considered as one of the most disruptive pandemics. Throughout year 2020, the Group's external demand, operating conditions and supply chain were impacted by the continuing global spread of Covid-19 and implementation of lockdowns. The short-term economic outlook domestically is expected to be dim with further re-introduction of enforcement on movement restrictions as the third wave of Covid-19 began its disruption in January 2021.

The Equipment and Engineering Segment anticipates a stable demand in the near future whereas the Plantation and Milling Segment foresees stable market conditions and strong consumer sentiment in year 2021. The Special Purpose Vehicle Segment expects market environment to remain challenging in year 2021 amidst stiff competition on open market tendering.

Heading into 2021, barring any unforeseen adverse local and/or global events, it is anticipated that the situation will improve given the expected upswing of the broad-based world economies following the successful Covid-vaccine related developments.

In view of the continuous volatile challenges and uncertainties in market forecast for the year 2021, CBIP Group are optimistic of the Group's financial performance in the coming financial year 2021.

## Dividends

The Company has consistently paid dividends each year while allocating funds for business growth and investment. The Company paid a first single-tier dividend of 2.0 sen per share for the financial year ended 31 December 2020 on 28 October 2020, and second single-tier dividend of 2.0 sen per share for the financial year ended 31 December 2020 on 10 May 2021.

The Company will endeavour to reward our shareholders with good dividend pay-out each year despite the current challenging market condition.

## Acknowledgement

The Board and I would like to take this opportunity to express our sincere thanks and appreciation to the Management and staff for their continuous valuable contribution, loyalty and dedication to the Group. We also wish to record our heartfelt gratitude to our shareholders, customers, partners, bankers, business associates and all the respected government authorities for their invaluable support and assistance, continuous trust and understanding during the year.

**Tan Sri Datuk Dr. Yusof Bin Basiran**

*JMN, PJN, PSM*

*Independent Non-Executive Chairman*

# BOARD OF DIRECTORS



**TAN SRI DATUK  
DR. YUSOF BIN BASIRAN**  
*Independent Non-Executive  
Chairman*



**DATUK LIM CHAI BENG**  
*Managing Director*



**TENGGU DATO' ARDY  
ESFANDIARI BIN TENGGU  
ABDUL HAMID SHAH ALHAJ  
TENGGU SERI PADUKA  
SHAH BANDAR (SELANGOR)**  
*Executive Director*



**MAK CHEE MENG**  
*Executive Director*



**LIM CHAI HUAT**  
*Non-Independent  
Non-Executive Director*



**WONG CHEE BENG**  
*Senior Independent  
Non-Executive Director*



**KARPANADEVI A/P K R  
SOMASUNDRAM**  
*Independent  
Non-Executive Director*



**LIM ZEE PING**  
*Alternate Director to  
Datuk Lim Chai Beng*



# PROFILE OF DIRECTORS



## TAN SRI DATUK DR. YUSOF BIN BASIRAN

*Independent Non-Executive Chairman*

**TAN SRI DATUK DR. YUSOF BIN BASIRAN**, Male, Age 72, Malaysian, was appointed to the Board on 20 February 2006.

He is involved in the following organisations:-

- Senior Fellow and Past President of Academy Sciences Malaysia (ASM)
- Fellow member of Malaysian Oil Scientists' and Technologists' Association (MOSTA)
- Fellow member of the Incorporated Society of Planters

His notable academic achievements are as follows:-

- In 1972, he obtained his Bachelor in Chemical Engineering Degree from the University of Canterbury, New Zealand;
- In 1974, he obtained his Post-Graduate Degree in Rubber Technology (ANCRT) from the North London Polytechnic, United Kingdom; and
- In 1976, he obtained his Masters Degree in Engineering specialising in Industrial Management (M.E.) and also in Business Administration (MBA) from the Catholic University of Leuven in Belgium.

Before he joined Palm Oil Research Institute of Malaysia (PORIM) in 1979, he held the position of Rubber Technologist/ Techno-Economist with the Rubber Research Institute (RRI)/ Malaysian Rubber Research Development Board (MRRDB).

In 1986, he completed his doctorate with a PhD in Applied Economics and Management Science from the University of Stirling, Scotland. He was later appointed as the Director-General of PORIM in 1992. He held the position for 8 years until April 2000 before assuming the role of the Director-General of Malaysian Palm Oil Board (MPOB), an organisation which existed as a result of a PORIM and Palm Oil Registration and Licensing Authority (PORLA) merger, from 1 May 2000 until 18 January 2006. He was formerly the Chief Executive Officer of the Malaysian Palm Oil Council (MPOC) and a Director of Bank Negara Malaysia. He is currently the Executive Director of the Council of Palm Oil Producing Countries (CPOPC).

For all these services, he was conferred the Federal Awards Darjah JOHAN MANGKU NEGARA (J.M.N.), Darjah Yang Mulia PANGLIMA JASA NEGARA (P.J.N.) and Darjah Kebesaran PANGLIMA SETIA MAHKOTA (P.S.M.)

## PROFILE OF DIRECTORS



**DATUK LIM CHAI BENG**

*Managing Director*

**DATUK LIM CHAI BENG**, Male, Age 62, Malaysian, was appointed to the Board on 3 February 1999.

He is one of the founders of C.B. Industrial Product Sdn. Bhd. and also the Managing Director of this subsidiary company, a position he holds until today. He is also the Managing Director of the subsidiary companies, Modipalm Engineering Sdn. Bhd. and PalmitEco Engineering Sdn. Bhd. He has vast experience in the engineering industry. He is the driving force behind the Group's growth and responsible for the overall management and formulation of the Group's strategic plans and policies. He possesses strong inter-personal and management skills, which inculcates a good rapport with the highly motivated and dedicated workforce.

On 28 July 2009, Datuk Lim was awarded the Outstanding Entrepreneurship Award 2009 by Enterprise Asia.



**TENGGU DATO' ARDY ESFANDIARI BIN  
TENGGU ABDUL HAMID SHAH ALHAJ  
TENGGU SERI PADUKA SHAH BANDAR  
(SELANGOR)**

*Executive Director*

**TENGGU DATO' ARDY ESFANDIARI BIN  
TENGGU ABDUL HAMID SHAH ALHAJ  
TENGGU SERI PADUKA SHAH BANDAR  
(SELANGOR)**, Male, Age 61, Malaysian, was appointed to the Board on 3 February 1999.

He is an established business entrepreneur with extensive networking and great public relations skills. He was previously the Director/Project Director of Worldwide Holdings Berhad for more than 8 years and was involved in the restructuring exercise of the Company in the year 1990.

He was appointed as a director of C.B. Industrial Product Sdn. Bhd. in 1994 and is responsible for the public affairs and government liaison of this subsidiary company. He is also the Managing Director of the subsidiary company, AVP Engineering (M) Sdn. Bhd., principally involved in the retrofitting of special purpose vehicles.

He was bestowed with the Darjah Kebesaran Dato'-Sultan Sharafuddin Idris Shah (D.S.I.S.) award in conjunction with the 67th birthday of the Sultan of Selangor.

## PROFILE OF DIRECTORS



### **MAK CHEE MENG**

*Executive Director*

**MAK CHEE MENG**, Male, Age 66, Malaysian, was appointed to the Board on 3 February 1999.

Prior to joining C.B. Industrial Product Sdn. Bhd. in 1994, he was the Manager (Industrial Division) from 1982 to 1989 for Centrimax Engineering Sdn. Bhd., a company principally involved in the supply of palm oil mill equipment and related services, where he was responsible for the sales and marketing division. He is the founder of AV-Ecopalms Sdn. Bhd. and Avecpalm Marketing Resources Sdn. Bhd. He is instrumental in developing the export market in the West African countries, Papua New Guinea and the South American tropical belt countries.

From 2010 to 2012, he was appointed as the Plantation Director of Sachiew Plantations Sdn. Bhd. to oversee the operations of Sachiew Plantations Sdn. Bhd. and Empresa Estate Sdn. Bhd. and Palm Oil Milling. He is currently the Managing Director of the subsidiary company, AV-Ecopalms Sdn. Bhd., managing the green field development of 32,000 ha potential landbank for oil palm cultivation in Central Kalimantan, Indonesia.



### **LIM CHAI HUAT**

*Non-Independent Non-Executive Director*

**LIM CHAI HUAT**, Male, Age 60, Malaysian, was appointed to the Board on 3 February 1999. He is a member of the Audit Committee and Nomination and Remuneration Committee.

He is one of the founders of C.B. Industrial Product Sdn. Bhd. He joined Chin Beng Engineering Works in 1980 as the Operations Manager. When Chin Beng Engineering Works was incorporated into a private limited company under its present name of C.B. Industrial Product Sdn. Bhd. in 1983, he was promoted to Production Manager due to his vast experience and track record in the manufacturing division. In 1985, he was further promoted to Project Director where he headed the project team and managed the Project Division e.g. construction of the plants in Telok Panglima Garang currently housed as Head Office of CBIP Group. He is currently acts as an advisor for palm oil mill projects and the administration of the factory and Property Division.

He is the Managing Director of Freiberg (Malaysia) Sdn. Bhd., and Freiberg Office System Sdn. Bhd. companies which were granted a license from Australia to manufacture environmental office furniture and partitions. He is also a Director of Office 2 Go (M) Sdn. Bhd. and Freiberg Properties Private Limited Company which involved in trading of office furniture and properties leasing businesses.

## PROFILE OF DIRECTORS



**WONG CHEE BENG**

*Senior Independent Non-Executive Director*

**WONG CHEE BENG**, Male, Age 67, Malaysian, was appointed to the Board on 23 May 2002. He is the Chairman of the Audit Committee and a member of the Nomination and Remuneration Committee.

He is a member of the Malaysian Institute of Certified Public Accountants and a member of the Malaysian Institute of Accountants. He also holds a Master of Business Administration (MBA) from Brunel University, United Kingdom and is a Certified Financial Planner (CFP).

He has more than 30 years of experience in the areas of auditing, accounting, financial management, business entrepreneurship and company secretarial work.



**KARPANADEV I A/P K R SOMASUNDRAM**

*Independent Non-Executive Director*

**KARPANADEV I A/P K R SOMASUNDRAM**, Female, Age 58, Malaysian, was appointed to the Board on 14 November 2019. She is the Chairperson of the Nomination and Remuneration Committee and a member of the Audit Committee.

She hold a Post Graduate Diploma in Law (CPE) and BA (Hons) in Law and Politics from University of North London, United Kingdom. She has more than 29 years of working experience in United Kingdom and Asia, cross-functionally in different industries including Government sector in United Kingdom.

She has vast experience in the areas of Enterprise Risk Management, Corporate Governance, Legal and Compliance and has strong capability in identifying inherent risks in business. She has previously held several senior management positions in the areas of risk management and compliance with financial institution and listed company in Malaysia, and also sits on the Board of private limited companies of Healthtech and Investment Holdings. She is a member of Institute of Corporate Directors (ICDM), Malaysian Alliance of Corporate Directors (MACD), Malaysian Institute of Corporate Governance (MICG) and KPMG Board Leadership Centre.

## PROFILE OF DIRECTORS



### **LIM ZEE PING**

*Alternate Director to  
Datuk Lim Chai Beng*

**LIM ZEE PING**, Male, Age 35, Malaysian, was appointed as an Alternate Director to Datuk Lim Chai Beng, the Managing Director of the Company, on 6 June 2014.

Mr Lim graduated from Monash University of Australia with a Bachelor of Engineering in the field of Mechanical Engineering. He has worked in Modipalm Engineering Sdn. Bhd. after his graduation since year 2010. Having spending his time at the production, he is currently involving in the sales & marketing department, where he oversees the overseas market such as Africa, Central America and Papua New Guinea.

# PROFILE OF KEY SENIOR MANAGEMENT

## TAN HOCK YEW

*Chief Financial Officer*

*Male, Age 53, Malaysian.*

Mr Tan joined the Company as the Group Accountant in 1997 and later promoted as the Chief Financial Officer. Prior to joining the Company, he had worked in a public accounting firm for 4 years. He has more than 20 years of experience in the areas of auditing, accounting and finance.

He graduated with his professional qualification from the Chartered Institute of Management Accountants (“CIMA”) in 1993. He was admitted as an associate member of CIMA in 1996. He is also a member of the Malaysian Institute of Accountants since 1997.

He is also a Director of several subsidiaries of CBIP in Indonesia.

## LIM ZEE YANG

*Corporate Development And Corporate Relation Manager*

*Male, Age 31, Malaysian.*

Mr Lim graduated from University of Melbourne with a Bachelor in Commerce in the field of finance. Prior to joining the Company in 2013, he worked for one and a half years as an analyst in the Corporate Finance Department of Maybank Investment Bank Berhad, where he was involved in various corporate exercises ranging from take-overs, initial public offerings as well as mergers and acquisitions.

He is currently responsible for screening and evaluation of new business initiatives for the Group and also heads the investor relations department, tasked with engaging in active communication with various stakeholders of CBIP Group.

## TAN YU HWA

*Executive Director - Engineering Segment*

*Male, Age 62, Malaysian.*

Mr Tan graduated with B.Sc. (Hons) Mechanical Engineering from University of Sussex and Master of Business Administration from University of Hull. He was appointed as the Executive Director of C.B. Industrial Product Sdn. Bhd. on 8 August 2000. Subsequently, he was also appointed as the Executive Director of Modipalm Engineering Sdn. Bhd. and PalmitEco Engineering Sdn. Bhd. in year 2005 and 2016 respectively. Prior to joining the Company, he had worked as Palm Oil Mill Engineer and Manager at Golden Hope Plantations Berhad and as the General Manager of Guthrie Medium Density Fiberboard Sdn. Bhd. He has more than 35 years of experience in engineering and palm oil industries.

He is currently overseeing the project and engineering segment. He is also a Director of several subsidiaries within CBIP Group.

## PROFILE OF KEY SENIOR MANAGEMENT

### **KOO BOON HOE**

*Executive Director - Boiler Segment*

*Male, Age 63, Malaysian.*

Mr Koo was appointed as the Executive Director of Advance Boilers Sdn. Bhd. on 12 January 2006. Prior to joining the Company, he had worked with American and German based Multi-National Companies for 23 years where he responsible for the Industrial Control and Fluid Automation Division. Thereafter, he was promoted as the General Manager.

Currently, he oversees the overall operation of the boiler segment including sales and marketing.

### **DATO' KU AZHAR BIN KU AHMAD**

*Executive Director - Special Purpose Vehicles Segment*

*Male, Age 56, Malaysian.*

Dato' Ku Azhar graduated from The University of New South Wales Australia with Bachelor of Engineering in Mechanical Engineering. Before joining the Company, he had worked with UMW Engineering (M) Sdn. Bhd. and Guthrie Industries (M) Sdn. Bhd. as Assistant Design Manager and Production Manager for 6 years and 9 years respectively.

He was appointed as the Executive Director of AVP Engineering (M) Sdn. Bhd. in 2004. He is currently involving in overall marketing and production of the Special Purpose Vehicles Segment. He is also a Director of several subsidiaries within the CBIP Group and a shareholder of AVP Engineering (M) Sdn. Bhd.

### **SITI ZAWIYAH BINTI ALIAS**

*Operation Director - Special Purpose Vehicles Segment*

*Female, Age 51, Malaysian.*

Puan Siti Zawiyah graduated from University Technology of Malaysia (UTM) with Bachelor Degree of Mechanical Engineering in Industrial. She joined AVP Engineering (M) Sdn. Bhd. as Senior Manager in 2005 and was appointed as the Operation Director of AVP Engineering (M) Sdn. Bhd. in 2017. She is also a shareholder of AVP Engineering (M) Sdn. Bhd. Prior to joining the Company, she had worked with Wagon Engineering Sdn. Bhd. as Manager for 8 years and with Guthrie Industries (M) Sdn. Bhd. as Head of Specialized Vehicle for 5 years.

Currently, she is responsible for the daily operation of AVP Engineering (M) Sdn. Bhd. and managing all potential projects, projects in hand and after sales support.

## ***Notes to Directors' and Key Senior Management's Profile:***

### **1. Family Relationships**

Datuk Lim Chai Beng is a major shareholder of the Company.

Mr Lim Chai Huat is the brother of Datuk Lim Chai Beng.

Mr Lim Zee Ping and Mr Lim Zee Yang are the sons of Datuk Lim Chai Beng and nephew of Mr Lim Chai Huat.

The other Directors and Key Senior Management do not have any family relationship with any Director and/or major shareholder of the Company.

### **2. Conflict of Interest**

None of the Directors and Key Senior Management has any conflict of interest with the Company.

### **3. Conviction of Offences**

None of the Directors and Key Senior Management has been convicted for offences within the past five (5) years other than traffic offences or any public sanction or penalty imposed on him/her by the relevant regulatory bodies during the financial year 2020.

### **4. Attendance at Board Meetings**

The details of attendance of the Directors at the Board Meeting are set out on page 60 of this Annual Report.

### **5. Directors' Shareholdings**

The details of the Directors' interest in the securities of the Company are set out in the Analysis of Shareholdings on page 174 of this Annual Report.

### **6. Directorships in Public Companies and Listed Issuers**

Save as disclosed herein, none of the Directors and Key Senior Management hold any other directorship of public companies and listed issuers.



# MANAGEMENT DISCUSSION AND ANALYSIS

## COMMENTARY ON THE FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2020

The historical five years financial information of CBIP are set out below:

	2016 (RM'000)	2017 (RM'000)	2018 (RM'000)	2019 (RM'000)	2020 (RM'000)
Revenue	577,883	704,058	478,086	452,487	540,381
Profit before tax	137,176	98,306	70,614	37,718	72,710
Finance costs	1,462	2,324	4,650	10,990	10,477
Profit attributable to owners of the Company	102,210	52,046	23,344	35,500	54,875
Shareholders' equity	724,770	724,449	720,273	726,029	747,065
Total assets	1,020,497	1,003,437	1,082,408	1,151,992	1,116,523
Loans and borrowings	31,972	67,267	126,686	177,851	171,983
Debt-to-equity (%)	4.13	8.56	15.93	22.12	21.01
Basic earnings per share (sen)	19.5	9.8	4.4	6.6	11.2
Net assets per share (RM)	1.48	1.50	1.55	1.59	1.67
Dividend per share (sen)	6.0	6.0	4.0	2.0	4.0

The share performance of CBIP during 2020 is set out below:

Year high	RM1.24
Year low	RM0.68
Year close	RM1.11
Market capitalisation as at 31 December 2020	RM543,182,893

## BUSINESS SEGMENTS

### 1) Palm Oil Equipment and Engineering Segment

Our Palm Oil Equipment and Engineering Segment has been supplying palm oil mills globally with high quality processing parts since the 1970s. Our business model is centred around the supply of machineries and turnkey construction of both the Modipalm Continuous Sterilisation and conventional palm oil mills for both the local and overseas oil palm plantation companies. We serve a wide array of clientele which includes, but not limited to Sime Darby Plantation, TH Plantations, United Plantations and PT Sinarmas in Indonesia. Besides turnkey construction, we are also involved in the sales of palm oil equipment and spare parts to the palm oil milling industry.

Our primary products among others, includes fresh fruit bunch crushers, pressure vessels and threshers. Geographically, our customers include well established companies in Indonesia, Malaysia, Papua New Guinea, Thailand, Africa and Central American region.

Our suppliers provide us with various raw materials used in the palm oil mill manufacturing which includes but not limited to mild steel plates, stainless steel plates, pumps and motors.

## MANAGEMENT DISCUSSION AND ANALYSIS

The historical five years revenue and profit before tax of the Palm Oil Equipment and Engineering Segment are set out below:

Year	Revenue (RM'000)	Profit Before Tax (RM'000)
2016	416,231	102,598
2017	366,175	78,686
2018	340,274	82,056
2019	394,373	87,403
2020	298,373	102,590

Our strategy for the Palm Oil Equipment and Engineering Segment is to grow our revenue by expanding existing clientele business while developing new ones to achieve a sustainable growth path. We also target to expand our sales of palm oil equipment and spare parts business by creating and expanding our distribution network through fostering of strategic partnership with local dealers.

Continued investment in research & development remains as the core of the overall strategy of the Group. We have invested our resources with the expectation of commercialising the zero-discharge technology which is an innovative solution focused on making waste management within palm oil mills, a sustainable and environmentally friendly process. We plan to commercialise this technology in the near to the medium term.

Our Palm Oil Equipment and Engineering Segment is exposed to certain risk factors affecting its business, namely lower crude palm oil prices which affects the capital expenditures of oil palm plantation companies, the depreciation of US Dollars against the Malaysian Ringgit as some of our contracts are denominated in US Dollars and also the prices of steel which is the main raw material used in the manufacture of palm oil mills and equipment.

### 2) Special Purpose Vehicles Segment

Our Special Purpose Vehicles Segment is involved in the retrofitting of special purpose vehicles wherein we supply various types of specialised vehicles which includes, among others, medium and heavy-duty trucks, fire-fighting vehicles and ambulances.

Our customer base includes various agencies such as the Ministry of Urban Wellbeing, Housing and Local Government, the Ministry of Health and the National Security Council. Currently our market is only within Malaysia.

Our local and foreign suppliers provide us with various work in progress materials such as vehicle chassis and equipment needed to be retrofitted into the vehicles by us.

The historical five years revenue and profit before tax of the Special Purpose Vehicles Segment are set out below:

## MANAGEMENT DISCUSSION AND ANALYSIS

Year	Revenue (RM'000)	Profit/(Loss) Before Tax (RM'000)
2016	158,371	26,316
2017	327,840	35,798
2018	120,707	43,896
2019	2,757	2,395
2020	15,455	(7,323)

Our strategy for the Special Purpose Vehicles Segment is to continue to pursue opportunities and grow our vehicles portfolio to meet the increasing need for such specialised vehicles by the government bodies. This strategy will ensure a long-term growth pathway as the Special Purpose Vehicles Segment continues to strengthen and grow its capabilities. It was very challenging during 2019 and 2020. Nevertheless, our Special Purpose Vehicles Segment will continue to pursue business developments with government bodies in overseas market.

Our Special Purpose Vehicles Segment is exposed to certain risk factors affecting its business, namely the depreciation of the Malaysian Ringgit against the Euro for the purchases of materials as well as the government's expenditure budget which will affect the demand of our products.

### 3) Refinery Segment

This is a new business segment which commenced its operation in early 2020.

Our Refinery Segment is involved in trading and processing of oil commodities, among others, mainly crude palm oil, crude palm kernel oil, sludge palm oil and refined bleached deodorised palm oil.

Our refinery (i.e. pre-treatment) plant have a capacity of 120,000MT/year which have been fully operational since the beginning of 2020.

A biodiesel plant with a capacity of 134,000MT/year which is currently undergoing refurbishment and is targeted to be fully operational in third quarter of 2021 barring any unforeseen delays.

The current year revenue and loss before tax of the Refinery Segment are set out below:

Year	Revenue (RM'000)	Loss Before Tax (RM'000)
2020	149,695	(3,774)

Our strategy for the Refinery Segment is to complete the commissioning of biodiesel plant to enhance our flexibility to produce either the refined oil or biodiesel which are mainly targeting the export market.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 4) Palm Oil Plantation and Milling Segment, Associates and Joint Ventures

Our Palm Oil Plantation and Milling Segment is involved in the cultivation of oil palm in Indonesia and Sarawak. In Indonesia, we have a land bank of approximately 30,000 hectares, of which 13,600 hectares has been planted as at 31 December 2020. We have interest of approximately 7,352 hectares of mature oil palms in Sarawak through our Associates and Joint Venture companies. Our main suppliers amongst other, are mainly fertiliser and chemical companies.

The historical five years revenue and loss before tax of the Palm Oil Plantation and Milling Segment and share of results of Associates and Joint Venture are set out below:

Year	Revenue (RM'000)	Loss Before Tax (RM'000)
2016	3,281	(7,557)
2017	10,043	(9,162)
2018	17,105	(8,771)
2019	50,037	(19,737)
2020	76,858	(10,947)

Year	Share of results of Associates and Joint Venture Profit/(Loss) after tax (RM'000)
2016	9,016
2017	12,851
2018	(22,852)
2019	(6,856)
2020	6,367

Our strategy for the Palm Oil Plantation and Milling Segment is to complete our new planting in Indonesia soonest possible. Our first palm oil mill has been completed and had commenced operation. With the commissioning of the new palm oil mill, the Milling Segment will add another new revenue stream to our Group.

## OPERATIONS REVIEW

### Financial Results

For the financial year ended 31 December 2020, the Group achieved a revenue of RM540.4 million representing a year-on-year increase of 19.4%. The increase in revenue was mainly due to contribution of RM149.7 million from the Refinery Segment which have been in full operation since early 2020 as well as the Special Purpose Vehicles Segment.

Correspondingly, the Group's profit before tax also increased from RM37.7 million to RM72.7 million representing an increase of 92.8% in profit as compared to the previous financial year. The increase in profit before tax was largely due to a few factors, namely stronger financial performance from the Palm Oil Equipment and Engineering Segment with its higher profit margin and lower production cost as well as lower loss incurred in the Palm Oil Plantation and Milling Segment coupled with higher share of results from Associates and Joint Venture.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Palm Oil Equipment and Engineering Segment reported higher profit before tax by 17.4% despite a 24.3% lower revenue as compared to the last financial year. The decrease in revenue was mainly due to the lower projects billing and implementation during the current financial year. The increase in profit was mainly due to higher project margin resulting from lower production costs. Furthermore, the profit in the last financial year was undermined by the impairment losses on receivables, goodwill and investment in associates.

The Palm Oil Plantation and Milling Segment reported higher revenue mainly due to the higher revenue generated from its palm oil milling operation. The segment incurred lower loss of RM10.9 million as compared to a loss of RM19.7 million in the last financial year. The improvement was mainly due to higher prices of palm products during the current financial year. The Associates and Joint Venture improved from an aggregated losses of RM6.9 million in the last financial year to a combined share of profit of RM6.4 million in the current financial year. The improvement was mainly due to higher prices of palm products during the current financial year.

### Liquidity and Capital Resources

The Group's cash and cash equivalents increased by 4.4% to RM140.3 million from RM134.4 million in the previous financial year mainly due to proceeds from disposal of a property of one of its subsidiary.

The Group's loans and borrowings decreased by 3.3% from RM177.9 million at the end of previous financial year to RM172.0 million mainly due to early settlement of a term loan relating to disposal of a property. The Group's debt/equity ratio has decreased to 0.21 as compared to 0.22 at the end of previous financial year. The overall capital management objective of the Group is to safeguard its ability to continue as a going concern so as to provide fair returns to shareholders and benefits to other stakeholders. In order to meet this objective, the Group has always strive to maintain an optimal capital structure to reduce the cost of capital and sustain its business development.

### Working Capital Position

As at 31 December 2020, the Group has receivables of RM229.0 million, a decrease of 24.3% as compared to RM302.4 million as at 31 December 2019. This was mainly due to decrease in trade receivables resulting from effective credit control implemented by the Palm Oil Equipment and Engineering Segment.

The Group's inventories increased by 49.2% to RM71.0 million from RM47.6 million in the previous financial year mainly due to additional inventories held by the new Refinery Segment.

As at 31 December 2020, the Group has payables of RM83.7 million, a decrease of 13.7% as compared to RM97.0 million as at 31 December 2019. The decrease was in line with the decrease in project implementation and billings during the financial year by the Palm Oil Equipment and Engineering Segment.

## RISK FACTORS

### Social, Political and Economic Risks

Similar to all other businesses, adverse developments in the economic, political and social conditions in Malaysia and other international markets in which our Group has material operations could materially and adversely affect the business and financial performance of our Group as well and cause a slowdown of the Group's growth plans. These include risks of changes in political leadership, war, expropriation, nationalisation, changes in government policies, global economic downturn, epidemic outbreaks, social unrests, changes in currency exchange rates,

# MANAGEMENT DISCUSSION AND ANALYSIS

interest rates and accounting standards and unfavourable changes in government policies such as introduction of new regulations, interest rate hikes and increase in taxation.

Our Group continues to take corrective measures to mitigate these risks including close monitoring of the Government's masterplan in respect of long term economic and development policies so that we can stay ahead as well as capitalise on any regulatory changes in the industries that our Group operates.

## **The Management Team and Experienced Personnel**

The management team has the breadth and depth of expertise necessary to manage the Group. Together with a large pool of home-grown talent, the management team is well-tuned to the domestic, regional, global dynamics and challenges of the industry. Representatives of our major shareholders on our Board bring an invaluable set of expertise and relationships to guide our long-term strategic growth. Moreover, CBIP has one of the best workforce in the industry with positive employee relations and strong employee loyalty.

Our Directors recognise the importance of our Group's ability to attract and retain its key personnel and retain a sufficient number of highly skilled employees. Therefore, we continue to provide our employees with long-term career prospects within our Group and job rotation opportunities to develop multiple skills. Our productivity driven reward structure motivates our employees to reach our competitive productivity standards and continuously seek for improvements.

## **Price and Foreign Currency Fluctuation Risks**

The price of crude palm oil and palm kernel are based on global prices, which tend to be cyclical and subject to fluctuations. Global prices are in turn affected by the availability of agricultural commodities, of which supply is affected by unpredictable factors such as weather conditions, labour adequacy and soil condition while demand is affected by factors such as changes in population growth, changes in standard of living, bio-diesel demand and global production of substitute and competitive crops.

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Ringgit Malaysia. The foreign currency risk is partially managed through a natural hedge between the sales and purchases in the same currencies, the remaining is monitored closely on an on-going basis to ensure that the net exposure is at an acceptable level.

## **Competitive Environment**

In its operations, CBIP competes with many companies of various sizes. There can be no assurances that we will not be affected by our competitors especially those who operate in the palm oil milling and special purpose vehicle. However, we are confident with our competitive advantages as we are able to adapt through continuous business development and innovation in order to maintain and grow our standing in both market places.

## **PROSPECT MOVING FORWARD**

The Covid-19 pandemic has severely disrupted the world supply chains. Performance of most businesses in 2021 are expected to be affected. However, the Group is cautiously optimistic it will be able to perform despite such a challenging environment.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Tan Sri Datuk Dr. Yusof Bin Basiran  
*Independent Non-Executive Chairman*

Datuk Lim Chai Beng  
*Managing Director*

Tengku Dato' Ardy Esfandiari Bin Tengku Abdul Hamid Shah  
Alhaj Tengku Seri Paduka Shah Bandar (Selangor)  
*Executive Director*

Mak Chee Meng  
*Executive Director*

Lim Chai Huat  
*Non-Independent Non-Executive Director*

Wong Chee Beng  
*Senior Independent Non-Executive Director*

Karpanadevi A/P K R Somasundram  
*Independent Non-Executive Director*

Lim Zee Ping  
*Alternate Director to Datuk Lim Chai Beng*

## AUDIT COMMITTEE

Wong Chee Beng  
*Chairman, Senior Independent Non-Executive Director*

Karpanadevi A/P K R Somasundram  
*Independent Non-Executive Director*

Lim Chai Huat  
*Non-Independent Non-Executive Director*

## NOMINATION AND REMUNERATION COMMITTEE

Karpanadevi A/P K R Somasundram  
*Chairperson, Independent Non-Executive Director*

Wong Chee Beng  
*Senior Independent Non-Executive Director*

Lim Chai Huat  
*Non-Independent Non-Executive Director*

## COMPANY SECRETARIES

Teo Mee Hui (MAICSA 7050642)  
*(SSM PC No. 202008001081)*

Elizabeth Allison De Zilva (MAICSA 7030086)  
*(SSM PC No. 202008002112)*

## REGISTERED OFFICE

No. 1 Jalan Astaka U8/83  
Section 8, Bukit Jelutong  
40150 Shah Alam  
Selangor Darul Ehsan  
Telephone No.: 603-7845 4115  
Facsimile No.: 603-7845 4117  
E-mail: info@cbip.com.my  
Website: www.cbip.com.my

## SHARE REGISTRAR

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

## AUDITORS

Crowe Malaysia PLT  
201906000005  
(LLP0018817-LCA) & AF 1018  
Chartered Accountants  
Suite 50-3, Setia Avenue  
No. 2, Jalan Setia Prima S U13/S  
40170 Shah Alam  
Selangor Darul Ehsan  
Telephone No.: 603-3343 0730  
Facsimile No.: 603-3344 3036  
Website: www.crowe.my

## PRINCIPAL BANKERS

AmBank (M) Berhad  
HSBC Bank Malaysia Berhad  
Malayan Banking Berhad  
OCBC Bank (Malaysia) Berhad

## STOCK EXCHANGE LISTING

Main Market of  
Bursa Malaysia Securities Berhad

Stock Name : CBIP  
Stock Code : 7076

# SUSTAINABILITY STATEMENT

## ABOUT THIS STATEMENT

As a prominent manufacturer and engineer of palm oil mill equipment, CB Industrial Product Holding Berhad (“CBIP”, “the Group”, “we” and “our”) strives to create long term value for our stakeholders while holding true to our sustainability agenda. Our fourth sustainability statement aims to highlight initiatives made with respect to managing economic, environmental and social (“EES”) risks and opportunities that arise in our business operations.

## “Our Vision

To be the preferred provider of innovative engineering products and solutions to the global oil palm industry and related sectors ”

## SCOPE OF REPORTING

This report covers PalmitEco Engineering Sdn. Bhd. (“PalmitEco”) located in Teluk Panglima Garang, Selangor, as it is CBIP’s main revenue contributor. The reporting period is from 1 January 2020 to 31 December 2020.

Where possible, three years’ worth of quantitative data has been disclosed for comparability and to reflect any progress made.

## REPORTING FRAMEWORK

This report is prepared in accordance with Bursa Malaysia’s Main Market Listing Requirements and Sustainability Reporting Guide (2nd Edition), and references the Global Reporting Initiatives (“GRI”) Standards and the United Nations Sustainable Development Goals (“UN SDGs” and “SDGs”).

## FEEDBACK

We welcome feedback from our stakeholders as we aim to strengthen our sustainability reporting practices. Feedback may be directed to:

Jonathan Lai  
Investor Relations  
CB Industrial Product Holding Berhad  
jonathanlai@cbip.com.my

## OUR SUSTAINABILITY STRATEGY

Our sustainability strategy is reflected in our vision statement and mission as a leading innovator and corporate citizen, as well as our commitment to our shareholders, customers and workforce.



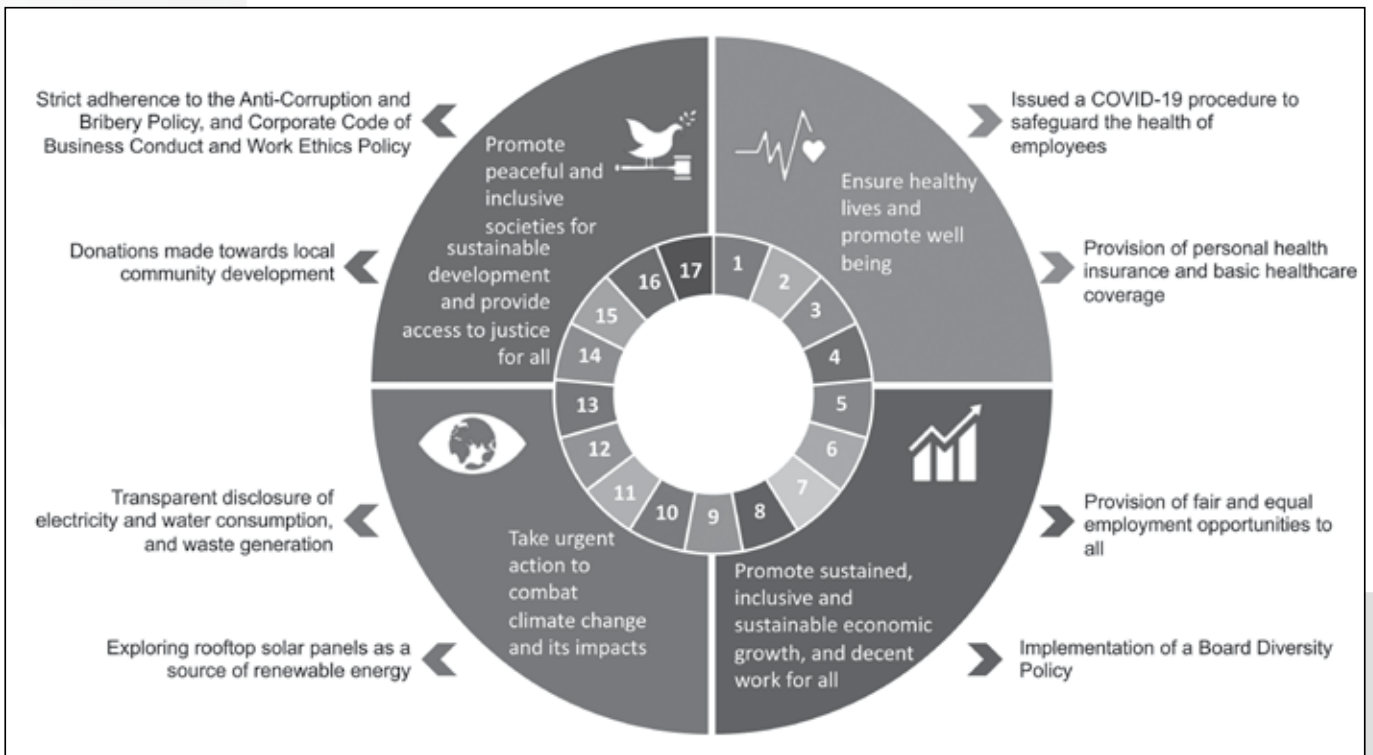
# SUSTAINABILITY STATEMENT



## ALIGNMENT WITH THE UN SDGs

The UN SDGs are a global commitment towards a more sustainable, inclusive and resilient nation, with 17 goals and 169 targets. They have been adopted in the Eleventh Malaysia Plan 2016-2020, a people-centric development plan focused on the well-being and prosperity of the nation.

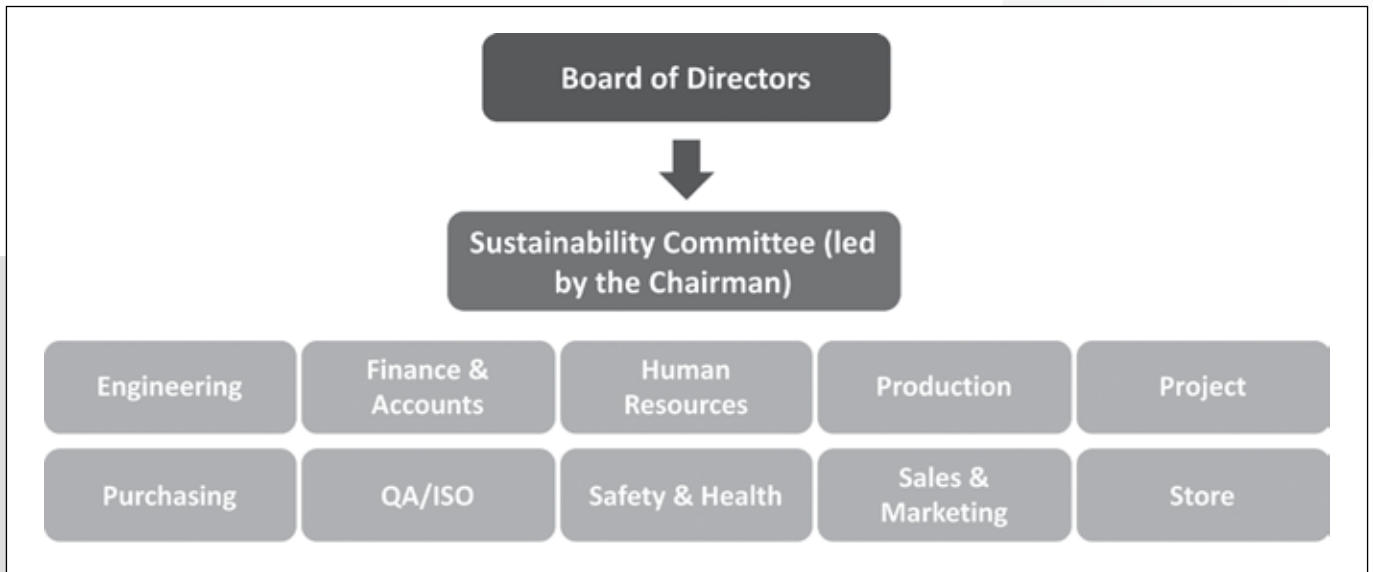
As a Malaysian-based company, we are cognisant of our responsibility towards the SDGs and have aligned our business interests with four (4) goals we can contribute to the most.






# SUSTAINABILITY STATEMENT

## SUSTAINABILITY GOVERNANCE STRUCTURE

Sustainability at CBIP is governed by a robust governance structure with the Board of Directors (“the Board”) leading our sustainability agenda across business operations. The Board is assisted by the Sustainability Committee (“SC”) helmed by the Chairman, and comprises the Heads of Department from Purchasing, Store, Production, Finance and Accounts, Human Resources, QA/ISO, Sales and Marketing, Project, Engineering, and Safety and Health.









The roles and responsibilities of the Board, SC Chairman and the SC are as below:

<p>Board of Directors</p> 	<ul style="list-style-type: none"> <li>• Review the Group’s sustainability strategy and initiatives recommended by the SC</li> <li>• Oversee the implementation of sustainability strategy, plans and targets</li> <li>• Approve the sustainability statement</li> </ul>
<p>SC Chairman</p> 	<ul style="list-style-type: none"> <li>• Oversee the implementation of sustainability initiatives</li> <li>• Recommend initiatives, goals and targets</li> </ul>
<p>Sustainability Committee</p> 	<ul style="list-style-type: none"> <li>• Identify relevant EES matters</li> <li>• Recommend initiatives, standards and procedures to manage the identified EES matters</li> <li>• Implement sustainability initiatives</li> <li>• Monitor and report progress of sustainability initiatives</li> </ul>

# SUSTAINABILITY STATEMENT

## ENGAGING OUR STAKEHOLDERS

An integral aspect of business sustainability is stakeholder engagement. As such, we regularly engage our stakeholders to understand and manage their expectations in the context of sustainable growth and long-term value creation.

Stakeholder Groups	Areas of Interest	Engagement Methods	Frequency of Engagement
<b>Employees</b> 	<ul style="list-style-type: none"> <li>Performance management</li> <li>Career development</li> <li>Competency training</li> <li>Workplace safety and health</li> </ul>	<ul style="list-style-type: none"> <li>Management discussions on targeted issues</li> <li>Staff appraisal</li> <li>Training programmes</li> <li>Circulation of internal policies</li> <li>Engagement sessions and staff activities</li> <li>Career fairs</li> <li>Website</li> </ul>	<ul style="list-style-type: none"> <li>Monthly</li> <li>Annually</li> <li>Annually</li> <li>Annually</li> <li>As and when required</li> <li>Annually</li> <li>Throughout the year</li> </ul>
<b>Regulatory Agencies</b> 	<ul style="list-style-type: none"> <li>Regulatory compliance</li> <li>Labour practice</li> <li>Occupational health and safety</li> <li>Environmental management and compliance</li> <li>Ethical business conduct</li> </ul>	<ul style="list-style-type: none"> <li>Inspection by local authority</li> <li>Annual report</li> <li>General meeting with local regulators</li> </ul>	<ul style="list-style-type: none"> <li>As and when required</li> <li>Annually</li> <li>As and when required</li> </ul>
<b>Shareholders and Investors</b> 	<ul style="list-style-type: none"> <li>Group financial performance</li> <li>Global business strategy</li> <li>Corporate governance and compliance</li> <li>Ethical business conduct</li> </ul>	<ul style="list-style-type: none"> <li>Investor meetings</li> <li>Annual general meetings</li> <li>Annual report</li> <li>Investors relations (company website)</li> </ul>	<ul style="list-style-type: none"> <li>As and when required</li> <li>Annually</li> <li>Annually</li> <li>As and when required</li> </ul>
<b>Customers</b> 	<ul style="list-style-type: none"> <li>Complaint resolution</li> <li>Customer-company relationship management</li> <li>Service and maintenance</li> </ul>	<ul style="list-style-type: none"> <li>Direct engagements</li> <li>Feedback sessions</li> <li>Company website</li> <li>Tradeshows and exhibitions</li> <li>Site visits</li> </ul>	<ul style="list-style-type: none"> <li>As and when required</li> <li>Monthly</li> <li>As and when required</li> <li>Annually</li> <li>As and when required</li> </ul>
<b>Suppliers</b> 	<ul style="list-style-type: none"> <li>Transparent procurement practice</li> <li>Payment schedule</li> <li>Pricing of raw material used in manufacturing</li> </ul>	<ul style="list-style-type: none"> <li>Evaluation and performance reviews</li> <li>Contract negotiation</li> <li>Vendors registration</li> <li>Open tenders</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly</li> <li>As and when required</li> <li>As and when required</li> <li>As and when required</li> </ul>
<b>Local Communities</b> 	<ul style="list-style-type: none"> <li>Social issues</li> <li>Impact of business operation</li> <li>Transparency and accountability</li> <li>Environmental impact</li> </ul>	<ul style="list-style-type: none"> <li>Community engagement</li> <li>Corporate Social Responsibility programmes</li> </ul>	<ul style="list-style-type: none"> <li>Annually</li> <li>Annually</li> </ul>

# SUSTAINABILITY STATEMENT

## MATERIAL SUSTAINABILITY MATTERS

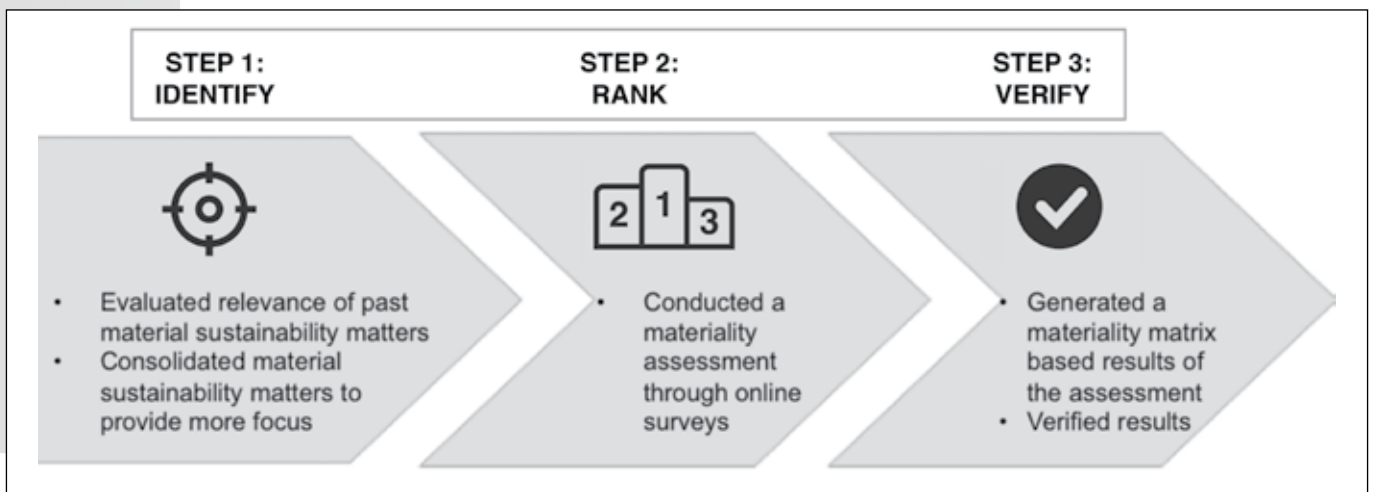
### Materiality Assessment

A materiality assessment is conducted to understand the levels of priority of material sustainability matters to business operations and stakeholders. In FY2019, we identified 18 material matters, categorised into four (4) sustainability pillars; governance, economic, environmental and social.

This reporting period, we consolidated our material matters into a total of 10 and conducted an online materiality assessment to understand potential shifts in priority of material matters in response to COVID-19.

Material Matters in FY2019	Material Matters in FY2020
<b>GOVERNANCE</b>	
Corporate Governance and Transparency	Corporate Governance and Transparency
Ethics and Integrity	
Regulatory Compliance	Regulatory Compliance
<b>ECONOMIC</b>	
Financial Performance	Financial Performance
Product Innovation	Product Quality
Product Quality Management	
Supply Chain Management	Supply Chain Management
Investor Relations	Removed
<b>ENVIRONMENTAL</b>	
Waste Management	Environmental Impacts
Air Emissions	
Water Management	
Energy Management	
<b>SOCIAL</b>	
Occupational Health and Safety	Occupational Health and Safety
Customer Satisfaction	Customer Satisfaction
Employee Benefits and Well-Being	Talent Management
Employee Rights and Labour Practices	
Capacity Building	
Local Community	Local Community

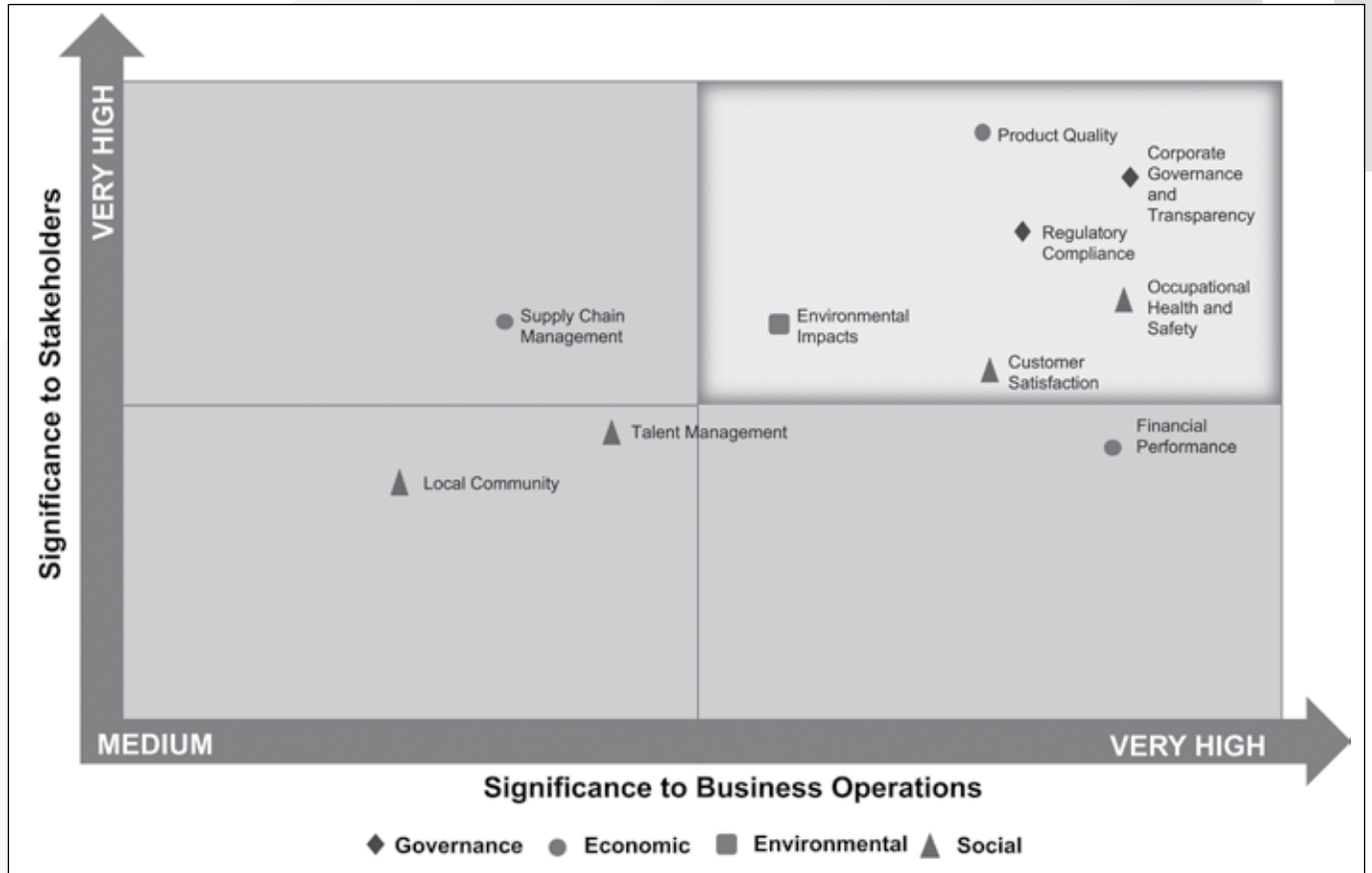
Our materiality assessment was conducted through a process of identification, ranking and verification.



# SUSTAINABILITY STATEMENT

## Materiality Matrix














Based on the results of the materiality assessment, a materiality matrix was generated whereby our material sustainability matters were plotted on a graph based on their significance to business operations and stakeholders. Material matters that lie in the top right quadrant represent those of the highest significance.



# SUSTAINABILITY STATEMENT

## Mapping Our Material Sustainability Matters

To illustrate connectivity between key sustainability elements, we have mapped each section (Governance, Economic, Environmental and Social) to the relevant UN SDG and each material matter to its relating Global Reporting Initiative (“GRI”) indicators. The GRI Content Index on pages 38 to 40 lists the page numbers indicating the location of each GRI disclosure in the report.

Material Matter	Relevant Stakeholders	GRI Indicators	UN SDGs
<b>GOVERNANCE</b>			
<b>Corporate Governance and Transparency</b>	<ul style="list-style-type: none"> <li>Shareholders and Investors</li> <li>Regulatory Agencies</li> <li>Employees</li> </ul>	<ul style="list-style-type: none"> <li>102-16</li> <li>102-17</li> </ul>	 
<b>Regulatory Compliance</b>	<ul style="list-style-type: none"> <li>Shareholders and Investors</li> <li>Regulatory Agencies</li> </ul>	<ul style="list-style-type: none"> <li>307-1</li> </ul>	 
<b>ECONOMIC</b>			
<b>Product Quality</b>	<ul style="list-style-type: none"> <li>Shareholders and Investors</li> <li>Customers</li> </ul>	<ul style="list-style-type: none"> <li>103-2</li> </ul>	
<b>Supply Chain Management</b>	<ul style="list-style-type: none"> <li>Suppliers</li> </ul>	<ul style="list-style-type: none"> <li>204-1</li> </ul>	
<b>Financial Performance</b>	<ul style="list-style-type: none"> <li>Shareholders and Investors</li> </ul>	<ul style="list-style-type: none"> <li>201-4</li> </ul>	
<b>ENVIRONMENTAL</b>			
<b>Environmental Impacts</b>	<ul style="list-style-type: none"> <li>Local Community</li> <li>Regulatory Agencies</li> </ul>	<ul style="list-style-type: none"> <li>302-1</li> <li>303-5</li> <li>306-2</li> <li>306-3</li> </ul>	
<b>SOCIAL</b>			
<b>Occupational Health and Safety</b>	<ul style="list-style-type: none"> <li>Employees</li> <li>Regulatory Agencies</li> </ul>	<ul style="list-style-type: none"> <li>403-1</li> <li>403-2</li> <li>403-5</li> <li>403-9</li> </ul>	
<b>Customer Satisfaction</b>	<ul style="list-style-type: none"> <li>Shareholders and Investors</li> <li>Customers</li> </ul>	<ul style="list-style-type: none"> <li>103-2</li> </ul>	
<b>Talent Management</b>	<ul style="list-style-type: none"> <li>Employees</li> </ul>	<ul style="list-style-type: none"> <li>401-1</li> <li>401-2</li> <li>404-1</li> <li>405-1</li> </ul>	 
<b>Local Community</b>	<ul style="list-style-type: none"> <li>Local Community</li> </ul>	<ul style="list-style-type: none"> <li>413-1</li> </ul>	

# SUSTAINABILITY STATEMENT

## IMPLEMENTING GOOD GOVERNANCE

We believe that implementing best governance practices creates long-term benefits, solidifies our reputation among stakeholders, reduces exposure to non-compliance incidents and promotes a culture of integrity within the organisation. We hold ourselves to the highest standards by adhering to codes and policies which guide our behaviour.

### Corporate Governance and Transparency

Robust corporate governance is important, not only as a framework for direction and integrity, but also to ensure business longevity and financial viability for our stakeholders. Our practices to promote transparency and accountability within our operations are best represented by our policies, including the Anti-Corruption and Bribery Policy, Corporate Code of Business Conduct and Work Ethics Policy, Group Remuneration Policy and Whistleblower Policy. Further information on corporate governance within the Group can be found on the corporate website and pages 55 to 67 of the Annual Report.

### Regulatory Compliance

The Group's commitment to regulatory compliance is illustrated in our regular audit checks performed by our Internal Audit Committee. The audit committee conducts meetings at least four (4) times in a financial year to ascertain the compliance status of applicable laws and regulations, some of which are provided below:

- Main Market Listing Requirements
- Malaysian Anti-Corruption Commission (MACC) Act 2019
- Companies Act 2016
- Capital Market and Services Act 2007
- Environmental Quality (Clean Air) Regulations 2014
- Environmental Quality (Scheduled Waste) Regulations 2005
- Occupational Safety and Health Act 1994

## ECONOMIC

We strive to deliver long-term value to our stakeholders through innovative and high-quality products, while integrating both environmentally and financially viable practices throughout our supply chain.

### Financial Performance

We are committed to ensuring sustainable financial growth as to increase returns to our shareholders and provide value to stakeholders. Therefore, we implement various measures that enable us to manage risk and maintain strong financial performance every year.

The year 2020 was a year of tremendous change as the impact of COVID-19 spanned the globe resulting in businesses being affected world-wide. The challenges we faced this year were unprecedented and to mitigate this, we received financial incentives amounting to RM159,600 from the government in the form of wage subsidies.

More details on our FY2020 financial performance are on pages 90 of this Annual Report.

# SUSTAINABILITY STATEMENT

## Product Quality

### *Quality Management*

Ensuring the quality of our products is of high importance to meet the expectations of our customers and ensure their satisfaction. CBIP is ISO 9001:2015 (Quality Management System) certified to meet the required standard of quality and efficiency desired by our customers. To ensure our practices are aligned with ISO 9001:2015 requirements, we engage external auditors who conduct inspections once every nine (9) months.

We have also developed our Quality Control Plan that lists all quality-related checkpoints during and after production and project run. The Plan lists out the processes, criterion to be inspected, methods of inspection, and action to take if the product or stage in the project is not meeting standards.

The machinery we supply to our customers also undergoes a rigorous quality assurance process to check for efficiency and safety. This process includes making sure input materials, products, sub-contracted parts, plating and completed products are examined thoroughly to ensure they comply with all the required product specifications.

### *Product Innovation*

To maintain relevance and competitiveness within the palm oil milling market, we continuously seek opportunities to become more resource efficient and improve cost savings through innovation and technology.

One of the products is our Modipalm Continuous Steriliser. This steriliser is known in the palm oil milling industry for having a higher oil extraction rate due to more effective air removal and heat transfer. It has numerous benefits such as operating in a cleaner and safer manner, decreasing the environmental footprint and lower operating and maintenance costs.

## Customer Satisfaction

The Group is committed to delivering the best services and quality products to our customers. We regularly engage with our customers to better understand their needs and expectations as well as identify areas to improve our products and services.

## Supply Chain Management

The quality of our products is heavily dependent on the suppliers we engage. Our suppliers are screened for a set of selection criteria including quality, price, delivery and service. To be appointed, suppliers must meet a minimum score on each criterion. Once appointed we monitor their performance and evaluate them based on service quality, as well as their punctuality for delivering the products.

We recognise the importance of supporting the local economy and try to source raw materials locally and engage local suppliers, where possible. During this reporting period, we spent RM99,438,627 on procuring from local suppliers, which made up 99% of the total 713 suppliers we appointed.



# SUSTAINABILITY STATEMENT

## ENVIRONMENT

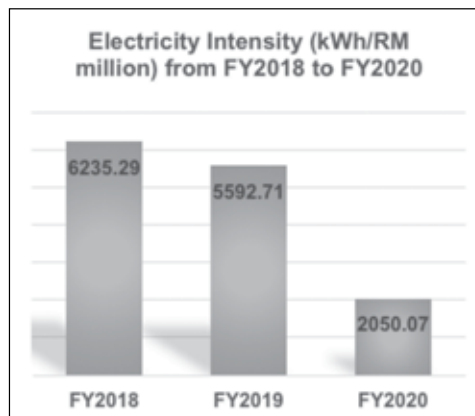
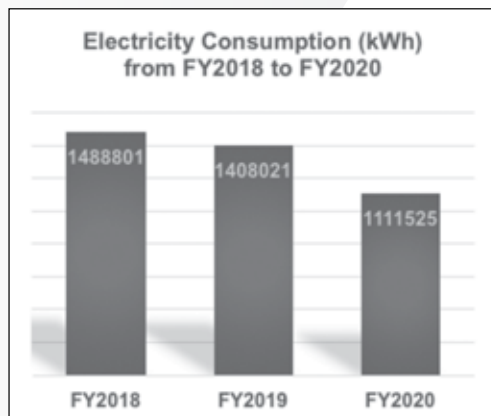
As a manufacturer and engineer of palm oil mill equipment, we are aware of our inherent impact on the environment. We strive to maintain good stewardship of the natural systems and minimise our environmental impact through responsible resource management and monitoring.

### Environmental Impacts

#### Energy Management

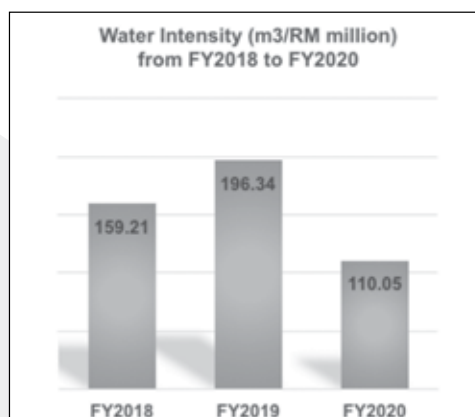
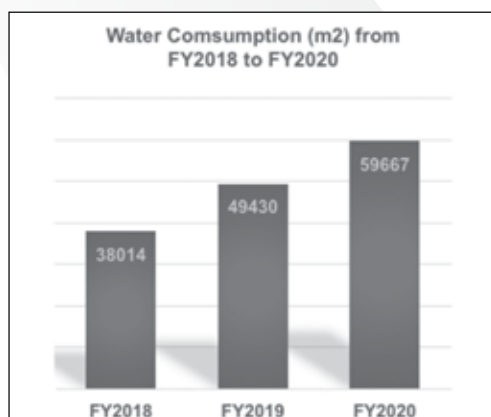
Effective monitoring and management of electricity consumption not only minimises our impact on the environment, but also benefits the Group economically. We ensure that our employees, across all departments, are mindful of energy consumption by sending reminders regularly via internal memos. As a Group, we seek opportunities to use renewable energy to run our operations, and have been exploring the option of installing rooftop solar panels.

In FY2020, we saw a decrease of 63.3% in electricity intensity (electricity consumption in kWh per RM million revenue) from FY2019. This can be attributed to the Movement Control Order (MCO), where only essential services were allowed to operate.



#### Water Management

We ensure that water consumption is monitored and recorded to better understand our consumption patterns. In FY2020, we recorded a 20.7% increase in water consumption from FY2019. This could be attributed to the standard operating procedures (SOPs) we introduced in FY2020 such as cleaning spaces and washing hands regularly to safeguard the health of our employees and prevent the spread of COVID-19.



# SUSTAINABILITY STATEMENT

## Waste Management

The improper disposal of waste poses a serious threat to the environment and public health. Our operations generate both scheduled and non-scheduled waste which are disposed of as per regulatory requirements. We strictly adhere to the Environmental Quality Act (Scheduled Waste) Regulation 2005 and engage DOE-licensed contractors to collect and recover or recycle and dispose of our scheduled waste every four (4) months.

Scheduled Waste Generated in FY2020		
Type	Description	Amount (kg)
SW 307	Used coolant	21,394
SW 410	Used rags and gloves	104

Our offices and manufacturing facilities generate waste such as paper, plastic, scrap metal and stainless steel which are collected for recycling.

## Air Emissions

We are cognisant of our impact on the environment including air emissions and ensure that our operations comply with the Environmental Quality (Clean Air) Regulation 2014. As such, we engage external parties to perform isokinetic stack and air emission monitoring for solid particulate matter and gaseous emissions. A yearly report is produced with key findings of the tested parameters in comparison to government standards. We are pleased to report that the air emissions tested in this reporting period fall below the levels stipulated by the Department of Environment (DOE).

## SOCIAL

Our workforce is one of our most important resources. As such, we strive to provide a healthy, safe and conducive environment where our employees are empowered to succeed.

We also ensure that our employees are given fair and equal opportunities to grow both personally and professionally, through adequate training and development programmes.

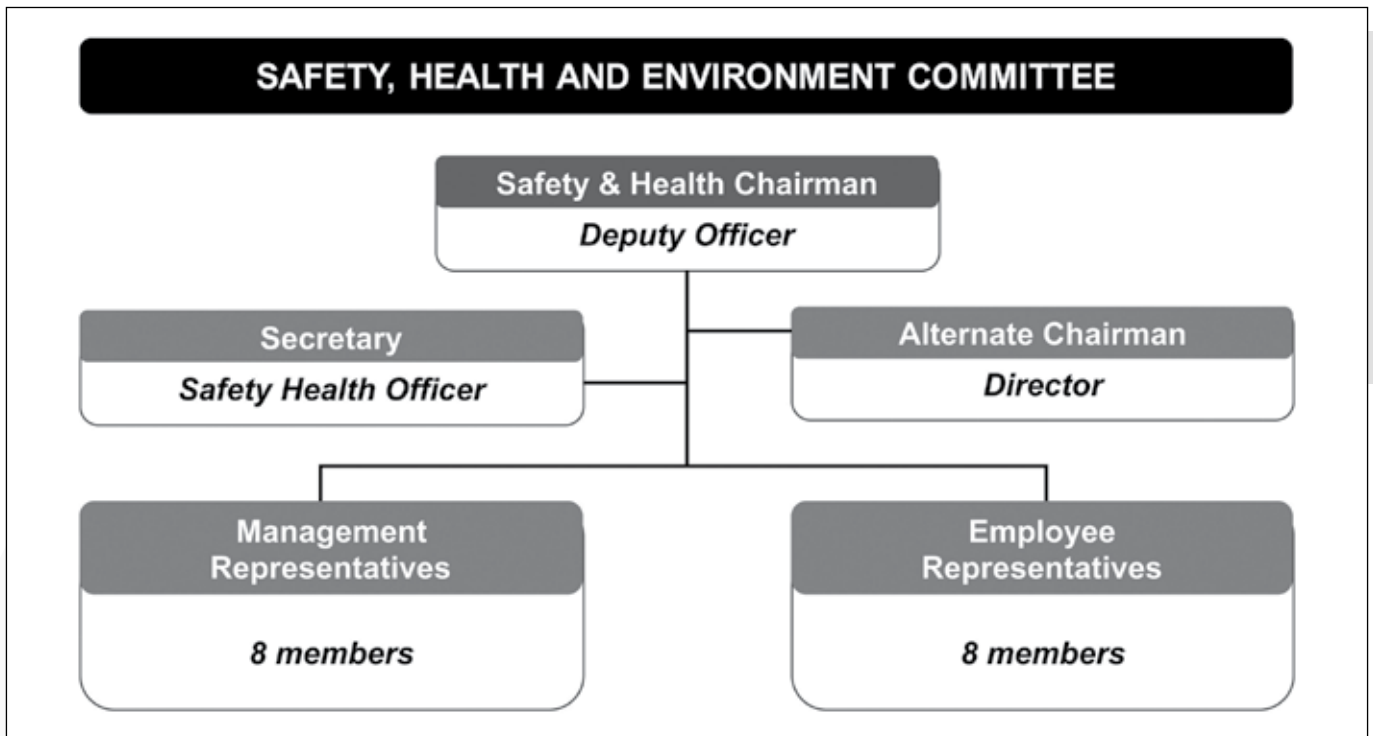
### Occupational Safety and Health

We take the safety of our employees seriously and take great measures to provide a conducive work environment for them. CBIP established a Safety, Health and Environment (“SHE”) department that is responsible for matters pertaining to occupational safety and health. The SHE department’s roles and duties include:

1. Maintaining sufficient inventory of emergency response equipment
2. Ensuring maintenance and inspection of emergency response equipment
3. Training emergency response team members
4. Providing assistance to develop and carry out emergency response plans

CBIP has also established a SHE Committee that is in charge of overseeing the implementation of safety and health regulations and practices, organising necessary safety training, and promoting a culture of safety at the workplace.

# SUSTAINABILITY STATEMENT



The roles and responsibilities of the SHE Committee include:

1. Reviewing the effectiveness of safety and health programmes;
2. Carrying out studies on the trends of accidents, near-miss accidents, dangerous occurrences, occupational disease occurring at the workplace;
3. Reporting unsafe or unhealthy practices at the workplace together with the recommendations for corrective actions; and
4. Reviewing the safety and health policies at the workplace and making recommendations of amendments for any revisions.

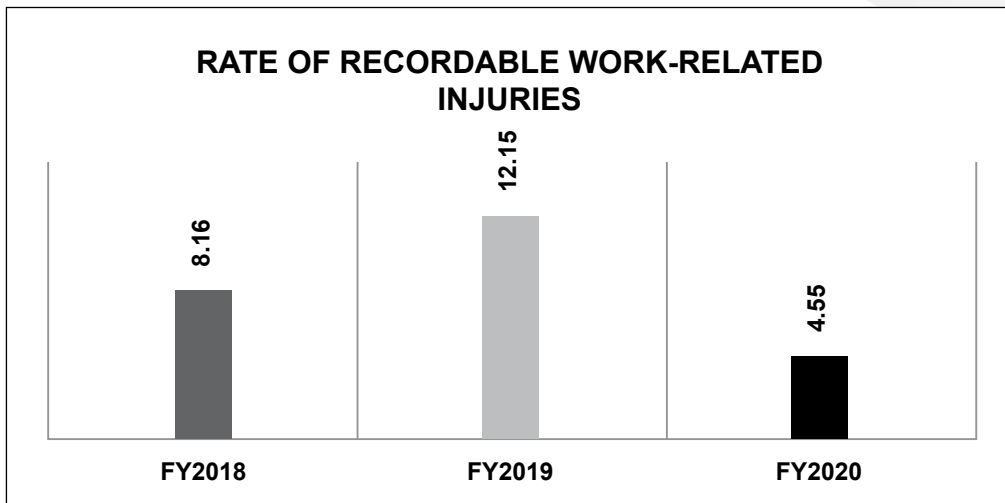
Specific SHE training programmes are conducted to inculcate a culture of safety at our worksites and keep employees aware of the latest best practices on site. The training sessions included during the reporting year were:

- Personal Protective Equipment (PPE) and Housekeeping briefing
- Overhead Crane Awareness
- Basic Occupational First Aid
- Noise Risk Assessment Briefing
- COVID-19 Safety Talk and Reminder
- Fire Training
- Accident Investigation and Reporting System
- Welding Safety Awareness

Hazard Identification, Risk Assessment and Risk Control (“HIRARC”) assessments are conducted to determine potential harm or dangers in the workplace. The assessments classify the types of risks identified and their magnitude to develop the necessary control measures to implement.

We continuously monitor incidents at the workplace and due to our stringent safety measures, we have managed to decrease our rate of injuries compared to last year. We recorded only one reportable work-related incident throughout 471,680-man hours with a rate of recordable work-related injuries at 4.6% in FY2020.

# SUSTAINABILITY STATEMENT



## COVID-19 Response

To safeguard the safety and health of our employees, suppliers, and other visitors to our sites, we have established a number of measures to manage and operate safely during this pandemic.

We have issued a COVID-19 document outlining the practices to be followed by all employees. The measures we have implemented include:

- Maintaining social distance of 1m apart at all times
- Providing PPE to all employees
- Temperature screening and recording of all before entry into the premises
- Compulsory wearing of face masks
- Ensuring hand sanitisers are readily available throughout the premises
- Establishing a workplace disinfection schedule
- Demarcations of 1m in common areas

The document also provides guidance on practices to adopt during work hours during meetings, during break times, while using common utilities, when exiting work, and even upon reaching home. An awareness briefing is conducted daily prior to start of work or when there are any updates from safety and management.

In the event of an employee testing positive for coronavirus, he or she is required to inform the Head of Department or supervisor and immediately quarantine, as per the procedures outlined by the Ministry of Health.

## Talent Management

Our employees are the drivers of the business. We strive to cultivate a workplace that is conducive to their personal and professional growth.

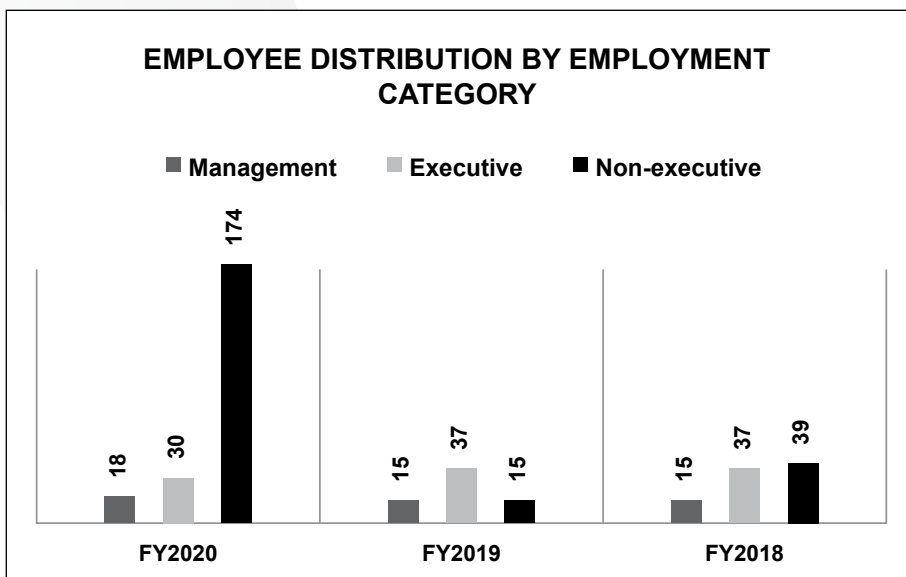
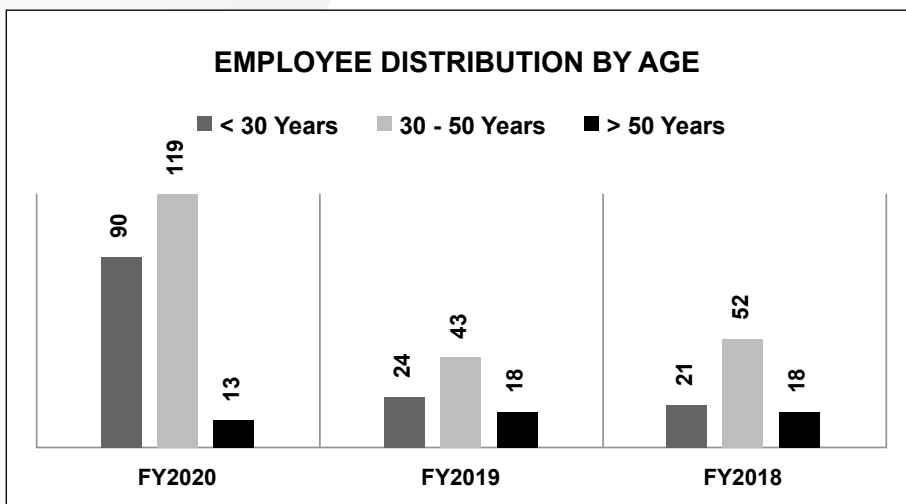
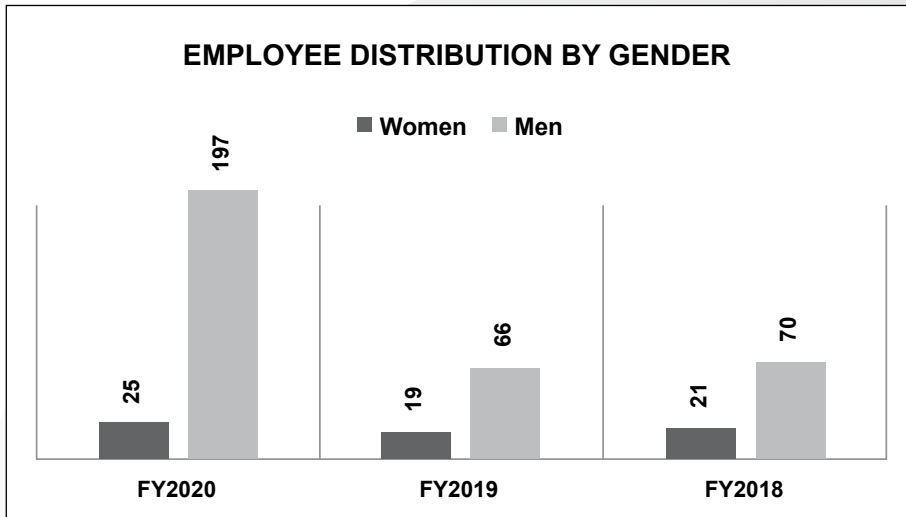
### Diversity

At CBIP, we consider diversity an advantage as varying backgrounds and experiences gives us an array of perspectives and approaches. We do not tolerate any form of discrimination based on race, religion, age, gender or culture, and foster a culture of mutual respect at the workplace. This is demonstrated in our Board Diversity Policy which strongly advocates Board diversity with a balance of skills, industry experience and background, and encourages female representation by requiring at least 30% of the Board to be women.

# SUSTAINABILITY STATEMENT

We practice fair hiring procedures and our employees are recruited based on merit.

The composition of our workforce is as follows:



# SUSTAINABILITY STATEMENT

Our employee strength has increased from previous years. Men remain the majority of our workforce due to the labour-intensive nature of our work. Furthermore, employees 30-50 years of age make up the largest age category as they have valuable knowledge and industry experience.

## *Employee Rights and Labour Practices*

CBIP adheres to all relevant labour laws, including the Minimum Wages Order 2020. Our remuneration packages are competitive and on par with the market benchmark.

We ensure that the foreign workers we employ are covered with basic necessities during their time with the Group. This includes providing sufficient living quarters close to our operation or the necessary transport. All residences have potable water supply, adequate sanitary facilities and electricity. We have established channels for them to communicate any concerns or grievances, which are addressed accordingly.

## *Employee Benefits and Well-Being*

Our employees enjoy benefits such as personal health insurance and basic healthcare coverage. We also reward our employees with bonuses and other incentives depending on their position, contribution and overall performance.

Employee engagement activities are conducted throughout the year to foster a sense of community among our employees which include festive celebrations. However, this year due to the limitations imposed by the COVID-19 pandemic, we have conducted our employee engagement activities online.

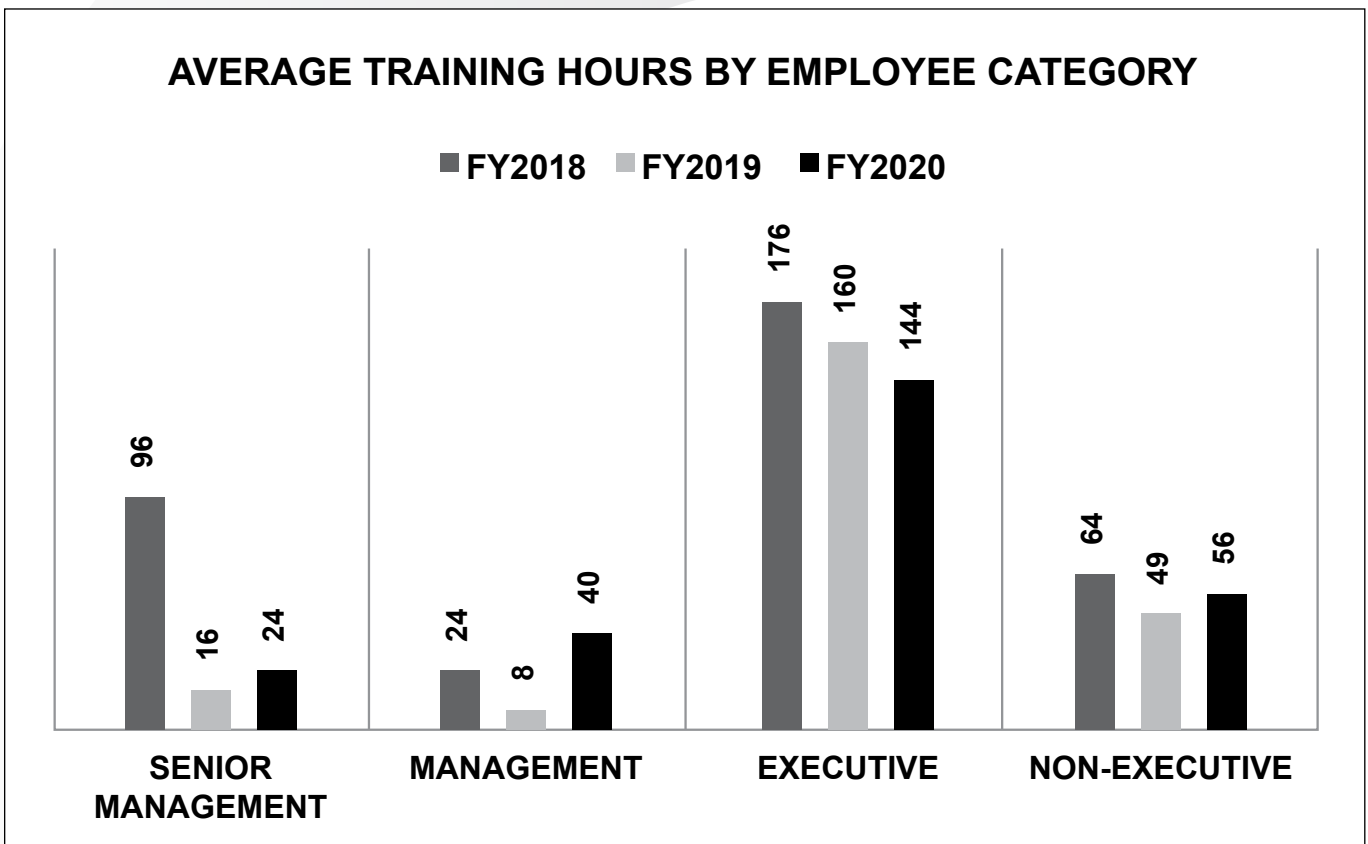
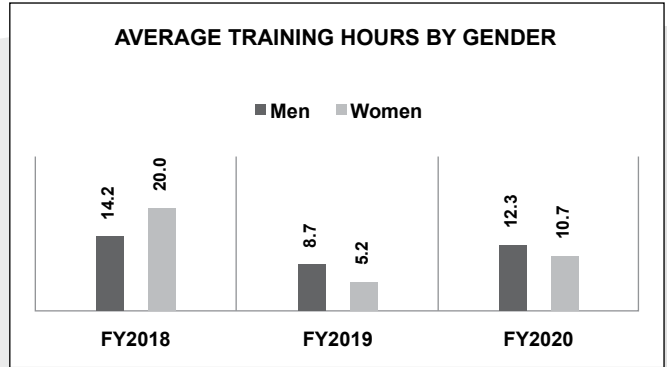
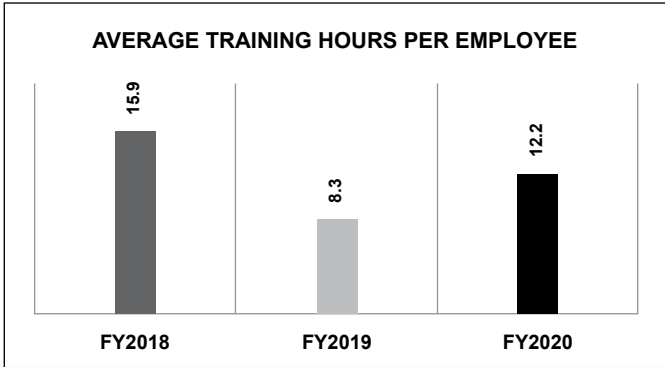
## *Capacity Building*

In order to deliver quality products and services to our customers, our employees must be equipped with the necessary skills and knowledge. As such, we conduct training both internally and externally to ensure employees are kept abreast of industry best practices. Training programmes are determined based on the requirements of the job position.

<b>Training Programmes Conducted in FY2020</b>
• Employee Induction Training (HR)
• QC Procedure
• Internal Quality Audit Training
• Project Planning and Control
• Basic Welding Process and Quality
• Geometric, Dimensioning & Tolerancing
• Corporate Liability Provision under MACC Act

The overall number of training hours has decreased this year compared to previous years, mainly due to the government ordered restricted movement control order (“MCO”) and to comply with social distancing rules. However, we have managed to increase the average number of training hours for each employee.

# SUSTAINABILITY STATEMENT



## Talent Retention

The Group strives to retain and develop its team by providing a comfortable and productive working environment. We care about the welfare of our employees and conduct engagement activities accordingly to retain our talents. The Group’s turnover rates can be attributed to the fact that some employees are early in their careers and look for opportunities to grow elsewhere as the most turnover comes from the below 30 years age category.

## Local Community

CBIP is committed to supporting the communities residing where we operate by contributing donations to various organisations. Unfortunately, due to the pandemic, we were unable to conduct any community-based programmes.

# SUSTAINABILITY STATEMENT

## CONCLUSION

While the pandemic continues to create challenges, we are focused on ensuring we emerge stronger from the crisis. Our response was swift, always keeping people at the center. We prioritised keeping our employees, customers and communities safe and doing our part to stop the spread of the contagion.

Stepping up the focus on productivity improvements and our environmental and social sustainability initiatives, gives us confidence that we will continue to deliver long-term value for all our stakeholders. Overall, we continue to incorporate sustainability throughout our operations and seek to improve our performance.

## GRI CONTENT INDEX

GRI Disclosure	Description	Section	Page Number
<b>GRI 102: General Disclosure</b>	<b>Organisational Profile</b>		
	102-1: Name of the organisation	About this statement	22
	102-2: Activities, brands, products and services	About this statement	22
	102-4: Location of operations	Scope and boundary	22
	102-7: Scale of organisation	Talent Management	34 - 37
	102-8: Information on employees and other workers	Talent Management	34 - 37
	<b>Ethics and Integrity</b>		
	102-16: Values, principles, standards and norms of behaviour	Corporate Governance and Transparency	29
	102-17: Mechanisms for advice and concerns about ethics	Corporate Governance and Transparency	29
	<b>Governance</b>		
	102-18: Governance structure	Sustainability Governance Structure	24
	102-19: Delegating authority	Sustainability Governance Structure	24
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	102-29: Identifying and managing economic, environmental and social topics	Sustainability Governance Structure	24
	<b>Stakeholder engagement</b>		
	102-40: List of stakeholder groups	Engaging Our Stakeholders	25
	102-43: Approach to stakeholder engagement	Engaging Our Stakeholders	25
	102-44: Key topics and concerns raised	Engaging Our Stakeholders	25



# SUSTAINABILITY STATEMENT

GRI Disclosure	Description	Section	Page Number
<b>GRI 102: General Disclosure</b>	<b>Reporting Practice</b>		
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	102-47: List of material matters	Material Sustainability Matters	26
	102-50: Reporting period	About this statement	22
<b>GRI 103: Management approach</b>	103-2: Management approach	Throughout the report	
<b>GRI 200: Economic</b>	<b>Economic Performance</b>		
	201-4: Financial assistance received from the government	Financial Performance	29
	<b>Procurement Practices</b>		
	204-1: Proportion of spending on local suppliers	Supply Chain Management	30
<b>GRI 300: Environmental</b>	<b>Energy</b>		
	302-1: Energy consumption within the organisation	Environmental Impacts	31
	<b>Water and Effluents</b>		
	303-5: Water consumption	Environmental Impacts	31
	<b>Waste</b>		
	306-2: Management of significant waste-related impacts	Environmental Impacts	32
	306-3: Waste generated	Environmental Impacts	32
	<b>Environmental Compliance</b>		
	307-1: Non-compliance with environmental laws and regulations	Regulatory Compliance	29
<b>GRI 400: Social</b>	<b>Employment</b>		
	401-1: New employee hires and employee turnover	Talent Management	37
	401-2: Benefits provided to full time employees that are not provided to part time or temporary employees	Talent Management	36
	<b>Occupational Health and Safety</b>		
	403-1: Occupational health and safety management system	Occupational Health and Safety	32
	403-2: Hazard identification, risk assessment and incident investigation (HIRARC)	Occupational Health and Safety	33
	403-5: Worker training on occupational health and safety	Occupational Health and Safety	33
	403-9: Work-related injuries	Occupational Health and Safety	33, 34

# SUSTAINABILITY STATEMENT

GRI Disclosure	Description	Section	Page Number
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	404-2: Programmes for upgrading employee skills and transition assistance programmes	Talent Management	36
	<b>Diversity and Equal Opportunity</b>		
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	<b>Local Communities</b>		
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	<b>Socioeconomic Compliance</b>		
	419-1: Non-compliance with laws and regulations in the social and economic area	Regulatory Compliance	29

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Fourth Annual General Meeting (“24th AGM”) of CB INDUSTRIAL PRODUCT HOLDING BERHAD will be conducted **fully virtual and live-stream** from the broadcast venue at Aquamarin Room, The Saujana Hotel Kuala Lumpur, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor Darul Ehsan on Monday, 28 June 2021 at 10:00 a.m. for the following purposes:-

## AGENDA

- |    |  |  |
|----|--|--|
| 1. | To lay before the meeting the Audited Financial Statements for the financial year ended 31 December 2020 together with the Reports of the Directors and Auditors thereon.  | <b>(Please refer to Explanatory Note 1)</b>                      |
| 2. | To re-elect the following Directors who retire in accordance with Clause 97 of the Constitution of the Company and being eligible, offer themselves for re-election:<br><br>(a) Tan Sri Datuk Dr. Yusof Bin Basiran<br><br>(b) Lim Chai Huat | <b>Ordinary Resolution 1</b><br><br><b>Ordinary Resolution 2</b> |
| 3. | To approve the payment of Directors’ Remuneration amounting to RM720,000 for the financial period from 1 July 2021 until 30 June 2022.   | <b>Ordinary Resolution 3</b>                                     |
| 4. | To re-appoint Messrs. Crowe Malaysia PLT as the Auditors of the Company and to authorise the Directors to fix their remuneration.  | <b>Ordinary Resolution 4</b>                                     |

## AS SPECIAL BUSINESSES

To consider and if thought fit, to pass the following Ordinary Resolutions with or without modifications:-

- |    |  |                              |
|----|--|------------------------------|
| 5. | <b>AUTHORITY TO ISSUE AND ALLOT SHARES</b><br>“THAT subject always to the Companies Act 2016, Constitution of the Company and approvals from Bursa Malaysia Securities Berhad and any other governmental/regulatory bodies, where such approval is necessary, authority be and is hereby given to the Directors pursuant to Section 75 of the Companies Act 2016 to issue and allot not more than ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company at any time upon any such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit or in pursuance of offers, agreements or options to be made or granted by the Directors while this approval is in force until the conclusion of the next Annual General Meeting of the Company pursuant to Section 76 of the Companies Act 2016 and that the Directors be and are hereby further authorised to make or grant offers, agreements or options which would or might require shares to be issued after the expiration of the approval hereof.” | <b>Ordinary Resolution 5</b> |
|----|--|------------------------------|

## NOTICE OF ANNUAL GENERAL MEETING

### 6. PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES

### Ordinary Resolution 6

“THAT, subject always to the Companies Act 2016, the provisions of the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:-

- (i) the aggregate number of shares purchased does not exceed ten per centum (10%) of the total number of issued shares of the Company as quoted on Bursa Securities as at the point of purchase;
- (ii) the maximum fund to be allocated by the Company for the purpose of purchasing the shares shall be backed by an equivalent amount of retained profits; and
- (iii) the Directors of the Company may decide either to retain the shares purchased as treasury shares or cancel the shares or retain part of the shares so purchased as treasury shares and cancel the remainder or to resell the shares or distribute the shares as dividends or transfer the shares under an employee share scheme or as purchase consideration.

THAT the authority conferred by this resolution will commence after the passing of this ordinary resolution and will continue to be in force until:-

- (i) the conclusion of the next Annual General Meeting (“AGM”) following the general meeting at which such resolution was passed at which time it will lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (ii) the expiration of the period within which the next AGM after that date is required by law to be held; or
- (iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever occurs first.

AND THAT authority be and is hereby given unconditionally and generally to the Directors of the Company to take all such steps as are necessary or expedient (including without limitation, the opening and maintaining of central depository account(s) under the Securities Industry (Central Depositories) Act 1991 of Malaysia, and the entering into all other agreements, arrangements and guarantee with any party or parties) to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities and with the fullest power to do all such acts and things thereafter (including without limitation, the cancellation or retention as treasury shares of all or any part of the purchased shares or to resell the shares or distribute the shares as dividends or transfer the shares under an employee share scheme or as purchase consideration) in accordance with the Constitution of the Company and the requirements and/or guidelines of Main Market Listing Requirements of Bursa Securities and all other relevant governmental and/or regulatory authorities.”

# NOTICE OF ANNUAL GENERAL MEETING

## 7. **PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE** **Ordinary Resolution 7**

“THAT, subject always to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiary companies to enter into all arrangements and/or transactions as specified in Section 1.3 of Part A of the Circular to Shareholders dated 31 May 2021, provided that such arrangements and/or transactions are:

- (i) recurrent transactions of a revenue or trading nature;
- (ii) necessary for the day-to-day operations;
- (iii) carried out on arm's length basis, in the ordinary course of business and on terms which are not more favourable to the related parties than those generally available to the public; and
- (iv) are not to the detriment of the minority shareholders.

AND THAT the authority conferred by this resolution shall commence upon passing of this resolution and shall continue to be in force until:

- (a) the conclusion of the next Annual General Meeting (“AGM”) of the Company following the general meeting at which such mandate was passed, at which time it will lapse, unless the authority is renewed by a resolution passed at the next AGM; or
- (b) the expiration of the period within which the next AGM after that date is required by law to be held pursuant to Section 340(2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016; or
- (c) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever is the earlier.

AND THAT the Directors of the Company be and are hereby empowered and authorised to complete and to do all such acts, deeds and things as they may consider expedient or necessary or in the best interest of the Company to give effect to the Proposed Renewal of Shareholders' Mandate, with full power to assent to any condition, modification, variation and/or amendment (if any) as may be imposed or permitted by the relevant authorities.”

## 8. **CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR – TAN SRI DATUK DR. YUSOF BIN BASIRAN** **Ordinary Resolution 8**

“THAT authority be and is hereby given to Tan Sri Datuk Dr. Yusof Bin Basiran who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue act as an Independent Non-Executive Director of the Company.”

# NOTICE OF ANNUAL GENERAL MEETING

9. **CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR – WONG CHEE BENG** **Ordinary Resolution 9**

“THAT authority be and is hereby given to Wong Chee Beng who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue act as an Independent Non-Executive Director of the Company.”

10. To transact any other business of which due notice shall have been given.

By Order of the Board

TEO MEE HUI (MAICSA 7050642) / SSM PC No.: 202008001081  
ELIZABETH ALLISON DE ZILVA (MAICSA 7030086) / SSM PC NO.: 202008002112  
Company Secretaries

Selangor Darul Ehsan  
31 May 2021

**Notes:-**

1. In support of the Government of Malaysia's ("the Government") ongoing efforts to contain the spread of the Coronavirus (Covid-19) and the Government's advice of social distancing and not having mass gatherings, the Company would like to leverage on technology advancement by conducting the Twenty-Fourth Annual General Meeting of the Company ("the Meeting" or "AGM") on a **fully virtual basis** through electronic live streaming and online remote voting, pursuant to Section 327(2) of the Companies Act 2016 and Clause 59 of the Company's Constitution. The Company will be using Boardroom's LUMI AGM solution which is available on the designated link at <https://web.lumiagm.com/>. Please follow the procedures as stipulated in the Administrative Details for the Meeting in order to register, participate and vote virtually via the Boardroom's LUMI AGM solution.
2. The main and only venue of the virtual Meeting is strictly to serve as the broadcast venue where the chairman of the Meeting is physically present and **no shareholders/proxies shall be physically present at the broadcast venue**. The Meeting will be in compliance with Section 327(2) of the Companies Act 2016 which provides that the main venue of the AGM shall be in Malaysia and the chairperson must be present at the main venue of the AGM. The electronic means of conducting the AGM on a fully virtual basis will facilitate and enable all shareholders to participate fully in the proceedings by audio and/or video capabilities without the need to be physically present at the Meeting venue, which is advantageous given the current circumstances relating to Covid-19 and best health practices.
3. A member entitled to virtually attend and vote at the above Meeting is entitled to appoint a proxy or proxies to exercise all or any of his rights to virtually attend, participate, speak and vote in his/her stead, in accordance with the Administrative Details.
4. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation.
5. A member shall be entitled to appoint more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) to attend and vote at the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportions of his shareholdings to be represented by each proxy.
6. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, such member may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

# NOTICE OF ANNUAL GENERAL MEETING

7. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one 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.
8. If no name is inserted in the space provided for the name of your proxy, the Chairman of the meeting will act as your proxy.
9. The instrument appointing a proxy must be deposited at the office of the Share Registrar, Boardroom Share Registrars Sdn. Bhd. at Ground Floor or 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia or via electronic means through the Boardroom Smart Investor Portal at <http://www.boardroomlimited.my> (please refer to Section E of the Administrative Details for more details) not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.
10. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
11. Shareholders/proxies/corporate representative will need to sign up as an user of Boardroom Smart Investor Portal first before they can request for the Remote Participation User identification number and password to virtually attend, participate, speak and vote at the above Meeting via Boardroom's LUMI AGM solution. Please refer to the Administrative Details for registration as user with Boardroom Smart Investor Portal.
12. For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn. Bhd. to make available to the Company pursuant to Clause 62 of the Constitution of the Company, a Record of Depositors as at 21 June 2021 and only a Depositor whose name appear on such Record of Depositors shall be entitled to attend this meeting.

## **Explanatory notes on Ordinary and Special Business**

### **Item 1 of the Agenda**

#### **Audited Financial Statements for the financial year ended 31 December 2020**

This Agenda is meant for discussion only as the provision of Section 248 and Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of the shareholders and hence, is not put forward for voting.

### **Ordinary Resolution 3**

#### **Directors' Remuneration of the Company**

Pursuant to Section 230(1) of the Companies Act 2016, the fee of the Directors, and any benefits payable to the Directors including any compensation for loss of employment of a director or former director of a public company or a listed company and its subsidiaries, shall be approved at a general meeting. In this respect, the Board agreed that the shareholders' approval shall be sought at the 24th AGM on the Directors' remuneration for the financial period from 1 July 2021 until 30 June 2022.

The Directors' remuneration comprises the fee and benefits which consist of allowances and benefit-in-kind payable to the Directors of the Company and its subsidiaries as follows:

	<b>Fee (RM)</b>	<b>*Benefit Payables (RM)</b>
<i>Company</i>		
Executive Directors	-	90,000
Non-Executive Directors	282,000	157,000
<i>Subsidiaries</i>		
Executive Directors	95,000	-
Non-Executive Directors	96,000	-
<b>Total</b>	<b>473,000</b>	<b>247,000</b>

Note:

\* Inclusive of meeting allowance, travelling allowance, and benefit-in-kind.

Payment of Directors' remuneration will be made by the Company and its subsidiaries on a monthly basis and/or as and when incurred if the proposed Resolution 3 has been passed at the 24th AGM. The Board is of the view that it is just and equitable for the Directors to be paid such payment on a monthly basis and/or as and when incurred, particularly after they have discharged their responsibilities and rendered their services to the Company throughout the period as stated herein.

# NOTICE OF ANNUAL GENERAL MEETING

## **Ordinary Resolution 5**

### **Authority to Issue and Allot Shares**

The proposed resolution is primarily to give flexibility to the Board of Directors to issue and allot shares to such persons at any time in their absolute discretion without convening a general meeting. This authorisation will expire at the conclusion of the next AGM of the Company.

This is the renewal of the mandate obtained from the members at the last AGM ("the Previous Mandate"). The purpose of this general mandate is for possible fund raising exercises including but not limited to further placement of shares, for purpose of funding current and/or future investment projects, working capital, repayment of borrowings and/or acquisitions.

The Previous Mandate was not utilised and accordingly no proceeds were raised.

## **Ordinary Resolution 6**

### **Proposed Renewal of Authority for the Company to Purchase its Own Shares**

The proposed resolution, if passed, will empower the Company to purchase and/or hold up to ten per centum (10%) of the total number of issued shares of the Company by utilising the funds allocated which shall not exceed the retained earning of the Company.

For further information, please refer to Share Buy-Back Statement dated 31 May 2021.

## **Ordinary Resolution 7**

### **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

The proposed resolution, if passed, will allow the Group enters into the Recurrent Related Party Transactions made on arm's length basis and normal commercial term and which is not prejudice to the minority shareholders.

For further information, please refer to the Circular to Shareholders dated 31 May 2021.

## **Ordinary Resolutions 8 and 9**

### **Continuing in Office as Independent Non-Executive Directors**

The Board has assessed the independence of Tan Sri Datuk Dr. Yusof Bin Basiran and Wong Chee Beng, who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than nine years, and recommended them to continue act as an Independent Non-Executive Directors of the Company based on the following justifications:-

- a. they fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and thus, they would be able to bring an element of objectivity to the Board;
- b. they have been with the Company for more than 9 years and were familiar with the Company's business operations;
- c. they have vast and diverse range of experiences and therefore would be able to provide constructive opinion, independent judgment and to act in the best interest of the Company and shareholders;
- d. they have devoted sufficient time and attention to their professional obligations for informed and balanced decision making; and
- e. they have continued to exercise their due care during their tenure as Independent Non-Executive Directors of the Company and have carried out their professional duties in the interest of the Company and shareholders.

The Board considered Tan Sri Datuk Dr. Yusof Bin Basiran and Wong Chee Beng to be independent based on the above justifications and recommended them to be retained as Independent Non-Executive Directors of the Company.



# ADMINISTRATIVE DETAILS OF ANNUAL GENERAL MEETING

**Date & Time** : Monday, 28 June 2021 at 10:00 a.m.  
**Broadcast Venue** : Aquamarin Room  
 The Saujana Hotel Kuala Lumpur  
 Jalan Lapangan Terbang SAAS  
 40150 Shah Alam  
 Selangor Darul Ehsan

## A. FULLY VIRTUAL MEETING

1. In support of the Government of Malaysia's (the Government) ongoing efforts to contain the spread of the Coronavirus (Covid-19) and the Government's advice of social distancing and not having mass gatherings, the Company would like to leverage on technology advancement by conducting the 24th AGM of the Company on a **fully virtual basis through electronic live streaming and online remote voting**.
2. The main and only venue of the virtual Meeting as indicated above is strictly to serve as the broadcast venue where the chairman of the Meeting is physically present and **no shareholders/proxies shall be physically present at the broadcast venue**. The Meeting will be in compliance with Section 327(2) of the Companies Act 2016 which provides that the main venue of the AGM shall be in Malaysia and the chairman must be present at the main venue of the AGM. The electronic means of conducting the AGM on a fully virtual basis will facilitate and enable all shareholders to participate fully in the proceedings by audio and/or video capabilities without the need to be physically present at the Meeting venue, which is advantageous given the current circumstances relating to Covid-19 and best health practices.
3. The Company will be using its Share Registrar, Boardroom Share Registrars Sdn Bhd's ("Boardroom") Lumi AGM solution which is available on the designated link at <https://web.lumiagm.com>.

## B. GENERAL MEETING RECORDS OF DEPOSITOR

1. Only shareholders whose names appear in the General Meeting Record of Depositors as at 21 June 2021 shall be entitled to attend, speak and vote at the Meeting of the Company or appoint proxy(ies) on his/ her behalf.

## C. REMOTE PARTICIPATION AND ELECTRONIC VOTING

1. Shareholders are encouraged to go online, participate, and vote at the 24th AGM via remote participation and electronic voting. **Please follow the steps listed in Note D below on how to request for login ID and password.**
2. Please note that this option is available to (i) individual members; (ii) corporate shareholder; (iii) Authorised Nominee; and (iv) Exempt Authorised Nominee.

## D. REGISTRATION FOR REMOTE PARTICIPATION AND ELECTRONIC VOTING

1. If you choose to participate in the meeting online, you will be able to view a live webcast of the Meeting, ask the board questions and submit your votes in real time whilst the meeting is in progress.
2. Kindly follow the steps below on how to request for login ID and password.

### **Step 1 – Register Online with Boardroom Smart Investor Portal (for first time registration only)**

*[Note: If you have already signed up with Boardroom Smart Investor Portal, you are not required to register again. You may proceed to Step 2. Submit request for Remote Participation user ID and password.]*

- a. Access website <https://boardroomlimited.my>
- b. Click <<**Login**>> and click <<**Register**>> to sign up as a user by creating your own user ID and password
- c. Complete registration and upload softcopy of MyKAD (front and back) or Passport in JPEG, PNG or PDF format.
- d. Please enter a valid email address and wait for Boardroom's email verification.
- e. Your registration will be verified and approved within one business day and an email notification will be provided.

# ADMINISTRATIVE DETAILS OF ANNUAL GENERAL MEETING

## Step 2 – Submit Request for Remote Participation User ID and Password

*[Note: The registration for remote access will be opened on 31 May 2021.]*

### Individual Members

- Login to <https://boardroomlimited.my> using your user id and password above which you have created in Step 1(b) above.
- Select “**VIRTUAL MEETING**” from main menu and select the correct Corporate Event “**CB INDUSTRIAL PRODUCT HOLDING BERHAD (24th) ANNUAL GENERAL MEETING**”.
- Read and agree to the Terms & Conditions.
- Enter your CDS Account Number, thereafter submit your request.

### Corporate Shareholders, Authorised Nominee and Exempt Authorised Nominee

- Write in to [bsr.helpdesk@boardroomlimited.com](mailto:bsr.helpdesk@boardroomlimited.com) by providing the name of Member and CDS Account Number accompanied with the Certificate of Appointment of Corporate Representative or Form of Proxy to submit the request.
- Please provide a copy of the Corporate Representative’s MyKad/Identification Card (front and back) or Passport in JPEG, PNG or PDF format, and his/her email address.

### Thereafter:

- a. You will receive a notification from Boardroom that your request has been received and is being verified.
- b. Upon system verification against the AGM’s Record of Depositories, you will receive an email from Boardroom either approving or rejecting your registration for remote participation.
- c. You will also receive your remote access user ID and password along with the email from Boardroom if your registration is approved.
- d. Please note that the closing time to submit your request is at 10:00 a.m. on 26 June 2021 (48 hours before the commencement of the 24th AGM).

## Step 3 – Login to Virtual Meeting Portal on the AGM day

*[Please note that the quality of the connectivity to Virtual Meeting Portal for live web cast as well as for remote online voting is highly dependent on the bandwidth and the stability of the internet connectivity available at the location of the remote users.]*

- a. The Virtual Meeting portal will be opened for login starting at 9:00 a.m. on 28 June 2021, one (1) hour before the commencement of the 24th AGM.
- b. Follow the steps given to you in the email along with your remote access user ID and password to login to the Virtual Meeting portal. (Refer to Step 2(c) above)
- c. The steps will also guide you how to view live web cast, ask questions and vote.
- d. The live webcast will end and the Messaging window will be disabled the moment the Chairman announces the closure of the 24th AGM.
- e. Thereafter, you can logout from Virtual Meeting Portal.

## E. APPOINTMENT OF PROXY

1. A Shareholder entitled to participate and vote at the Meeting is entitled to appoint proxy(ies) to participate and vote in his/her stead. If you are not able to participate in the 24th AGM remotely, you are encourage to appoint the Chairman of the Meeting as your proxy and indicate the voting instruction in the Form of Proxy.
2. You may download the Form of Proxy from the Company’s website at [www.cbip.com.my/investor-relations/agm](http://www.cbip.com.my/investor-relations/agm)
3. The Form of Proxy must be deposited at the office of the Share Registrar, Boardroom Share Registrars Sdn. Bhd. at Ground Floor or 11th Floor, Menara Symphony, No. 5 Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia or via electronic means through the Boardroom Smart Investor Online Portal at <http://boardroomlimited.my/> (in accordance with the step below) not less than forty-eight (48) hours before the time appointed for holding of the Meeting or at any adjournment thereof.

# ADMINISTRATIVE DETAILS OF ANNUAL GENERAL MEETING

## Step 1 – Register Online with Boardroom Smart Investor Portal (for first time registration only)

[Note: If you have already signed up with Boardroom Smart Investor Portal, you are not required to register again. You may proceed to Step 2. Submit request for Remote Participation user ID and password.]

- a. Access website <https://boardroomlimited.my>
- b. Click <<Login>> and click <<Register>> to sign up as a user, by creating your own user ID and password
- c. Complete registration and upload softcopy of MyKAD (front and back) or Passport in JPEG, PNG or PDF format.
- d. Please enter a valid email address and wait for Boardroom’s email verification.
- e. Your registration will be verified and approved within one business day and an email notification will be provided.

## Step 2 – e-Proxy Lodgement

- a. Login to <http://www.boardroomlimited.my/> using your email address and password to login which you have created in Step 1(b) above.
- b. Go to “**E-PROXY LODGEMENT**” and browse the Meeting List for “**CB INDUSTRIAL PRODUCT HOLDING BERHAD (24th) ANNUAL GENERAL MEETING**” and click “APPLY”.
- c. Read the Terms and Conditions and confirm the Declaration.
- d. Enter CDS account number and the total number of securities held.
- e. Select your proxy – either the Chairman of the Meeting or individual named proxy(ies) and enter the required particulars of your proxy(ies).
- f. Indicate your voting instructions – For or Against or otherwise your proxy(ies) will decide your vote.
- g. Review and confirm your proxy(ies) appointment.
- h. Click submit.
- i. Download or print the eProxy form acknowledgement.

4. If you wish to participate in the Meeting yourself, please do not submit any Form of Proxy for the Meeting. **You will not be allowed to participate in the Meeting together with a proxy appointed by you.**
5. If you have submitted your Form(s) of Proxy and subsequently decide to appoint another person or wish to participate in the Meeting by yourself, please write in to [bsr.helpdesk@boardroomlimited.com](mailto:bsr.helpdesk@boardroomlimited.com) to revoke the earlier appointed proxy(ies) forty-eight (48) hours before the Meeting. Your proxy(ies) on revocation would not be allowed to participate in the Meeting. In such event, you should advise your proxy(ies) accordingly.

## F. PROCEDURE OF THE 24TH AGM

1. The Login User Guide for participation, posing questions and voting at the 24th AGM, will be emailed to you together with your remote access user ID and password once your registration has been approved.
2. No recording or photography of the Meeting proceedings is allowed without the prior written permission of the Company.
3. You must ensure that you are connected to the internet at all times in order to participate and vote when the 24th AGM has commenced. Therefore, it is your responsibility to ensure that connectivity for the duration of the meeting is maintained. Kindly note that the quality of the live streaming is dependent on the bandwidth and stability of the internet connection at the location of the remote participants.

## G. PARTICIPATION THROUGH LIVE WEBCAST AND QUESTION AT THE 24TH AGM

1. The participants will be able to view the Company’s presentation or slides via the live webcast.
2. The Chairman and the Board of Directors will endeavour their best to respond to the questions submitted by shareholders which are related to the resolutions to be tabled at the 24th AGM, as well as financial performance/prospect of the Company, to the extent where time permits. In the event the Board is unable to respond to your questions during the 24th AGM, you may email your questions to [jonathanlai@cbip.com.my](mailto:jonathanlai@cbip.com.my) after the Meeting.
3. Alternatively, you may also submit your questions in advance to [jonathanlai@cbip.com.my](mailto:jonathanlai@cbip.com.my) before 10:00 a.m. on 26 June 2021 (48 hours before commencement of the 24th AGM) and the Board will endeavour to respond to the questions submitted during the 24th AGM.

# ADMINISTRATIVE DETAILS OF ANNUAL GENERAL MEETING

## H. VOTING PROCEDURE AT THE 24TH AGM

1. The voting will be conducted by poll in accordance with Paragraph 8.29A of Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”). The Company has appointed Boardroom Share Registrars Sdn. Bhd. as Poll Administrator to conduct the poll by way of electronic voting (e-Voting). The Company has also appointed SKY Corporate Services Sdn. Bhd. as scrutineer to verify the poll results.
2. During the Meeting, the Chairman will invite the Poll Administrator to brief on the e-Voting housekeeping rules. The voting session will commence as soon as the Chairman calls for the poll to be opened and until such time when the Chairman announces the closure of the poll.
3. For the purposes of the 24th AGM, e-Voting will be carried out via personal smart mobile phones, tablets or personal computer/laptops.
4. There are 2 methods for members and proxies who wish to use their personal voting device to vote remotely. The methods are:-
  - Use QR Scanner Code given to you in the email; OR
  - Go to the website with URL <https://web.lumiagm.com/>.
5. You may proceed to cast your votes on each of the proposed resolution to be tabled at the 24th AGM as soon as the Chairman calls for the poll to be opened and until such time when the Chairman announces the closure of the poll.
6. The Scrutineers will verify the poll result reports upon the closing of the poll session by the Chairman. Scrutineers will announce the results thereafter, and the Chairman will declare whether the resolutions put to the vote were successfully carried or not.

## I. VOUCHERS / GIFTS

No vouchers or gifts will be given to the participants of the 24th AGM.

## J. ANNUAL REPORT AND/OR CIRCULAR/ STATEMENT

The Annual Report 2020 and the Circular/ Statement are available on Bursa Securities’ website at [www.bursamalaysia.com](http://www.bursamalaysia.com) under company announcements of CB Industrial Product Holding Berhad as well as the Company’s website at [www.cbip.com.my/investor-relations/agm](http://www.cbip.com.my/investor-relations/agm).

## K. ENQUIRY

Should you have any enquiry prior to the Meeting or if you wish to request for technical assistance to participate the Meeting, please contact Boardroom during office hours from 8.30 a.m. to 5.30 p.m. (Monday to Friday):-

Boardroom Share Registrars Sdn. Bhd.  
Tel: +603 7890 4700 (Helpdesk)  
Fax: +603 7890 4670  
Email: [bsr.helpdesk@boardroomlimited.com](mailto:bsr.helpdesk@boardroomlimited.com)

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are required to prepare financial statements for each financial year which have been made out in accordance with the applicable approved accounting standards and give a true and fair view of the state affairs of the Company and of the Group at the end of the financial year and of their results and cash flows for that financial year.

In preparing the financial statements of the Company and of the Group for the financial year ended 31 December 2020, the Directors have:

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

The Directors are responsible to ensure that the Company and the Group keep accounting records which disclose with reasonable accuracy the financial position of the Company and of the Group which enable them to ensure that the financial statements comply with the Companies Act 2016.

The Directors are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

# AUDIT COMMITTEE REPORT

The Board of Directors (“Board”) is pleased to present the following Report of the Audit Committee and its activities for the financial year ended 31 December 2020.

## COMPOSITION AND MEETINGS

The Audit Committee consists of three (3) members, all of whom are Non-Executive Directors with majority of Independent Directors. The composition of the Audit Committee complies with Paragraph 15.09(1) of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”).

Mr. Wong Chee Beng, the Chairman of the Audit Committee, is a member of the Malaysian Institute of Accountants (MIA) and the Malaysian Institute of Certified Public Accountants (MICPA). Therefore, the requirement of Paragraph 15.09(c) of the MMLR of Bursa Securities where at least one (1) member of the Audit Committee must be a qualified accountant has been complied with.

During the financial year ended 31 December 2020, the Audit Committee held a total of four (4) meetings. The details of the attendance of members of the Audit Committee are as follows:-

Members/Designation	Meetings Attended
<b>Wong Chee Beng</b> <i>Chairman/Senior Independent Non-Executive Director</i>	4/4
<b>Lim Chai Huat</b> <i>Member/Non-Independent Non-Executive Director</i>	4/4
<b>Karpanadevi A/P K R Somasundram</b> <i>Member/Independent Non-Executive Director</i>	4/4

The Senior Management and the Group Internal Auditors were invited to attend the Audit Committee meetings. The agenda of the meetings and relevant information were distributed to the Audit Committee members 7 days before the meeting to allow the members to have sufficient time to review the information in order to discharge their duties and responsibilities diligently and effectively in compliance with MMLR of Bursa Securities and its Terms of Reference.

The Audit Committee has been given adequate resources to discharge its functions and has full and unrestricted access to and co-operation of Management. The Audit Committee also has full discretion to invite Senior Management, Chief Financial Officer, employees of the Group, External Auditors and Internal Auditors to attend and brief the members on specific issues during the Audit Committee meetings.

In addition, the Audit Committee held meetings with the External Auditors without the presence of Management where they are given the opportunities to raise any concern or professional opinion and thus, to be able to carry out its functions independently.

The Company Secretary is also the Secretary of the Audit Committee and is responsible, together with the Committee Chairman, to draft the meeting agenda and circulate them prior to each meeting. The Secretary is also present to record the proceedings of the Audit Committee meetings.

The performance of the Audit Committee is assessed annually through self-evaluation and the Nomination Committee reviewed the results of such assessments. During the financial year ended 31 December 2020, the Board is satisfied that the Audit Committee had discharged its statutory duties and responsibilities in accordance with the Terms of Reference.

The Terms of Reference of the Audit Committee is accessible through the Company’s website at <https://www.cbip.com.my/corporate-governance>.

# AUDIT COMMITTEE REPORT

## SUMMARY OF WORK DONE DURING THE FINANCIAL YEAR

The work carried out by the Audit Committee in discharging its duties and functions with respect to their responsibilities during the financial year ended 31 December 2020 were summarised as follows:

### **Financial Reporting**

The Audit Committee reviewed the quarterly and annual financial statements prior to recommending to the Board for approval. The review focused on changes in accounting policies and practices, major judgmental and risk areas, significant adjustments resulting from the audit, the going concern assumption, compliance with accounting standards, compliance with MMLR of Bursa Securities and other requirements.

The Audit Committee keeps itself abreast on changes in accounting policies and guidelines through regular updates by the External Auditors.

### **External Audit**

The Audit Committee discussed with the External Auditors on its audit plan, and the report on the audit of the year-end financial statements and are updated by the External Auditor's audit reviews and Management's responses. It is through these reviews that the Audit Committee assess the External Auditors' suitability, objectivity and independence.

In assessing the independence of the External Auditors, the Audit Committee reviewed the fees paid to the External Auditors, including fees paid for non-audit services during the year. The Audit Committee ensures the reasonableness of the fee charge against the size and complexity of the Group so that the auditors' independence has not been compromised and is suitable for re-appointment.

The Audit Committee held two (2) private sessions with the External Auditors without the presence of the Management during the financial year in order to provide the External Auditors with an avenue to candidly express any concerns they may have, including those relating to their ability to perform their work without restraint or interference, and to notify the Audit Committee on any issues such as major financial and control issue encountered during the audit of the Group.

The Audit Committee evaluated the External Auditors' suitability, independence and objectivity taking into consideration their technical competencies, audit quality and manpower resource sufficiency to perform the audit of the Group. After carrying out the evaluation of the performance and independence of the External Auditors, recommended to the Board to propose to shareholders the re-appointment of the External Auditors at the forthcoming Annual General Meeting of the Company.

### **Internal Audit**

The Audit Committee reviewed the adequacy of the scope of functions and competency of the Internal Audit Function, the internal audit work and the annual audit plan. The review also include all the major findings reported during the year and Management's responses thereto and the progress of action plans implemented by the Management. It also cover a review of the effectiveness and efficiency of the internal controls systems in place and the risk factors affecting the Company as well as the action plans taken by Management to resolve the issues to ensure adequacy of the internal controls system and identifying the principal risks. In addition, the Audit Committee also reviewed and assessed the effectiveness of the risk management framework and internal control systems based on the reports and recommendations from the internal auditors and reports to the Board on its findings.

# AUDIT COMMITTEE REPORT

## **Related Party Transactions**

The Audit Committee reviewed the related party transactions entered into by the Group to identify any conflict of interest situation that may arise within the Group on a quarterly basis to ensure that all transactions are made on arms length's basis. It was noted that there were no material related party transactions during the financial year.

The Audit Committee also reviewed the recurrent related party transactions of a revenue or trading nature and any outstanding amount due/owing to the Group by its related parties on a quarterly basis to ensure the amounts transacted were within the approved shareholders' mandate as well as the circular to shareholders in respect of the recurrent related party transactions prior to recommending it for the Board's approval to seek shareholders' mandate at the Annual General Meeting of the Company.

## **Other Matters**

During the annual preparation of the Annual Report, the Audit Committee reviewed the Statement on Risk Management and Internal Control, Audit Committee Report and Corporate Governance Overview Statement to ensure adherence to legal and regulatory reporting requirements and appropriate resolution of all accounting matters requiring significant judgement and recommended the same to the Board for approval.

## **SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION**

The Internal Audit Function is carried out by the Group Internal Audit Department ("GIAD") which is responsible for the overall internal audit activities of the Group. The GIAD reports directly to the Audit Committee.

The role of the Internal Audit Function is to assist the Board via the Audit Committee in providing independent assurance on the adequacy and effectiveness of governance, risk management and internal control processes of the Group. The activities of the Internal Audit Function during the financial year ended 31 December 2020 were as follows:

- (a) Development of the Internal Audit Plan for 2020 for the Audit Committee's approval.
- (b) Execution of the approved 2020 internal audit plan and ad-hoc assignments.
- (c) Presentation of the internal audit and risk management findings and areas for improvement to the Audit Committee for consideration including the recommended corrective measures together with management's response.
- (d) Performance of follow-up reviews to ensure previously established action plans had been adequately implemented by Management within the agreed timelines.

The total cost incurred for the Internal Audit Function for the year 2020 was RM273,958.

The internal audits conducted did reveal a number of weaknesses but were not expected to result in material losses, contingencies or uncertainties that would require disclosure in the Annual Report.

Further details of the Internal Audit Functions are set out in the Statement on Risk Management and Internal Control on pages 68 to 70 of this Annual Report.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board is committed to ensure that the principles of corporate governance are practiced throughout the Group so that the affairs of the Group are conducted in the best interests of the Group and its shareholders. This statement provides an insight into the corporate governance practices of the Group pursuant to the three (3) key principles as set out in the Malaysian Code on Corporate Governance 2017 (“Code”) during the financial period under review.

This Statement is prepared in compliance with the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and it is to be read together with the Corporate Governance Report of the Company which is available on the Company’s website at [www.cbip.com.my](http://www.cbip.com.my).

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

### PART I – BOARD RESPONSIBILITIES

#### Strategic Aims, Values and Standards

The Board has the overall responsibility for the performance of the Group by maintaining full and effective control over strategic, financial, operational, compliance and governance issues. The Board’s key roles in charting the strategic direction, development and control of the Group includes reviewing and monitoring of matters on strategy to promote sustainability, performance, evaluation, resource allocation, standard of conduct, financial matters, succession planning, corporate disclosure, effectiveness and adequacy of the Group’s system of internal controls and risk management practices.

The Board delegates and confers some of its authorities and discretion to the Chairman, Executive Directors and Management as well as to properly constituted Board Committees comprising exclusively of Non-Executive Directors which operate within clearly defined Terms of Reference.

The Board Committees, comprising the Audit Committee and Nomination and Remuneration Committee, are entrusted with specific responsibilities to oversee the Group’s affairs, with authority to act on behalf of the Board in accordance with their respective Terms of Reference. However, it should be noted that the Board retains collective oversight over the Board Committees at all times. At each Board meeting, minutes are presented to keep the Board informed and the Chairmen of the relevant Board Committees also report to the Board on key issues deliberated at their respective meetings.

In addition to the Board Committees, a Risk Management Committee comprising the respective Heads of key operating subsidiaries headed by the Managing Director (“MD”) was established as part of the Company’s risk management and internal control framework for the purpose of managing risks affecting the Group.

The Key Matters reserved for the Board’s approval include the annual business plan and budget, capital management and investment policies, authority limits/levels, risk management practices, new businesses/projects, declaration of dividends, business continuity plan, issuance of new securities, business restructuring, expenditure above a certain limit, material acquisitions and disposition of assets.

During the financial year under review, the Board, in addition to the above matters, has reviewed policies and procedures to be in line with the Companies Act 2016, the Code and revisions to the Main Market Listing Requirements (“MMLR”) and implemented the following as part of its continuous efforts in enhancing corporate governance:-

- (1) Reviewed and revamped the risk management framework with a view of reflecting the rationalised strategic direction of the Group; and
- (2) Leveraged on technology to facilitate remote shareholders’ participation and electronic voting for the conduct of poll on all resolutions via remote participation and voting facilities for its fully virtual 23rd Annual General Meeting (“AGM”) held on 30 July 2020, in support of the government’s initiative to contain the spread of Covid-19 in Malaysia.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

Looking ahead to 2021, the priorities of the Board will be in pursuing the following areas:-

1. To have at least 50% Independent Directors on the Board;
2. To have 30% women representation at the Board;
3. To adopt ISO 37001 – Anti-Bribery Management Systems to establish, implement, maintain and improve the anti-bribery compliance programme of the Group; and
4. To review and update the Board Charter and Terms of Reference of the Board Committees to align with the amendment of regulation such as MMLR and Malaysian Code on Corporate Governance 2021 introduced on 28 April 2021.

The Board regularly reviews the strategic direction of the Company and the progress of the Company's operations, taking into account changes in the business and political environment and risk factors.

## Chairman

Tan Sri Datuk Dr. Yusof Bin Basiran, the Chairman of the Company, is an Independent Non-Executive Director. The Chairman leads the Board with a keen focus on governance and compliance and acts as a facilitator at Board meetings to ensure that contributions by Directors are forthcoming on matters being deliberated and that no Board member dominates any discussion. Together with the other Non-Executive and Independent Directors, he leads the discussion on the strategies and policies recommended by Management. He chairs the meetings of the Board and the shareholders and thus ensuring effective communication with the shareholders as well as the relevant stakeholders.

## Separation of the Positions of the Chairman and MD

The positions of the Chairman and the MD are held by different individuals. Tan Sri Datuk Dr. Yusof Bin Basiran, an Independent Non-Executive Director, is the Chairman whereas Datuk Lim Chai Beng is the MD.

The Board recognises the importance of having a clear separation of responsibilities of the Chairman and the MD to promote accountability and ensure appropriate balance of roles, facilitates division of responsibilities between them so that no one individual can influence the Board's discussions and decision making. The distinct and separate roles of the Chairman and MD ensure appropriate balance of roles, responsibilities and accountability at Board level.

The distinct roles of the Chairman and the MD are mentioned in the Board Charter of the Company, which is available on the Company's website.

## Qualified and Competent Company Secretaries

In performing their duties, all Directors have access to advice and services of the suitably qualified Company Secretaries. The Company Secretaries play an advisory role and ensure good information flow within the Board, Board Committees and Management. The Company Secretaries attend all meetings of the Board and Board Committees and advises the Directors on the issues relating to corporate governance matters, requirements encapsulated in the Company's Constitution and legislative promulgations such as the Companies Act 2016, MMLR, etc. The Company Secretaries shall continue to guide the Directors on the requirement to be observed arising from new regulation and guidelines issued by authorities.

The Company Secretaries are entrusted to record the Board's deliberations, in terms of issues discussed and ensure that the deliberations at Board and Board Committee meetings are well documented, and subsequently communicated to Management for appropriate actions. The minutes of the previous Board and Board Committees meetings are distributed to the Directors/ Committee prior to the meeting for their perusal before confirmation of the minutes at the commencement of the following Board and Board Committees meetings. The Directors may comment or request for clarification before the minutes are tabled for confirmation as a correct record of the proceedings of the meeting. Management provides Directors with complete and timely information prior to meetings and on-going basis to enable them making informed decisions.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## Access to Information and Advice

All Directors are entitled to seek independent professional advice at the Company's expense on specific issues to enable them to discharge their duties, where necessary.

The Board understands that the supply, timeliness and quality of the information affect the effectiveness of the Board to oversee the conduct of business and to evaluate the Management's performance of the Group. All Board members have full and unrestricted access to all information pertaining to the Group's business and affairs, including amongst others, major financial, operational and corporate matters as well as activities and performance of the Group to enable them to discharge their duties effectively.

## Board Charter

The Board had formalised a Board Charter which sets out the roles, functions, compositions, operation and processes of the Board.

The Board Charter serves to ensure that all Board members are aware of their expanding roles and responsibilities. It sets out the strategic intent and specific responsibilities to be discharged by the Board members collectively and individually. It also regulates on how the Board conducts business in accordance with Corporate Governance principles.

The Board Charter is periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have impact on the corporate governance practices of the Company and the responsibilities of the Board in discharging its governance function.

The Board Charter is available on the Company's website and was last reviewed on 22 November 2018.

## Code of Ethics and Conduct

The Group is committed to achieve and monitor high standards of behaviour at work.

The Board adheres strictly to the Corporate Code of Business Conduct and Work Ethics Policy for Directors, Senior Management and Employees ("Corporate Code") in discharging its oversight role effectively. The Corporate Code requires all Directors, Senior Management and Employees of the Group to observe high ethical business standards, and to apply these values to all aspects of the Group's business and professional practice and to act in good faith in the best interests of the Group and its shareholders.

The Corporate Code is available on the Company's website.

## Whistleblower Policy

The Board has adopted a Whistleblower Policy for the Group as a measure to promote the highest standard of corporate governance. The Whistleblower Policy outlines the avenues for the employees and stakeholders to raise concerns or disclose in good faith any improper conduct within the Group and to enable prompt corrective action and measure to resolve them effectively.

Any party who has reasonable belief that there is serious malpractice relating to any matter disclosed, may direct such complaint and report to the Senior Independent Non-Executive Director, who is also the Chairman of the Audit Committee in writing. Management will ensure that any employee of the Company who raises a genuine complaint in good faith shall not be penalised for such disclosure and the identity of such complainant shall be kept confidential.

The Whistleblower Policy is available on the Company's website.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## Anti-Corruption and Bribery Policy

In compliance with the Section 17A of the Malaysian Anti-Corruption Commission Act 2009 and guided by the principles of the Ministerial Guidelines and Paragraph 15.29 of the MMLR of Bursa Securities in relation to anti-bribery. The Board has adopted an Anti-Corruption and Bribery Policy in order to achieve and maintain the highest standard of integrity and work ethics in the conduct of its business and operations. The Anti-Corruption and Bribery Policy provides guidance to all Directors, employees and associates of the Group relating to specific acts of bribery and corruption and also to related matters such as proper reporting and accounting.

The Anti-Corruption and Bribery Policy is available on the Company's website.

## PART II – BOARD COMPOSITION

### Board Composition

The Board consists of seven (7) members, comprising one (1) Independent Non-Executive Chairman, three (3) Executive Directors, one (1) Non-Independent Non-Executive Director and two (2) Independent Non-Executive Directors.

The three (3) Independent Non-Executive Directors fulfilled the criteria of independence as defined in the MMLR of Bursa Securities. The Independent Non-Executive Directors do not participate in the day-to-day management of the Company and do not involve themselves in business transactions or relationships with the Company, in order not to compromise their objectivity. In staying clear of any potential conflict of interest, the Independent Non-Executive Directors remained in a position whereby they are able to fulfill their responsibility and act independently to provide checks and balances to the Board.

The Board composition is in compliance with Paragraph 15.02 of the MMLR of Bursa Securities but it did not comply with the requirement of Practice 4.1 of MCCG 2017 for a Board constituting half of the Independent Directors.

Nevertheless, the Board is of the view that the current composition of the Board with diverse background in various fields provides a reasonable check and balance within the Board, which sufficiently enables it to discharge its duties objectively and will continue to search for suitably qualified personnel to increase the representation of the Independent Directors on the Board.

Further, as the Chairman of the Board is an independent non-executive director, the Chairman of the Board provides the strong leadership necessary to marshal the Board's priorities objectively.

The Company is helmed by an experienced Board comprising members of high calibre with integrity and capable to provide a wealth of diverse knowledge, experience and skills in the key areas of accountancy, finance, business operations and development, legal and compliance, corporate governance, risk management and oil palm plantation know-how amongst others.

### Tenure of Independent Director

The Nomination and Remuneration Committee carry out the evaluation of independence on each independent director annually.

The Nomination and Remuneration Committee had undertaken a review and assessment of the level of independence of the Independent Directors during the financial year 2020 and is satisfied that they are able to discharge their responsibilities in an independent manner. The Independent Directors have also declared their independence to the Board during the review of Directors' independence as part of the annual assessment carried out by the Nomination and Remuneration Committee.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board, through the Nomination and Remuneration Committee, had assessed Tan Sri Datuk Dr. Yusof Bin Basiran and Mr. Wong Chee Beng, the two (2) Independent Directors who had each served the Company for a cumulative term of more than twelve (12) years and concluded that they have fulfilled the criteria under the definition of Independent Director as stated in the MMLR and thus, they would be able to function effectively and impartially as an oversight and bring an element of objectivity to the Board.

Accordingly, the Board agreed with the above proposed re-appointment of Tan Sri Datuk Dr. Yusof Bin Basiran and Mr. Wong Chee Beng as Independent Directors of the Company and will seek shareholders' approval through a two-tier voting process at the forthcoming 24th AGM to retain them as Independent Directors of the Company.

## Policy of Independent Director's Tenure

The Board has adopted a nine-year policy for Independent Non-Executive Directors. An Independent Director may continue to serve on the Board subject to the director's re-designation as a Non-Independent Director. Otherwise, the Board will need to justify and seek shareholders' approval at an AGM in the event it retains such director as an Independent Director. If the Board continues to retain the Independent Director after the twelfth year, the Board needs to seek shareholders' approval through a two-tier voting process in accordance with the Code.

## Diverse Board and Senior Management Team

The Board acknowledges the importance of a diverse Board and Senior Management. The Group adhered strictly to the practice of non-discrimination of any form, whether based on race, age, religion and gender throughout the organisation, in the selection of Board members and Senior Management. The Board encourages a dynamic and diverse composition by nurturing suitable and potential candidates equipped with competency, skills, experience, character, time commitment, integrity and other qualities in meeting the needs of the Company. The Group will endeavour to meet the diversity at the Senior Management level and the composition of the Key Senior Management of the Group comprises a mixture of both genders.

The Board has established a Board Diversity Policy where the Board will endeavor to achieve 30% women directors as soon as practicable and suitable. Notwithstanding the challenges in achieving the appropriate level of diversity on the Board, the Board continues to work towards addressing this as and when vacancies arise and suitable candidates are identified. However, the appointment of a new Board member will not be guided solely by gender but will also take into account the skills-set, experience and knowledge of the candidate. The Company's prime responsibility in new appointments is always to select the best candidates available.

Hence, the normal selection criteria based on an effective blend of competencies, skills, extensive experience and knowledge to strengthen the Board remains a priority.

Presently, there is one (1) female Director on the Board and one (1) female representation at the Senior Management level. The Board will endeavour to increase the number of female representations on the Board and at Senior Management level.

## Board's Commitment

The Directors allocate sufficient time to discharge their responsibilities effectively and attend Board Meeting and Board Committee Meetings to deliberate on matters under their purview. Board Meeting and Audit Committee meeting are held at quarterly intervals with additional meetings convened when necessary. During the financial year, the Board has deliberated on business strategies and issues concerning the Group including business plan, annual budget, financial results, etc.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The attendance of the Directors at Board and Board Committees meetings during the financial year under review is set out below:-

Director	Meeting Attendance			
	Board	Audit Committee	Nomination and Remuneration Committee	AGM
Tan Sri Datuk Dr. Yusof Bin Basiran	4/4	-	-	1/1
Datuk Lim Chai Beng	4/4	-	-	1/1
Tengku Dato' Ardy Esfandiari Bin Tengku Abdul Hamid Shah	3/4	-	-	1/1
Mak Chee Meng	4/4	-	-	1/1
Lim Chai Huat	4/4	4/4	1/1	1/1
Wong Chee Beng	4/4	4/4	1/1	1/1
Karpanadevi A/P K R Somasundram	4/4	4/4	1/1	1/1

To ensure that the Directors have the time to focus and fulfil their roles and responsibilities effectively, the Directors must not hold more than five (5) directorships in public listed companies and shall notify the Chairman, before accepting any new directorships.

The Directors shall remain fully committed in carrying of their duties and responsibilities by:-

- (1) ensuring the total number of directorships held by each Director is below the maximum number set by the Board; and
- (2) the time commitment in the full attendance at the Board Meetings.

During the financial year ended 31 December 2020, all the Directors have attended the following training, seminars, conferences and exhibitions to keep themselves abreast with the changes in laws and regulation, business environment and corporate governance development:-

DIRECTOR	COURSE/ PROGRAMME ATTENDED
Tan Sri Datuk Dr. Yusof Bin Basiran	<ul style="list-style-type: none"> <li>• Corporate Liability Provision under the Malaysian Anti-Corruption Commission Act – Mitigate a new Risk for your Company (13 October 2020)</li> </ul>
Datuk Lim Chai Beng	<ul style="list-style-type: none"> <li>• Corporate Liability Provision under the Malaysian Anti-Corruption Commission Act – Mitigate a new Risk for your Company (13 October 2020)</li> </ul>
Tengku Dato' Ardy Esfandiari Bin Tengku Abdul Hamid Shah	<ul style="list-style-type: none"> <li>• Corporate Liability Provision under the Malaysian Anti-Corruption Commission Act – Mitigate a new Risk for your Company (13 October 2020)</li> </ul>
Mak Chee Meng	<ul style="list-style-type: none"> <li>• Corporate Liability Provision under the Malaysian Anti-Corruption Commission Act – Mitigate a new Risk for your Company (13 October 2020)</li> </ul>
Lim Chai Huat	<ul style="list-style-type: none"> <li>• Corporate Liability Provision under the Malaysian Anti-Corruption Commission Act – Mitigate a new Risk for your Company (13 October 2020)</li> </ul>

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

DIRECTOR	COURSE/ PROGRAMME ATTENDED
Wong Chee Beng	<ul style="list-style-type: none"> <li>Corporate Liability Provision under the Malaysian Anti-Corruption Commission Act – Mitigate a new Risk for your Company (13 October 2020)</li> </ul>
Karpanadevi A/P K R Somasundram	<ul style="list-style-type: none"> <li>The Audit Committee Institute (ACI) Staying Resilient during an Economic Downturn – KPMG (12 May 2020)</li> <li>Corporate Liability Provision under the Malaysian Anti-Corruption Commission Act – Mitigate a new Risk for your Company (13 October 2020)</li> <li>Fraud Risk Management Workshop – PricewaterhouseCoopers &amp; Bursa Malaysia (2 November 2020)</li> </ul>
Lim Zee Ping	<ul style="list-style-type: none"> <li>Corporate Liability Provision under the Malaysian Anti-Corruption Commission Act – Mitigate a new Risk for your Company (13 October 2020)</li> </ul>

The Company will continue to identify suitable training for the Directors to equip and update themselves with the necessary knowledge in discharging their duties and responsibilities as Directors.

The Company Secretaries together with the Management undertake the role as the co-ordinator to manage and co-ordinate the Director's training requirement.

The Directors are encouraged to attend briefing, conferences, forums, trade fairs (locally and internationally), seminars and training related to their functions or roles to keep abreast with the latest developments in the industry and to enhance their skills and knowledge.

## Nomination and Remuneration Committee (“NRC”)

The NRC consist of entirely Non-Executive Directors with a majority being Independent Directors, as follows:-

Chairperson	Karpanadevi A/P K R Somasundram (Independent Non-Executive Director)
Members	Wong Chee Beng (Senior Independent Non-Executive Director) Lim Chai Huat (Non-Independent Non-Executive Director)

The full details of the NRC's Terms of Reference are published on the Company's website.

In regard to the nomination function, the NRC is responsible for new appointments, assessing the adequacy and appropriateness of the board composition, identifying and recommending suitable candidates for Board membership and also for assessing the performance of the Directors on an ongoing basis. The Board will have the ultimate responsibility and final decision on the appointment. This process shall ensure that the Board membership accurately reflects the long-term strategic direction and needs of the Company and determine the skill matrix to support the strategic direction and needs of the Company.

In identifying the candidates for appointment to the Board, other than solely relying on the recommendations from existing Board members, Management and/or Major Shareholder, the NRC also explore independent sources to identify suitably qualified candidates.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The NRC evaluates the qualification and experience of the candidate against the Board's requirements, including its gender diversity policy and where appropriate recommends to the Board for appointment.

During the financial year 2020, the NRC held one (1) meeting and the work carried out by the NRC in discharging its functions and duties were as follows:-

- evaluated the balance of skills, knowledge, experience and diversity on the Board;
- assessed the effectiveness of the Board as a whole and the contribution of each individual Director;
- reviewed and assessed the size, composition and the required mix of skills of the Board and Board Committees;
- reviewed and assessed the performance of the Chief Financial Officer ("CFO");
- reviewed the re-election and re-appointment of retiring Directors;
- assessed and evaluated the level of independence of Independent Directors;
- assessed Directors' training needs;
- reviewed the terms of office of the Audit Committee and each member of the Audit Committee;
- reviewed the remuneration of Executive Directors based on the key performance indicators achieved; and
- reviewed the Directors' fee and benefit payable to the Non-Executive Directors from 1 July 2020 to 30 June 2021.

## Annual Evaluation

The Board through the NRC, reviews and evaluates its own performance and the performance of the Board Committees on an annual basis. The Board evaluation comprises a Board Assessment, an Individual Director Self-Assessment and an Assessment of Independence of the Independent Directors.

The assessment of the Board is based on specific criteria, covering areas such as the Board structure, Board operations, roles and responsibilities of the Board, the Board Committees and the Chairman's roles and responsibilities. As for the Individual Director Self-Assessment, the assessment criteria include contribution to interaction, quality of input, understanding of role and time commitment.

The results of the assessment would form the basis of the NRC's recommendation to the Board for the re-election of the retiring Directors at the next AGM.

In addition, the NRC reviews and evaluates the performance of the CFO on an annual basis.

Based on the results of the assessments, the NRC was satisfied with the existing Board composition and was of the view that the Directors and Board Committees of the Company had discharged their responsibilities in a commendable manner and had performed competently and effectively. All assessments and evaluations carried out by the NRC in the discharge of its functions were properly documented.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities. All Directors have given their full commitment to the Board meeting by attending all of the Board and Board Committees meetings as shown in the details of attendance of Directors at the meetings held during the financial year.

## Re-election of Retiring Director

In accordance with the Company's Constitution, one third of the Directors (with the exception of the Alternate Director) are subject to retirement by rotation annually and all Directors shall retire from office once at least every three years.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Directors to retire each year are the Directors who have been longest in office since their last appointment on re-election. The Directors appointed during the financial year are subject to retirement at the next AGM held following their appointments in accordance with the Company's Constitution. All retiring Directors are eligible for re-election.

Pursuant to Clause 97 of the Company's Constitution, Tan Sri Datuk Dr. Yusof Bin Basiran and Mr. Lim Chai Huat are subject to retirement by rotation at the forthcoming 24th AGM and they have expressed their willingness to seek for re-election at the 24th AGM.

## PART III - REMUNERATION

### Remuneration Policy

The NRC and the Board ensure that the Company's remuneration remains supportive of the Company's corporate objectives and is in tune with the market rate and further that the remuneration packages of Directors and Key Senior Management are sufficiently attractive to attract and to retain persons of high calibre.

The Company's Remuneration Policy recognises the need for the Company to attract, motivate and retain qualified members of the Board and Management as well as to align the interests of the Board and Management with the interest of the Company's shareholders. As such, the Remuneration Policy adopted by the Board embodies the following principles:-

- Providing fair, consistent and competitive rewards to attract and retain high calibre executives.
- Motivating the Company's Directors and executives to achieve superior performance.
- A remuneration framework that incorporates both short and long-term incentives linked to the Company performance and total shareholders' returns.

The Remuneration Policy is available on the Company's website.

### Remuneration of Directors and Senior Management

The NRC reviews annually the performance of the Executive Directors ("EDs") and submits recommendations to the Board on specific adjustments in remuneration and/or reward payments that reflect their respective contributions for the year and their achievement of the goals and/or quantified organisational targets set at the beginning of each year.

The key performance indicators ("KPIs") of the EDs are tailored to their specific business segments. To ensure that the EDs work together to contribute towards the success of the overall group, their KPIs also include some of the group's KPIs.

The Board as a whole determines the Directors' fee of the Non-Executive Directors ("NEDs") and recommends the same for the shareholders' approval.

The remuneration package of the EDs consists of monthly salary, allowance, bonus and benefits-in-kind ("BIK") such as company car and coverage under the Directors and Officers Liability Insurance in respect of any significant liability arising from acts committed in their capacity as Directors and Officers of the Company. The Directors and principal officers are required to contribute jointly towards the premium of the said policy.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The aggregate remuneration of Directors received from the Company and on Group basis for the financial year ended 31 December 2020 are as follows:

Director	Company		Group		
	Fee (RM'000)	Other Emolument and BIK ^ (RM'000)	Fee (RM'000)	Other Emolument and BIK ^ (RM'000)	Defined Contribution Plan (RM'000)
<b>Executive Directors*</b>					
Datuk Lim Chai Beng	-	29	44	1,343	60
Tengku Dato' Ardy Esfandiari Bin Tengku Abdul Hamid Shah	-	28	18	50	5
Mak Chee Meng	-	29	6	670	38
<b>Non-Executive Directors</b>					
Tan Sri Datuk Dr. Yusof Bin Basiran	89	29	89	29	-
Wong Chee Beng	54	29	54	29	-
Lim Chai Huat	49	29	49	29	-
Karpanadevi A/P K R Somasundram	49	8	49	8	-

\*the remuneration paid to the EDs were in respect of their employment with the Company/Group.

^other emolument and BIK consist of salary, bonus, allowance and benefits-in-kind.

## Remuneration of Top Five (5) Senior Management

The top five (5) Senior Management whose remuneration (comprising salary, bonus, BIK and other emoluments) for the financial year ended 31 December 2020 within the successive bands of RM50,000 are as follows:

Range of Remuneration	Top Five Senior Management
RM300,001 to RM350,000	1
RM350,001 to RM400,000	2
RM550,001 to RM600,000	1
RM650,001 to RM700,000	1

## PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

### PART I – AUDIT COMMITTEE

The Audit Committee (“AC”) is relied upon by the Board, amongst others, to provide advice in the areas of financial reporting, external audit, internal control environment and internal audit process, review of related party transactions as well as conflict of interest situation. The AC also undertakes to provide oversight on the risk management framework of the Group.

The AC is chaired by a Senior Independent Non-Executive Director, who is distinct from the Chairman of the Board and all members of the AC are financially literate. The composition of the AC, including its roles and responsibilities as well as a summary of its activities carried out in year 2020, are set out in the AC Report on pages 52 to 54 of this Annual Report.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The AC has adopted a policy that requires any Director who is a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the AC and the said policy has been incorporated in the Terms of Reference of the AC which is published on the Company's website.

## External Auditors

Annually, the AC also reviews the appointment, performance and remuneration of the External Auditors before recommending them to the shareholders for re-appointment at the AGM. The AC would convene meeting with the External Auditors without the presence of the EDs and employees of the Group as and when necessary. As part of the AC's review processes, the AC has obtained assurance from the External Auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

Having satisfied with Messrs. Crowe Malaysia PLT's performance, technical competency and audit independence, the AC recommended the re-appointment of Messrs. Crowe Malaysia PLT to the Board, upon which the shareholders' approval will be sought at the AGM.

Based on the AC's assessment of the External Auditors, the Board is satisfied with the independence, quality of service and adequacy of resources provided by the External Auditors in carrying out the annual audit for financial year 2020. In view thereof, the Board has recommended the re-appointment of the External Auditors for the approval of shareholders at the forthcoming AGM.

## Internal Auditors

The Group Internal Audit (GIA) Department was established to support the Board through the AC in discharging its duties and governance responsibilities of maintaining a sound internal control system within the Group. The Group's Internal Auditors have an independence status within the Group and report directly and functionally to the AC, and also independent of the functions and activities that it audits and perform its duties in accordance with the Internal Audit Plan approved by the AC.

The GIA Department is staffed with 4 Internal Auditors who are free from any relationship or conflict of interest, which would impair their objectivity and independence.

The GIA Department is headed by Mr. Chua Chin Keat. He holds a Bachelor Degree with double major in Economics and Finance from RMIT University, Australia and has more than 20 years of internal audit experiences in banking, finance, franchise, agriculture, manufacturing and construction sectors. He is a member of The Institute of Internal Auditors Malaysia (IIAM).

The GIA Department has adopted professional guides such as International Professional Practices Framework (IPPF) and COSO's Internal Control—Integrated Framework as references during the conduct of assignments.

Details of the Internal Audit Function and activities are presented in the AC Report on pages 52 to 54 of this Annual Report.

## PART II – RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board has overall responsibility for maintaining a sound system of risk management and internal control of the Group that provides reasonable assurance of effective and efficient business operations, compliance with laws and regulations as well as internal procedures and guidelines.

The AC is assigned by the Board to oversee the risk management of the Group and advise the Board on areas of high risk faced by the Group and the adequacy of compliance and control throughout the organisation. The AC also reviews the action plans implemented and makes relevant recommendations to the Board to manage residual risks.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Group has established a formal risk management framework to oversee the risk management of the Group. The Risk Management Committee (“RMC”) comprising of the Head of key operating subsidiaries was established to assist the Board to identify, assess, manage, monitor and report underlying risks and the Board through the AC and the RMC obtained assurance that the system of risk management and internal control of the Group are functioning effectively.

The Statement on Risk Management and Internal Control included on pages 68 to 70 of this Annual Report provides the overview of the Internal Control Framework adopted by the Company during the financial year ended 31 December 2020.

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

### PART I – COMMUNICATION WITH STAKEHOLDERS

The Board recognises the importance of being transparent and accountable to the Company’s stakeholders and acknowledges the continuous communication between the Company and stakeholders would facilitate mutual understanding of each other’s objectives and expectations. The Board has put in place a Corporate Disclosure Policy with the objective to ensure communications to the public are timely, factual, accurate, complete, broadly disseminated and where necessary, filed with regulators in accordance with applicable laws. The Corporate Disclosure Policy is published on the Company’s website.

The Company’s website provides all relevant corporate information and it is accessible by the public. The Company’s website includes Annual Report, financial results, share price information and all corporate announcements made by the Company. Where possible and applicable, the Group provides additional disclosures on a voluntary basis. The Board believes that on-going communication with shareholders is vital to the shareholders and the investors to make informed investment decisions.

The Company encourages effective, transparent and regular communication with the shareholders and the stakeholders including employees and any queries can be directed to the Corporate’s website by an e-mail address: [info@cbip.com.my](mailto:info@cbip.com.my). The Company has also identified Mr. Wong Chee Beng as the Senior Independent Non-Executive Director to whom concerns of shareholders and other stakeholders may be conveyed.

### PART II – CONDUCT OF GENERAL MEETINGS

The AGM is the principal forum for dialogue and interaction with shareholders and provides an opportunity for the shareholders to seek and clarify any issues and to have a better understanding of the Groups’ business and corporate developments.

The 23rd AGM of the Company held on 30 July 2020 was conducted on a fully virtual basis via live streaming and through the Remote Participation and Voting (“RPV”) facilities. Shareholders who attended the 23rd AGM could submit their questions during the meeting via RPV for the Board to respond. In addition, the shareholders could also submit their questions prior to the AGM to the e-mail of Investors’ Relations of the Company, which would be addressed by the Board and/or Management during the AGM.

All the Directors were present in person at the 23rd AGM to engage directly with shareholders and responded to all questions raised and provided clarification as enquired by the shareholders. In addition, the Head of Investor Relations presented the Company’s operational and financial performance for the financial year under review at the 23rd AGM. The presentation is supported by visual and graphic presentation of key financial figure and key operational highlights and future prospect to facilitate the shareholders’ understanding of the Company’s performance.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Chairman of the Board ensure that sufficient opportunities were given to shareholders and proxies to raise questions relating to the affairs of the Company and that adequate responses were given.

A summary of key matters discussed at the 23rd AGM is published on the Company's website.

In line with good corporate governance practice, the notice of the forthcoming 24th AGM, the Form of proxy and Annual Report are despatched to the shareholders at least 28 days before the date of AGM. This is to ensure that shareholders were given sufficient time to read and consider the resolutions to be resolved. All the Directors shall endeavour to present in person to engage directly with, and be accountable to the shareholders for their stewardship of the Company.

This Corporate Governance Overview Statement was approved by the Board on 10 May 2021.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

The Board is committed towards ensuring that a sound risk management framework and a strong system of internal control exists in order to safeguard the Group's assets and minimise its losses and liabilities.

The Board is pleased to present this statement of risk management and internal control of the Group prepared in accordance with Paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers ("Guidelines") and the Malaysian Code on Corporate Governance 2017.

## BOARD RESPONSIBILITIES

The Board recognises the importance of a sound framework for risk management and internal control to promote good corporate governance. The Board acknowledges its responsibility and re-affirms its commitment in maintaining sound systems of risk management and internal control to safeguard shareholders' investments and the Group's assets as well as for reviewing its adequacy and effectiveness of these systems.

The Board has delegated the review of the adequacy and integrity of the internal control system to the Audit Committee ("AC") who keeps the Board informed of all significant issues on risk management and internal control brought to the attention of the AC by Management, the Internal Auditors and the External Auditors.

Due to the inherent limitations of any system of internal control and risk management, the Board recognises that such systems are designed to manage rather than to eliminate all risks and internal control weaknesses that may hinder the Group from achieving its business objectives, and as such, can only provide reasonable but not absolute assurance against material misstatement, loss or fraud. The Board remains responsible for the governance of risk and for all the actions of the Board Committees with regard to the execution of the delegated oversight responsibilities.

## KEY FEATURES OF THE GROUP'S RISK MANAGEMENT SYSTEM AND INTERNAL CONTROL SYSTEM

### 1. Control Environment

- **Organisation Structure & Authorisation Procedures**

The Group maintains a formal organisation structure with well-defined delegation of responsibilities and accountability within the Group's Management. It sets out the roles and responsibilities, appropriate authority limits, review and approval procedures in order to enhance the internal control system of the Group's various operations.

- **Periodic Performance Review**

Actual performance of the Group is monitored against plans to identify and to address significant variances reported to the AC during every quarterly meeting.

- **Group Policies and Procedures**

The Group has documented policies and procedures that are reviewed and updated periodically to ensure that these are effective and efficient and continue to support the Group's business activities at all times as the Group continues to grow.

- **Site Visits and Operational Meetings**

In line with the movement control order implemented by the government to contain the spread of Covid-19 pandemic in Malaysia and strict Standard Operating Procedure (SOP) adopted to restrict visit to office premises by visitors, the annual factory/site visits by the AC has been postponed indefinitely to a future date.

Nonetheless, members of the Management team, the Internal Auditors and the AC met virtually to ensure continuous communication and updates of the Group's status.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## 2. Risk Management Framework and its Implementation

Risk management is regarded by the Board to be an integral part of managing business operations. There is a Risk Management Committee (“RMC”) comprising of the respective Heads of the key Operating Companies (“HOC”) who are responsible for managing risks related to their functions on a day-to-day basis while the Managing Director is responsible at the Group level.

The Board, through the AC and the RMC, obtained assurance that the system of risk management and internal control of the Group is functioning effectively.

At each RMC Meeting, the HOC provide update on the business/operating risks identified within their functions and action plan implemented to address the identified risk as well as the progress of implementation. The HOC also provide an assurance that the identified risks were within the risk appetite of the Group and proper action plan has been taken to rectify and/or mitigate the identified risk.

Management meetings are held to ensure that risks faced by the Group are discussed, monitored and appropriately addressed. It is at these meetings that key risks and corresponding controls implemented are communicated amongst the Management team. Significant risks identified are subsequently brought to the attention of the Board, through the AC, at their scheduled quarterly meetings.

The abovementioned practices and initiatives by Management serve as an ongoing process to identify, assess and manage key business, operational and financial risks faced by the Group.

In addition, the Internal Auditors updates the AC quarterly on the status of implementation of previously identified management action plans to mitigate significant business/operating risks of the Group and whether the controls put into effect by the Management are sufficient and effective in mitigating the identified risks.

## 3. Internal Audit Function

The Group Internal Audit Department is independent from the day-to-day operations of the Group. The duties of the Internal Auditors are performed with professional care and without prejudice with the main objective of providing the AC and the Board with an assurance and independent assessment in respect of the adequacy, efficiency and effectiveness of the risk management practices and system of internal control.

The Internal Auditors reports directly to the AC and the internal audit plans are tabled to the AC for review and approval to ensure adequate coverage. Based on internal policies, procedures and frameworks as well as Committee of Sponsoring Organization of the Treadway Commission (COSO), the Internal Auditors assesses the Group’s internal control based on the following five interrelated control elements:

- a. Control environment;
- b. Risk assessment;
- c. Control activities;
- d. Information and communication; and
- e. Monitoring activities.

These are documented in the Audit Committee Report on pages 52 to 54 of this Annual Report.

On a quarterly basis, the Group Internal Auditors tables the results of their review of the business processes of different operating units to the AC. The status of the implementation of corrective actions to address control weaknesses is also followed up by the Internal Auditors to ensure that these actions have been satisfactorily implemented.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Based on the internal audit reviews conducted during the financial year 2020, none of the weaknesses noted have resulted in any material losses or liabilities that would require a separate disclosure in this Annual Report.

## 4. Information and Communication

Information critical to the achievement of the Group's business objectives are communicated through the established reporting lines across the Group. This is to ensure that matters that require the Board and Management's attention are highlighted for review, deliberation and decision on a timely basis.

## 5. Monitoring and Review

- **Business Planning and Budgeting Review**

The Board plays an active role in discussing and reviewing the business plans, strategies, performance and risks faced by the Group. Business plan and annual budget prepared by Management are tabled to the Board for their review and approval prior to implementation.

- **Financial and Operational Review**

The quarterly financial statements containing key financial results and operational performance results are monitored against budgets/plans to identify and address significant variances quarterly and these are presented to the Board for their review, consideration and approval.

## ASSURANCE PROVIDED BY THE MANAGING DIRECTOR AND CHIEF FINANCIAL OFFICER

In line with the Guidelines, the Managing Director and the Chief Financial Officer, have provided assurance to the Board that the Group's risk management and internal control systems have operated adequately and effectively, in all material aspects, based on the risk management and internal control frameworks adopted by the Group.

## REVIEW OF THE STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL BY THE EXTERNAL AUDITORS

Pursuant to Paragraph 15.23 of the MMLR of Bursa Securities, the External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in this Annual Report. Their review was performed in accordance with recommended Practice Guide (RPG) 5 (revised 2015): Guidance for Auditors on Engagements to report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants.

Based on their review, nothing has come to their attention that causes them to believe that this Statement is not prepared, in all material respects, in accordance with the disclosures required by Paragraphs 41 and 42 of the Guidelines to be set out, nor is factually inaccurate.

## CONCLUSION

The Board is of the view that the Group's system of risk management and internal control is adequate and effective to safeguard the Group's assets and to minimise its losses and liabilities. However, the Board is also cognizant of the fact that the Group's system of internal control and risk management practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Board will continue to enhance the risk management and internal control system of the Group.

This Statement on Risk Management and Internal Control was approved by the Board on 10 May 2021.



# ADDITIONAL COMPLIANCE INFORMATION

## (i) Utilisation of Proceeds

There were no proceeds raised from any corporate proposal during the financial year.

## (ii) Audit and Non-Audit Fees

The amount of audit and non-audit fees paid and payable to the External Auditors and their affiliates by the Company and the Group for the financial year ended 31 December 2020 are as follows:

	Company (RM)	Group (RM)
Audit fee	85,000	494,000
Non-audit fees	7,759	131,269

## (iii) Material Contracts involving Directors, Chief Executive who is not a Director, and Major shareholder's Interest

Except for what is disclosed in the Related Party Transaction as stated below, there were no other material contracts entered into by the Group involving the interest of the Directors, chief executive who is not a Director or Major Shareholder either still subsisting as at 31 December 2020 or entered into since the end of the previous financial year.

## (iv) Recurrent Related Party Transaction ("RRPT") of Revenue or Trading Nature

At the Twenty-Third Annual General Meeting held on 30 July 2020, the Company had obtained a mandate from its shareholders to enter into RRPT with a person who is considered being a Related Party as defined in Chapter 10 of the Main Market Listing Requirements. Details of the RRPT during the financial year ended 31 December 2020 pursuant to the Shareholders' Mandate are as follows:-

Transacting Parties	Interested Related Parties	Nature of Transaction	Actual Value Transacted (RM'000)
ENBPOL and the Group	DLCB, LZP, LCH and LCG	a. Purchase of palm oil mills equipment, spare parts from CBIP Group. b. Provision of engineering works by CBIP Group.	5,444
ENBTL and the Group	DLCB, LZP, LCH and LCG	Sale of crude palm oil to CBIP Group.	114,830
TPL and the Group	DLCB, LZP, LCH and LCG	a. Purchase of Palm Oil Mill equipment, boiler and spare parts from CBIP Group. b. Provision of engineering work by CBIP Group.	-
Presspalm and the Group	LCT, DLCB, LZP, LCH and LCG	Sale of palm oil mills spare parts and machining items to CBIP Group.	217
Presspalm and the Group	LCT, DLCB, LZP, LCH and LCG	Purchase of palm oil mills spare parts from CBIP Group.	173
RSB and the Group	DLCB, LZP, LCH and LCG	a. Supply of boiler spare parts, palm oil mills equipment and spare parts by CBIP Group. b. Provision of engineering works by CBIP Group.	2,491

## ADDITIONAL COMPLIANCE INFORMATION

Transacting Parties	Interested Related Parties	Nature of Transaction	Actual Value Transacted (RM'000)
PWEB and the Group	DLCB, MCM, LZP, LCH, TYH, LCG and LST	a. Supply of effluent treatment system and spare parts to CBIP Group. b. Provision of engineering works to CBIP Group.	11,358
WISSB and the Group	LCHong, DLCB, LZP, LCH and LCG	Purchase of Palm Oil Mills Spare parts from CBIP Group.	164

### Notes:

- (1) The above actual value transacted is for the period from 1 August 2020 to 31 December 2020.
- (2) The nature of relationship with the above Related Parties as at 31 December 2020 is as follows:-
  - a. DLCB is a director and major shareholder of the CBIP. He is also the director and major shareholder of ENBPOL, ENBTL, TPL, RSB and PWEB.
  - b. LZP is son of DLCB and alternate director to DLCB. He has direct interest of 0.96% in CBIP.
  - c. DLCB, LCH, LCG, LCT and LCHong are siblings.
  - d. LCH is a director of CBIP and has direct interest of 4.54% in CBIP.
  - e. LCG is a director of CBIP Group and has direct interest of 5.34% and indirect interest of 0.21% through the shares held by his spouse in CBIP.
  - f. LCT is a director and major shareholder of Presspalm and he has direct interest of 1.00% in CBIP.
  - g. LCHong is a director and major shareholder of WISSB and he has direct interest of 0.64% in CBIP.
  - h. MCM is a director of CBIP and has direct interest of 3.35% in CBIP. He is also a director and major shareholder of PWEB.
  - i. TYH is a director of CBIP Group and has direct interest of 1.76% in CBIP. He is also a director and major shareholder of PWEB.
  - j. LST is daughter of DLCB and sister of LZP, and she has direct interest of 0.47% in CBIP. She is also a Director of PWEB.

### Abbreviations:

CBIP	- CB Industrial Product Holdings Berhad
CBIP Group	- Subsidiary(ies) of CB Industrial Product Holdings Berhad
DLCB	- Datuk Lim Chai Beng
ENBPOL	- East New Britain Palm Oil Limited
ENBTL	- ENB Trading Limited
Group	- CBIP and the subsidiary(ies)
LCG	- Lim Chai Guan
LCH	- Lim Chai Huat
LCHong	- Lim Chye Hong
LCT	- Lim Chai Tiong
LST	- Lim Sim Tong
LZP	- Lim Zee Ping
MCM	- Mak Chee Meng
Presspalm	- Presspalm Engineering Sdn. Bhd.
PWEB	- PW Eco Biotech Sdn. Bhd.
RSB	- Resourcecity Sdn. Bhd.
TPL	- Tzen Plantation Limited
TYH	- Tan Yu Hwa
WISSB	- Wismech Industries Supply Sdn. Bhd.

# DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2020. All values shown in this report are rounded to the nearest thousand ("RM'000") unless otherwise indicated.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are those of investment holding and provision of management services to its subsidiaries. The principal activities of the subsidiaries are disclosed in Note 6 to the financial statements.

## RESULTS

	Group RM'000	Company RM'000
Profit/(Loss) for the financial year attributable to:		
- Owners of the Company	54,875	18,068
- Non-controlling interests	(7,856)	-
	<u>47,019</u>	<u>18,068</u>

## DIVIDENDS

During the financial year, the Company paid a first interim single tier dividend of 2 sen per share amounting to RM9,819,967 in respect of the financial year ended 31 December 2020.

The directors have proposed a second interim single tier dividend of 2 sen per share in respect of the financial year ended 31 December 2020, payable on 10 May 2021.

## RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year have been disclosed in the financial statements.

## ISSUE OF SHARES AND DEBENTURES

The Company did not issue any shares or debentures during the financial year.

## SHARE OPTIONS

The Company did not grant any share options during the financial year.

# DIRECTORS' REPORT

## 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 all known bad debts had been written off 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 further 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 the value of current assets as shown in the accounting records of the Group and of the Company, have been written down to an amount which the current assets 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 would 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:

- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (ii) any contingent liability of the Group 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 affect the ability of the Group and of the Company to meet their obligations when they fall due.

# DIRECTORS' REPORT

## 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.

## 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 who served during the financial year and up to the date of this report are as follows:-

### Directors of the Company

Tan Sri Datuk Dr. Yusof Bin Basiran  
 Datuk Lim Chai Beng  
 Tengku Dato' Ardy Esfandiari Bin Tengku Abdul Hamid Shah  
 Mak Chee Meng  
 Wong Chee Beng  
 Lim Chai Huat  
 Lim Zee Ping (Alternate to Datuk Lim Chai Beng)  
 Karpanadevi A/P K R Somasundram

### Directors of subsidiaries (other than directors of the Company)

Dato' Ahmad Aminnurdin Bin Dinyati  
 Dato' Ku Azhar Bin Ku Ahmad  
 Chiang Chuen Shin  
 Koo Boon Hoe  
 Lim Chai Guan  
 Ng Ah Teh  
 Siti Zawiyah Binti Alias  
 Tan Boon Hoe  
 Tan Hock Yew  
 Tan Yu Hwa  
 Tengku Ezrique Ezzuddean Bin Tengku Ardy Esfandiari

# DIRECTORS' REPORT

## 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:-

Name of Director	Number of Ordinary Shares			Balance at 31.12.2020
	Balance at 1.1.2020	Bought	Sold	
Tan Sri Datuk Dr. Yusof Bin Basiran				
- Indirect <sup>(a)</sup>	800,000	-	-	800,000
Datuk Lim Chai Beng				
- Direct	165,885,420	-	7,000,000	158,885,420
- Indirect <sup>(a)/(b)</sup>	11,875,000	7,000,000	-	18,875,000
Tengku Dato' Ardy Esfandiari Bin Tengku A. Hamid Shah				
- Direct	3,360,000	-	-	3,360,000
Mak Chee Meng				
- Direct	16,376,660	-	-	16,376,660
Lim Chai Huat				
- Direct	22,222,222	-	-	22,222,222
Lim Zee Ping				
- Direct	4,684,000	-	-	4,684,000

(a) Deemed interest by virtue of shares held by family members (who are not directors of the Company).

(b) Deemed interest by virtue of shares held by a company in which the director has a substantial financial interest.

By virtue of his shareholdings in the Company, Datuk Lim Chai Beng is deemed to have interests in shares in its related corporations during the financial year to the extent of the Company's interests, in accordance with Section 8 of the Companies Act 2016.

Save as disclosed above, none of the other directors in office at the end of the financial year held any interests in shares in the Company or its related corporations during the financial year.

## 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 have arisen by virtue of certain related party transactions as disclosed in Note 32 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' REPORT

## **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 27 to the financial statements.

## **INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS**

There was no indemnity given to any director or officer of the Group or the Company during the financial year. The Group maintains a liability insurance of RM5,000,000 for directors and officers and the insurance costs incurred during the financial year amounted to RM18,000.

## **SUBSIDIARIES**

The details of the Company's subsidiaries are disclosed in Note 6 to the financial statements.

## **SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

The significant events during the financial year are disclosed in Note 40 to the financial statements.

*[The rest of this page is intentionally left blank]*

# DIRECTORS' REPORT

## AUDITORS

The auditors, Crowe Malaysia PLT, have expressed their willingness to continue in office. The auditors' remuneration is disclosed in Note 26 to the financial statements. There was no indemnity given to or liability insurance effected for the auditors during the financial year.

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS  
DATED 28 MAY 2021**

**Datuk Lim Chai Beng**

**Tengku Dato' Ardy Esfandiari Bin Tengku A. Hamid Shah**



# STATEMENTS BY DIRECTORS

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

We, Datuk Lim Chai Beng and Tengku Dato' Ardy Esfandiari Bin Tengku A. Hamid Shah, being two of the directors of CB Industrial Product Holding Berhad, state that, in the opinion of the directors, the financial statements set out on pages 88 to 172 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2020 and of their financial performance and cash flows for the financial year ended on that date.

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS  
DATED 28 MAY 2021**

**Datuk Lim Chai Beng**

**Tengku Dato' Ardy Esfandiari  
Bin Tengku A. Hamid Shah**

# STATUTORY DECLARATION

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

I, Tan Hock Yew, (MIA membership no.: 11747) being the officer primarily responsible for the financial management of CB Industrial Product Holding Berhad, do solemnly and sincerely declare that the financial statements set out on pages 88 to 172 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  
Tan Hock Yew, at Klang  
in the State of Selangor Darul Ehsan  
on this 28 May 2021

**Tan Hock Yew**

Before me  
**Nadzrul Azali Bin Abdul Aziz (No. B548)**  
Commissioner for Oaths

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CB INDUSTRIAL PRODUCT HOLDING BERHAD

## Report on the Audit of the Financial Statements

### *Qualified Opinion*

We have audited the financial statements of CB Industrial Product Holding Berhad, which comprise the statements of financial position as at 31 December 2020 of the Group and the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and 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 88 to 172.

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2020, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### *Basis for Qualified Opinion*

#### Audit of Joint Venture - Gulf Lubes Malaysia Sdn. Bhd. ("GLM")

As disclosed in Note 8 (b)(ii) and Note 8 (b)(iii) to the financial statements, the Group has not performed any Purchase Price Allocation for the acquisition of the joint venture and the audited financial statements and auditors' report of the said joint venture are not available. The audited financial statements of the Group have been consolidated using the unaudited management accounts which resulted in the recognition of carrying amount on the investment in GLM amounting to RM2.692 million for the financial year ended 31 December 2020. No impairment assessment has been performed in respect of this amount in accordance with MFRS 136 *Impairments of Assets*.

We were unable to perform appropriate audit procedures to obtain sufficient and appropriate audit evidence that we considered necessary for the said joint venture during our audit of the financial statements of the Group. Therefore, we could not determine whether any adjustments were necessary in respect of the unaudited management accounts of the joint venture and the effects, if any, on the carrying amount of the investment in GLM as at 31 December 2020 or on the Group's financial performance and cash flows for the financial year then ended.

Further, we draw your attention to Note 13 to the financial statements that discloses the circumstances and consideration of the Directors in reporting the carrying amount of the receivable of RM50.541 million in respect of advances made to the said joint venture.

We were unable to obtain sufficient and appropriate audit evidence on the veracity of the advances made to GLM totalling RM50.541 million and impairment assessment of the abovementioned receivables. The Group has not performed an impairment assessment in accordance with MFRS 9 *Financial Instruments* due to the circumstances and consideration disclosed under Note 8 (b)(iii) and Note 38 to the financial statements. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF CB INDUSTRIAL PRODUCT HOLDING BERHAD

### Report on the Audit of the Financial Statements (Cont'd)

#### *Basis for Qualified Opinion (Cont'd)*

##### Impairment Loss on Bearer Plants

As disclosed in Note 37 to the financial statements that discloses the circumstances and consideration of the Directors in reporting the contingent liability and the carrying amount of the bearer plants which amounting to RM7.5 million. No impairment loss has been provided on the carrying amount of the said bearer plant under dispute as at 31 December 2020.

We were unable to obtain sufficient and appropriate audit evidence on the recoverable amounts of the said bearer plants as no impairment assessment has been performed in accordance with MFRS 136 *Impairments of Assets* and we were unable to satisfy ourselves on the completeness and accuracy of the contingent liability disclosure made in accordance with MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*. Consequently, we were unable to determine whether any adjustments to these amounts and disclosures were necessary in the consolidated financial statements of the Group.

##### Investment in Gulf Lubes Malaysia Sdn. Bhd. ("GLM") - Company Level

As disclosed in Notes 8 and 38 to the financial statements, no impairment assessment has been performed on the carrying amount of the investment in GLM amounting to RM4.024 million in accordance with MFRS 136 *Impairments of Assets*. We were unable to obtain sufficient appropriate audit evidence to assess the veracity and recoverability of the carrying amount of the investment in GLM as at 31 December 2020. Consequently, we were unable to determine whether any adjustments to this amount were necessary.

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 qualified opinion.

#### *Independence and Other Ethical Responsibilities*

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

#### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and 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 the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Qualified Opinion* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CB INDUSTRIAL PRODUCT HOLDING BERHAD

## Report on the Audit of the Financial Statements (Cont'd)

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><u>Impairment of investments in associates (Refer to Notes 3 and 7 to the financial statements)</u></p> <p>The carrying amounts of the Group's investments in its associates, namely Bahtera Bahagia Sdn. Bhd. and Kumpulan Kris Jati Sdn. Bhd. include significant amount of goodwill. As the carrying amounts of the investments exceed the Group's share of the associates' net assets, there is an indication of impairment. Accordingly, the Group performed impairment tests which involved significant judgements and estimation uncertainty in making key assumptions about future market and economic conditions, growth rates, profit margins, discount rate, etc.</p>	<p>Our procedures included, among others:</p> <ul style="list-style-type: none"> <li>• Evaluating whether the method used by the Group in measuring the recoverable amount is appropriate in the circumstances.</li> <li>• Making enquiries of and challenging management on the key assumptions and inputs used in the measurement method.</li> <li>• Evaluating the reliability of management's projections through the comparison of actual past financial performances against previous forecasted results.</li> <li>• Evaluating whether the key assumptions and inputs used are reasonable and consistent by taking into consideration the past performance, future growth, market development, etc.</li> <li>• Performing stress tests and sensitivity analysis to assess the impacts of those key assumptions and inputs on the measurement of recoverable amount.</li> </ul>
<p><u>Valuation of inventories (Refer to Notes 3 and 11 to the financial statements)</u></p> <p>The Group carries significant inventories. Management periodically reviews the inventories for potential write-downs by considering their aging profile, estimation of market price fluctuations and net realisable value. These reviews involve judgements and estimation uncertainty in forming expectations about future consumptions, sales and demands.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of:                             <ul style="list-style-type: none"> <li>• the Group's inventory management process;</li> <li>• how the Group identifies and assesses inventory write-downs; and</li> <li>• how the Group ascertains the accounting estimates for inventory write downs.</li> </ul> </li> <li>• Reviewing the ageing analysis of inventories and testing the reliability thereof.</li> <li>• Examining the perpetual records for inventories movements and to identify slow moving aged items.</li> <li>• Making inquiries of management regarding the action plans to clear slow moving aged and obsolete inventories.</li> <li>• Reviewing net realisable value of major inventories.</li> <li>• Evaluating the reasonableness and adequacy of the allowance for inventories recognised for identified exposures.</li> </ul>

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF CB INDUSTRIAL PRODUCT HOLDING BERHAD

### Report on the Audit of the Financial Statements (Cont'd)

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><u>Impairment of receivables (Refer to Notes 3 and 13 to the financial statements)</u></p> <p>The Group carries significant receivables and is subject to major credit risk exposure. The Group recognises loss allowance for expected credit losses on receivables based on an assessment of credit risk. Such assessment involves judgements and estimation uncertainty in analysing information about past events, current conditions and forecasts of future economic conditions.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of: <ul style="list-style-type: none"> <li>• the Group's control over the receivable collection process;</li> <li>• how the Group identifies and assesses the impairment of receivables; and</li> <li>• how the Group makes the accounting estimates for impairment.</li> </ul> </li> <li>• Reviewing the ageing analysis and past due status of receivables and testing the reliability thereof.</li> <li>• Reviewing the subsequent cash collections for major receivables and overdue amounts.</li> <li>• Making inquiries of management regarding the action plans to recover overdue amounts.</li> <li>• Comparing and challenging management's view on the recoverability of overdue amounts to historical patterns of collections.</li> <li>• Reviewing the computation of historical observed default rates and adjustment for forward-looking estimates used to develop the provision matrix.</li> <li>• Evaluating the reasonableness and adequacy of the resulting loss allowance recognised.</li> </ul>
<p><u>Construction contracts (Refer to Notes 3 and 15 to the financial statements)</u></p> <p>The recognition of revenue on contracts is based on the construction progress using the input method, determined based on the proportion of construction costs incurred for work performed to date over the estimated total construction costs. The determination of the construction progress requires the management to exercise significant judgement in estimating the total costs to complete the contracts.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> <li>• Reviewed the contract value secured and budgeted costs.</li> <li>• Assessed the estimated total costs to complete through inquiries with the operational and financial personnel of the Group.</li> <li>• Compared budgeted costs to actual results to assess the reasonableness of assumptions used in the budgeted costs.</li> <li>• Performed verification on the actual progress billings issued and actual costs incurred for the financial year.</li> <li>• Performed recomputation on the revenue recognised corresponding costs for the contracts during the financial year.</li> </ul>

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CB INDUSTRIAL PRODUCT HOLDING BERHAD

## Report on the Audit of the Financial Statements (Cont'd)

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><u>Impairment of bearer plants (Refer to Notes 3 and 4 to the financial statements)</u></p> <p>The Group carries significant bearer plants included in the carrying amount of property, plant and equipment. The Group reviewed its bearer plants for indications of impairment and where such indications exist, the Group performed impairment test which involved significant judgements and estimation uncertainty in making key assumptions about future market and economic conditions, growth rates, profit margins, discount rate, etc.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the relevant internal controls over estimating the recoverable amount of the bearer plants.</li> <li>• Evaluating whether the method used by the Group in measuring the recoverable amount is appropriate in the circumstances.</li> <li>• Making enquiries of and challenging management on the key assumptions and inputs used in the measurement method.</li> <li>• Evaluating whether the key assumptions and inputs used are reasonable and consistent by taking into consideration the past performance, future growth, market development, etc.</li> <li>• Performing stress tests and sensitivity analysis to assess the impacts of those key assumptions and inputs on the measurement of recoverable amount.</li> </ul>

### *Key Audit Matters - Company Level*

We have determined that there are no key audit matters to communicate in our report in respect of the audit of the financial statements of the Company.

### *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 the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and 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 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 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. As described in the *Basis for Qualified Opinion* section above, we were unable to perform appropriate audit procedures to obtain sufficient and appropriate audit evidence that we considered necessary for the audit of joint venture and impairment assessment of the carrying amount of the bearer plant during our audit of the financial statements of the Group. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF CB INDUSTRIAL PRODUCT HOLDING BERHAD

### Report on the Audit of the Financial Statements (Cont'd)

#### *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 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 the Company that are free from material misstatement, whether due to fraud or error.

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

#### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and 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 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 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.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CB INDUSTRIAL PRODUCT HOLDING BERHAD

## Report on the Audit of the Financial Statements (Cont'd)

### *Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)*

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 (Cont'd):

- 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 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 the Company, including the disclosures, and whether the financial statements of the Group and 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 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

TO THE MEMBERS OF CB INDUSTRIAL PRODUCT HOLDING BERHAD

## Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that:

- (a) we have not acted as auditors of the subsidiaries as disclosed in Note 6 to the financial statements.
- (b) the accounting and other records for the matters as described in the *Basis for Qualified Opinion* section have not been properly kept by the Company in accordance with the provision of the Act.
- (c) we have not obtained all the information and explanations that we required for the matters described in *Basis for Qualified Opinion*.

## Other Matters

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

**Crowe Malaysia PLT**  
201906000005 (LLP0018817-LCA) & AF 1018  
Chartered Accountants

28 May 2021

Shah Alam

**Ong Beng Chooi**  
03155/05/2023 J  
Chartered Accountant

# STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	4	328,497	370,023	1,127	1,277
Right-of-use assets	5	91,145	86,255	-	119
Investments in subsidiaries	6	-	-	59,543	36,943
Investments in associates	7	87,123	82,748	49,430	49,430
Investments in joint ventures	8	12,776	10,784	24,211	24,211
Investments in club memberships, at cost		471	471	-	-
Other investments	9	36,344	30,921	-	-
Deferred tax assets	10	673	779	-	-
		<u>557,029</u>	<u>581,981</u>	<u>134,311</u>	<u>111,980</u>
<b>CURRENT ASSETS</b>					
Inventories	11	70,972	47,591	-	-
Produce growing on bearer plants	12	9,783	5,553	-	-
Receivables	13	228,967	302,383	377,161	388,296
Contract costs	14	4,704	-	-	-
Contract assets	15	78,638	61,237	-	-
Prepayments	16	8,651	294	10	10
Current tax assets		16,349	18,565	132	5
Derivatives	17	1,150	-	-	-
Cash and cash equivalents	18	140,280	134,388	340	2,028
		<u>559,494</u>	<u>570,011</u>	<u>377,643</u>	<u>390,339</u>
<b>TOTAL ASSETS</b>		<u>1,116,523</u>	<u>1,151,992</u>	<u>511,954</u>	<u>502,319</u>

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

**STATEMENTS OF FINANCIAL POSITION**

AT 31 DECEMBER 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
Share capital	19	248,544	271,044	248,544	271,044
Treasury shares		(4,822)	(56,307)	(4,822)	(56,307)
Reserves		503,343	511,292	28,643	62,645
Equity attributable to owners of the Company		747,065	726,029	272,365	277,382
Non-controlling interests	20	71,355	78,089	-	-
<b>TOTAL EQUITY</b>		<b>818,420</b>	<b>804,118</b>	<b>272,365</b>	<b>277,382</b>
<b>NON-CURRENT LIABILITIES</b>					
Loans and borrowings	21	129,054	135,812	-	-
Lease liabilities	22	924	1,309	-	55
Retirement benefits	23	6,912	7,182	-	-
Deferred tax liabilities	10	701	639	-	-
		137,591	144,942	-	55
<b>CURRENT LIABILITIES</b>					
Payables	24	83,701	97,019	212,823	187,866
Contract liabilities	15	32,683	54,246	-	-
Dividend payable		-	10,101	-	10,101
Loans and borrowings	21	41,516	39,983	26,711	26,807
Lease liabilities	22	489	747	55	108
Current tax liabilities		2,123	836	-	-
		160,512	202,932	239,589	224,882
<b>TOTAL LIABILITIES</b>		<b>298,103</b>	<b>347,874</b>	<b>239,589</b>	<b>224,937</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,116,523</b>	<b>1,151,992</b>	<b>511,954</b>	<b>502,319</b>

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

# STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue	25	540,381	452,487	28,996	2,005
Cost of sales		(432,586)	(341,531)	-	-
Gross profit		107,795	110,956	28,996	2,005
Other income		33,050	31,808	103	10,528
Administrative and other operating expenses		(64,236)	(79,855)	(9,626)	(4,098)
Net impairment gain/(loss) on contract assets and financial assets		211	(7,345)	-	-
Finance costs		(10,477)	(10,990)	(1,500)	(1,378)
Share of profit/(loss) of joint ventures		1,992	(5,683)	-	-
Share of profit/(loss) of associates		4,375	(1,173)	-	-
Profit before tax	26	72,710	37,718	17,973	7,057
Tax (expense)/income	28	(25,691)	(2,364)	95	(151)
Profit for the financial year		47,019	35,354	18,068	6,906
Other comprehensive (loss)/income:-					
<i>Items that will not be reclassified to profit or loss:</i>					
- Remeasurement of defined benefit liability		1,204	(234)	-	-
- Deferred tax effects thereof		(214)	55	-	-
<i>Item that may be reclassified subsequently to profit or loss:</i>					
- Currency translation differences for foreign operations		(3,367)	3,522	-	-
		(2,377)	3,343	-	-
Total comprehensive income		44,642	38,697	18,068	6,906
Profit/(Loss) for the financial year attributable to:					
- Owners of the Company		54,875	35,500	18,068	6,906
- Non-controlling interests		(7,856)	(146)	-	-
		47,019	35,354	18,068	6,906
Total comprehensive income/(loss) attributable to:					
- Owners of the Company		52,386	39,071	18,068	6,906
- Non-controlling interests		(7,744)	(374)	-	-
		44,642	38,697	18,068	6,906
Earnings per share:	29				
- Basic (sen)		11.20	6.60		
- Diluted (sen)		11.20	6.60		

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

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Share capital RM'000	Non-distributable		Distributable		Equity attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
		Treasury shares RM'000	Currency translation reserve RM'000	Retained profits RM'000	Equity attributable to owners of the Company RM'000			
Group								
Balance at 1 January 2019	271,044	(49,863)	(14,457)	513,549	720,273	75,195	795,468	
Remeasurement of defined benefit liability	-	-	-	(209)	(209)	(25)	(234)	
Deferred tax effects thereof	-	-	-	55	55	-	55	
Currency translation differences for foreign operations	-	-	3,725	-	3,725	(203)	3,522	
Other comprehensive income/(loss) for the financial year	-	-	3,725	(154)	3,571	(228)	3,343	
Profit/(Loss) for the financial year	-	-	-	35,500	35,500	(146)	35,354	
Total comprehensive income/(loss) for the financial year	-	-	3,725	35,346	39,071	(374)	38,697	
Purchase of own shares	-	(6,444)	-	-	(6,444)	-	(6,444)	
Dividends to owners of the Company (Note 30)	-	-	-	(20,316)	(20,316)	-	(20,316)	
Acquisition of additional equity interest in subsidiary	-	-	-	-	-	(1,258)	(1,258)	
Effects arising from changes in composition of the Group	-	-	-	(6,555)	(6,555)	7,076	521	
Dividends to non-controlling interests	-	-	-	-	-	(2,550)	(2,550)	
Total transactions with owners	-	(6,444)	-	(26,871)	(33,315)	3,268	(30,047)	
Balance at 31 December 2019	271,044	(56,307)	(10,732)	522,024	726,029	78,089	804,118	

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

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Group	Non-distributable							Distributable		Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Currency translation reserve RM'000	Retained profits RM'000	Equity attributable to owners of the Company RM'000	Non-controlling interests RM'000				
Balance at 1 January 2020	271,044	(56,307)	(10,732)	522,024	726,029	78,089			804,118	
Remeasurement of defined benefit liability	-	-	-	1,080	1,080	124			1,204	
Deferred tax effects thereof	-	-	-	(202)	(202)	(12)			(214)	
Currency translation differences for foreign operations	-	-	(3,367)	-	(3,367)	-			(3,367)	
Other comprehensive (loss)/income for the financial year	-	-	(3,367)	878	(2,489)	112			(2,377)	
Profit/(Loss) for the financial year	-	-	-	54,875	54,875	(7,856)			47,019	
Total comprehensive (loss)/income for the financial year	-	-	(3,367)	55,753	52,386	(7,744)			44,642	
Purchase of own shares	-	(13,265)	-	-	(13,265)	-			(13,265)	
Cancellation of treasury shares	(22,500)	64,750	-	(42,250)	-	-			-	
Dividends to owners of the Company (Note 30)	-	-	-	(9,820)	(9,820)	-			(9,820)	
Acquisition of additional equity interest in subsidiary	-	-	-	(8,265)	(8,265)	1,265			(7,000)	
Dividends to non-controlling interests	-	-	-	-	-	(255)			(255)	
Total transactions with owners	(22,500)	51,485	-	(60,335)	(31,350)	1,010			(30,340)	
Balance at 31 December 2020	248,544	(4,822)	(14,099)	517,442	747,065	71,355			818,420	

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

**STATEMENTS OF CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Company	Share capital RM'000	Treasury shares RM'000	Distributable	
			Retained profits RM'000	Total equity RM'000
Balance at 1 January 2019	271,044	(49,863)	76,055	297,236
Profit (representing total comprehensive income) for the financial year	-	-	6,906	6,906
Purchase of own shares	-	(6,444)	-	(6,444)
Dividends (Note 30)	-	-	(20,316)	(20,316)
Total transactions with owners	-	(6,444)	(20,316)	(26,760)
Balance at 31 December 2019	271,044	(56,307)	62,645	277,382
Profit (representing total comprehensive income) for the financial year	-	-	18,068	18,068
Purchase of own shares	-	(13,265)	-	(13,265)
Cancellation of treasury shares	(22,500)	64,750	(42,250)	-
Dividends (Note 30)	-	-	(9,820)	(9,820)
Total transactions with owners	(22,500)	51,485	(52,070)	(23,085)
Balance at 31 December 2020	248,544	(4,822)	28,643	272,365

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

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
CASH FLOWS FROM/(FOR)					
OPERATING ACTIVITIES					
Profit before tax		72,710	37,718	17,973	7,057
Adjustments for:-					
Bad debts written off		125	275	-	-
Depreciation of property, plant and equipment		20,884	14,904	153	28
Depreciation of right-of-use assets		1,978	1,204	119	119
Dividend income		(4,104)	(814)	(28,987)	(1,963)
Fair value loss/(gain) on financial instruments mandatorily measured at fair value through profit or loss		627	(928)	-	(940)
Fair value changes in produce growing on bearer plants		(4,401)	(3,532)	-	-
Impairment loss of goodwill		-	16,341	-	-
Impairment loss of investment in an associate		-	15,000	-	-
Impairment loss on contract assets		4,325	-	-	-
Impairment losses on receivables		8,661	15,092	-	-
Increase in defined benefit obligations		1,574	1,898	-	-
Interest expense for financial assets measured at amortised cost		603	-	-	-
Interest expense for financial liabilities measured at amortised cost		10,207	10,565	1,492	1,331
Interest expense for lease liabilities		225	263	5	10
Interest income for financial assets measured at amortised cost		(7,424)	(8,906)	(20)	(1,391)
Inventories written off		296	199	-	-
Gain on disposal of right-of-use assets		-	(31)	-	-
(Gain)/Loss on disposal of other investments		-	(32)	-	955
Gain on disposal of property, plant and equipment		(9,364)	(9,628)	-	(75)
Property, plant and equipment written off		84	6	-	-
Loss on derecognition of right-of-use assets		17	-	-	-
Reversal of interest expense for financial assets measured at amortised cost		(1,024)	(987)	-	-
Reversal of impairment loss on receivables		(13,197)	(7,747)	-	-
Reversal of inventories written down		(36)	(12)	-	-
Share of (profit)/losses of associates		(4,375)	1,173	-	-
Share of (profit)/losses of joint ventures		(1,992)	5,683	-	-
Unrealised (gain)/loss on foreign exchange		(948)	66	6,682	(8,044)
Operating profit/(loss) before working capital changes and balance carried forward		<u>75,451</u>	<u>87,770</u>	<u>(2,583)</u>	<u>(2,913)</u>

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



**STATEMENTS OF CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Balance brought forward		75,451	87,770	(2,583)	(2,913)
Changes in:-					
Contract costs		(4,704)	-	-	-
Contract assets/ liabilities		(43,201)	22,168	-	-
Derivatives		(1,779)	-	-	-
Inventories		(23,641)	(17,758)	-	-
Receivables and prepayments		77,150	10,726	63	2,365
Payables		(13,026)	(5,603)	2	35
Cash from/(for) operations		66,250	97,303	(2,518)	(513)
Defined contribution paid		(482)	(183)	-	-
Interest paid		(10,432)	(10,828)	(1,497)	(1,341)
Tax paid		(22,231)	(13,624)	(32)	(19)
Net cash from/(for) operating activities		33,105	72,668	(4,047)	(1,873)
<b>CASH FLOWS FROM/(FOR) INVESTING ACTIVITIES</b>					
Acquisition of additional equity interests in a subsidiary		(7,000)	(1,258)	(22,600)	(1,500)
Acquisition of a joint venture		-	(4,024)	-	(4,024)
Advances to a joint venture		(1,338)	(49,203)	-	-
Repayment from/(Advances to) subsidiaries		-	-	33,073	(10,185)
Repayment from related parties		168	2,745	170	-
Changes in term deposits pledged as security		(311)	(438)	-	-
Dividends received		225	229	-	1,963
Interest received		7,424	7,429	20	35
Purchase of property, plant and equipment		(25,399)	(59,328)	(3)	(136)
Acquisition of right-of-use assets	31	(114)	(759)	-	-
Proceeds from disposal of property, plant and equipment		40,264	27,605	-	75
Proceeds from disposal of right-of-use assets		-	499	-	-
Proceeds from disposal of a subsidiary		-	521	-	-
Proceeds from disposal of quoted investments		-	3,788	-	3,788
Purchase of unquoted investments		(8,000)	-	-	-
Net cash from/(for) investing activities		5,919	(72,194)	10,660	(9,984)
Balance carried forward		39,024	474	6,613	(11,857)

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

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Balance brought forward		39,024	474	6,613	(11,857)
<b>CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES</b>					
(Repayment to)/Advances from related parties		(275)	475	-	200
Advances from a director		6	-	-	-
Advances from subsidiaries		-	-	25,089	21,305
Dividends paid to owners of the Company		(19,921)	(10,215)	(19,921)	(10,215)
Dividends paid to non-controlling interests		(255)	(2,550)	-	-
Drawdown of term loans	31	11,699	41,174	-	-
Net increase in short-term loans and borrowings	31	1,844	11,541	(96)	7,778
Purchase of treasury shares		(13,265)	(6,444)	(13,265)	(6,444)
Repayment of lease liabilities	31	(698)	(1,138)	(108)	(102)
Repayment of term loans	31	(11,872)	(3,345)	-	-
Net cash (for)/from financing activities		(32,737)	29,498	(8,301)	12,522
Net increase/(decrease) in cash and cash equivalents		6,287	29,972	(1,688)	665
Cash and cash equivalents brought forward		118,273	95,474	2,028	1,363
Currency translation differences		(670)	(7,173)	-	-
Cash and cash equivalents carried forward	18	123,890	118,273	340	2,028

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 1. GENERAL INFORMATION

The Company is a public company limited by shares, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office and principal place of business of the Company are located at No. 1, Jalan Astaka U8/83, Section 8, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan.

The principal activities of the Company are those of investment holding and provision of management services to its subsidiaries. The principal activities of the subsidiaries are disclosed in Note 6.

The presentation currency of the financial statements is Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") unless otherwise indicated.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 28 May 2021.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of Preparation of Financial Statements

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

The following MFRSs became effective for the financial year under review:-

#### **MFRSs and/or IC Interpretations (Including The Consequential Amendments)**

Amendments to MFRS 3: *Definition of a Business*

Amendments to MFRS 4: *Extension of the Temporary Exemption from Applying MFRS 9*

Amendments to MFRS 9, MFRS 139 and MFRS 7: *Interest Rate Benchmark Reform*

Amendment to MFRS 16: *Covid-19-Related Rent Concessions*

Amendments to MFRS 101 and MFRS 108: *Definition of Material*

Amendments to References to the Conceptual Framework in MFRS Standards

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Group's and the Company's financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.1 Basis of Preparation of Financial Statements (Cont'd)

The Group and the Company have not applied the following MFRSs which have been issued as at the end of the reporting period but are not yet effective:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective for annual periods beginning on or after
MFRS 17: <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 3: <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: <i>Interest Rate Benchmark Reform - Phase 2</i>	1 January 2021
Amendments to MFRS 10 and MFRS 128: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred
Amendments to MFRS 17: <i>Insurance Contracts</i>	1 January 2023
Amendment to MFRS 101: <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to MFRS 101: <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to MFRS 108: <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 116: <i>Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
Amendments to MFRS 137: <i>Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022
Annual Improvements to MFRS Standards 2018 - 2020	1 January 2022

Management foresees that the initial application of the above MFRSs will not have any significant impacts on the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 Basis of Consolidation

A subsidiary is an entity that is controlled by another entity. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to the end of the reporting period using the acquisition method. Under the acquisition method, the consideration transferred, the identifiable assets acquired and the liabilities assumed are measured at their acquisition-date fair values. The components of non-controlling interests that are present ownership interests are measured at the present ownership instruments' proportionate share in the recognised amounts of the identifiable net assets acquired. All other components of non-controlling interests are measured at their acquisition-date fair values. In a business combination achieved in stages, the previously held equity interest in the acquiree is re-measured at its acquisition-date fair value and any resulting gain or loss is recognised in profit or loss. All acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss as incurred.

Goodwill at the acquisition date is measured as the excess of (a) over (b) below:

- (a) The aggregate of:
  - (i) The acquisition-date fair value of the consideration transferred;
  - (ii) The amount of any non-controlling interests; and
  - (iii) In a business combination achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree.
- (b) The net of the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed.

Goodwill is recognised as an asset at the aforementioned amount less accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.8. When the above (b) exceeds (a), the excess represents a bargain purchase gain and, after reassessment, is recognised in profit or loss.

A subsidiary is consolidated from the acquisition date, being the date on which control is obtained, and continues to be consolidated until the date when control is lost. Intragroup balances, transactions, income and expenses are eliminated in full on consolidation. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. 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.

Upon loss of control of a subsidiary, the assets (including any goodwill) and liabilities of, and any non-controlling interests in the subsidiary are derecognised. All amounts recognised in other comprehensive income in relation to the subsidiary are accounted for on the same basis as would be required if the related assets or liabilities had been directly disposed of. Any consideration received and any investment retained in the former subsidiary are recognised at their fair values. The resulting difference is then recognised as a gain or loss in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.3 Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.8.

Freehold land and capital work-in-progress are not depreciated. Bearer plants, which represent the capitalised costs on new planting and replanting of oil palm, are depreciated on a straight-line basis over the estimated useful life of the oil palm of 20 years. Other property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets using the following annual rates:-

Buildings	1% - 5%
Factory equipment and machinery	5% - 20%
Furniture, fittings and office equipment	10% - 20%
Motor vehicles	10% - 20%
Renovation	10% - 20%

The residual value, useful life and depreciation method of an asset are reviewed at least at the end of each reporting period and any changes in expectations from previous estimates are accounted for prospectively as changes in accounting estimates.

### 2.4 Investments in Subsidiaries

As required by the Companies Act 2016 in Malaysia, the Company prepares separate financial statements in addition to the consolidated financial statements. In the separate financial statements of the Company, investments in subsidiaries are stated at cost less impairment losses, if any. The impairment policy is disclosed in Note 2.8.

### 2.5 Investments in Associates

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

In the consolidated financial statements, investments in associates are accounted for using the equity method. Under the equity method, the investment is initially recognised at cost and adjusted thereafter for the post-acquisition changes in the investor's share of the investee's net assets. After application of the equity method, the investment is assessed for any objective evidence of impairment. If any such evidence exists, the carrying amount of the investment is tested for impairment in accordance with Note 2.8.

In the separate financial statements of the Company, investments in associates are stated at cost less impairment losses, if any. The impairment policy is disclosed in Note 2.8.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.6 Investments in Joint Ventures

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

In the consolidated financial statements, investments in joint ventures are accounted for using the equity method. Under the equity method, the investment is initially recognised at cost and adjusted thereafter for the post-acquisition changes in the investor's share of the investee's net assets. After application of the equity method, the investments are assessed for any objective evidence of impairment. If any such evidence exists, the carrying amounts of the investments are tested for impairment in accordance with Note 2.8.

In the separate financial statements of the Company, investments in joint ventures are stated at cost less impairment losses, if any. The impairment policy is disclosed in Note 2.8.

### 2.7 Investments in Club Memberships

Investments in club memberships are stated at cost less impairment losses, if any. The impairment policy is disclosed in Note 2.8.

### 2.8 Impairment of Non-financial Assets

At the end of each reporting period, the Group and the Company assess whether there is any indication that a non-financial asset, other than deferred tax assets, biological assets stated at fair value less costs of disposal, inventories, contract costs and contract assets, may be impaired. If any such indication exists, the recoverable amount of the asset, being the higher of its fair value less costs of disposal and its value in use, is estimated. Irrespective of whether there is any indication of impairment, goodwill is tested for impairment annually. Any excess of the carrying amount of the asset over its recoverable amount represents an impairment loss and is recognised in profit or loss.

An impairment loss on an asset, other than goodwill, is reversed if there has been a change in the estimates used to determine the recoverable amount and it is reversed only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation had no impairment loss been recognised. The reversal is recognised in profit or loss. An impairment loss on goodwill is not reversed.

### 2.9 Biological Assets

Biological assets (excluding bearer plants but including the produce growing thereon) and agricultural produce harvested therefrom are measured at fair value less costs of disposal. Any gain or loss arising from initial recognition at or a change in the fair value less costs of disposal is recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.10 Inventories

Inventories are valued at the lower of cost (determined principally on the first-in, first-out basis or weighted average basis) and net realisable value. Cost consists of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

### 2.11 Contract Costs

The incremental costs of obtaining a contract and costs incurred in fulfilling the contract (other than inventories) are recognised as an asset if those costs are expected to be recovered. The asset is amortised on a systematic basis that is consistent with the recognition of related revenue as disclosed in Note 2.13. When the carrying amount of the asset exceeds the remaining amount of consideration expected to be received in exchange for the goods or services less the related costs that have not been recognised as expenses, the excess represents an impairment loss and is recognised in profit or loss. As a practical expedient, the incremental costs of obtaining a short-term contract of which the amortisation period is one year or less are recognised as an expense when incurred.

### 2.12 Contract Assets and Contract Liabilities

A contract is presented in the statements of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment. A contract asset is an entity's right to consideration in exchange for goods or services transferred to a customer when that right is conditioned on something other than the passage of time. The asset is subject to impairment assessment on the same basis as trade receivables as disclosed in Note 2.13. A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer.

### 2.13 Financial Assets

Financial assets of the Group and the Company consist of investments in equity instruments, derivatives, receivables and cash and cash equivalents.

#### Initial Recognition and Measurement

A financial asset is recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. A regular way purchase or sale of financial assets is recognised or derecognised using settlement date accounting. Trade receivables that do not contain a significant financing component are initially recognised at their transaction price (as defined in Note 2.18). Other financial assets are initially recognised at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.13 Financial Assets (Cont'd)

#### Subsequent Measurement

Financial assets are subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss in accordance with their classification on the basis of both the business model within which they are held and their contractual cash flow characteristics.

#### (i) Amortised Cost

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold financial assets to collect contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. All receivables and cash and cash equivalents are classified under this category. Any gain or loss is recognised in profit or loss when the financial asset is derecognised, reclassified, through the amortisation process or in order to recognise impairment gains or losses.

#### (ii) Fair Value Through Other Comprehensive Income

A financial asset is measured at fair value through other comprehensive income if it is held within a business model whose objective is to both collect contractual cash flows and sell financial assets and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Group and the Company do not have any financial assets classified under this category.

#### (iii) Fair Value Through Profit or Loss

A financial asset is measured at fair value through profit or loss if it does not meet the criteria to be measured at amortised cost or fair value through other comprehensive income. All investments in equity instruments and derivatives are classified under this category. Any gain or loss is recognised in profit or loss.

#### Impairment

At each reporting date, the Group and the Company recognise a loss allowance for expected credit losses on a financial asset measured at amortised cost. The loss allowance is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, the loss allowance is measured at an amount equal to 12-month expected credit losses. Any adjustment to the loss allowance is recognised in profit or loss as an impairment gain or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.13 Financial Assets (Cont'd)

#### Impairment (Cont'd)

Irrespective of whether there is any significant increase in credit risk since initial recognition, the loss allowance for trade receivables is always measured at an amount equal to lifetime expected credit losses using the simplified approach in accordance with MFRS 9 *Financial Instruments*. Such lifetime expected credit losses are calculated using a provision matrix based on historical credit loss experience and adjusted for reasonable and supportable forward-looking information that is available without undue cost or effort.

The expected credit losses for a credit-impaired financial asset are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The gross carrying amount of a credit-impaired financial asset is directly written off when there is no reasonable expectation of recovery.

#### Derecognition

A financial asset is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or all the risks and rewards of ownership are substantially transferred. A direct write-off of gross carrying amount when there is no reasonable expectation of recovering a financial asset constitutes a derecognition event.

### 2.14 Financial Liabilities

Financial liabilities of the Group and the Company consist of payables, loans and borrowings, and financial guarantee contracts.

#### Initial Recognition and Measurement

A financial liability is recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. A financial liability is initially recognised at fair value minus, in the case of a financial liability not at fair value through profit or loss, transaction costs.

#### Subsequent Measurement

All payables and loans and borrowings are subsequently measured at amortised cost. Any gain or loss is recognised in profit or loss when the financial liability is derecognised and through the amortisation process.

Financial guarantee contracts are subsequently measured at the higher of the amount of loss allowance and the amount initially recognised less any cumulative income recognised.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.14 Financial Liabilities (Cont'd)

#### Derecognition

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

### 2.15 Leases

A lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

#### Initial recognition and measurement

When the Group or the Company acts as a lessee, it recognises a right-of-use asset (representing its right to use the underlying leased asset) and a lease liability (representing its obligation to make lease payments) at the commencement date. The Group and the Company have elected not to apply such recognition principle to short-term leases (which have a lease term of 12 months or less) and leases of low-value assets. The lease payments associated with those leases are recognised as an expense on a straight-line basis over the lease term.

A right-of-use asset is initially recognised at cost, which comprises the initial amount of lease liability, any lease payments made at or before the commencement date (less any lease incentives), any initial direct costs and any estimated dismantling, removing and restoring costs.

A lease liability is initially recognised at the present value of the unpaid lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. The unpaid lease payments included in the measurement of lease liability comprise fixed payments (less any lease incentives), variable lease payments linked to an index or a rate, expected amounts payable under residual value guarantees, the exercise price of a purchase option reasonably certain to be exercised and the penalties of a termination option reasonably certain to be exercised.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.15 Leases (Cont'd)

#### Subsequent measurement

A right-of-use asset is subsequently measured at cost less accumulated depreciation and accumulated impairment losses, if any, and adjusted for any remeasurement of lease liability. The impairment policy is disclosed in Note 2.8.

If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that a purchase option will be exercised, the right-of-use asset is depreciated on a straight-line basis from the commencement date to the end of its useful life. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of its useful life or the end of the lease term as follows:

Leasehold land	50 to 91 years
Land use rights	30 years
Buildings	2 to 5 years
Motor vehicles	5 years

A lease liability is subsequently measured at amortised cost, and remeasured to reflect any reassessment (arising from changes to the lease payments) or lease modifications.

As a practical expedient, the Group and the Company has elected not to assess whether a rent concession occurring as a direct consequence of the Covid-19 pandemic is a lease modification. Accordingly, any change in lease payments resulting from such rent concession is accounted for as a variable lease payment in profit or loss.

### 2.16 Foreign Currency Transactions and Translation

The consolidated financial statements and separate financial statements of the Company are presented in Ringgit Malaysia, which is also the Company's functional currency, being the currency of the primary economic environment in which the entity operates. Items included in the financial statements of each individual entity within the Group are measured using the individual entity's own functional currency.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.16 Foreign Currency Transactions and Translation (Cont'd)

A foreign currency transaction is recorded in the functional currency using the exchange rate at transaction date. At the end of the reporting period, foreign currency monetary items are translated into the functional currency using the closing rate. Foreign currency non-monetary items measured at cost are translated using the exchange rate at transaction date, whereas those measured at fair value are translated using the exchange rate at valuation date. Exchange differences arising from the settlement or translation of monetary items are recognised in profit or loss. Any exchange component of the gain or loss on a non-monetary item is recognised on the same basis as that of the gain or loss, i.e. in profit or loss or in other comprehensive income.

In translating the financial position and results of a foreign operation whose functional currency is not the presentation currency, i.e. Ringgit Malaysia, assets and liabilities are translated into the presentation currency using the closing rate, whereas income and expenses are translated using the exchange rates at transaction dates. All resulting exchange differences are recognised in other comprehensive income and accumulated in equity as currency translation reserve until the foreign operation is disposed of, at which time the cumulative exchange differences previously recognised in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment.

Any goodwill and fair value adjustments arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation to be expressed in its functional currency and translated into the presentation currency using the closing rate.

### 2.17 Share Capital

Ordinary shares are classified as equity. Transaction costs that relate to the issue of new shares are accounted for as a deduction from equity.

Own shares purchased are held as treasury shares in accordance with the requirements of Section 127 of the Companies Act 2016 in Malaysia. The total amount of consideration paid, including directly attributable costs, is recognised directly in equity. When treasury shares are distributed as share dividends, the cost of the shares distributed is applied in the reduction of distributable reserves. When treasury shares are cancelled, the cost of the shares cancelled is applied in the reduction of distributable reserves and the issued share capital is diminished by the shares so cancelled.

Dividends on shares declared and unpaid at the end of the reporting period are recognised as a liability, whereas dividends proposed or declared after the reporting period are disclosed in the notes to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.18 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The valuation techniques used include the following or a combination thereof:

- (i) Market approach - which uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities.
- (ii) Cost approach - which reflects the amount that would be required currently to replace the service capacity of an asset.
- (iii) Income approach - which converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount.

The inputs to valuation techniques used to measure fair value are categorised into the following levels of fair value hierarchy:

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

Any transfers between the levels of fair value hierarchy are deemed to have occurred at the end of the reporting period.

#### Non-financial Assets

The fair value measurement of the produce growing on bearer plants is determined by using the market approach, which takes into consideration the market prices of fresh fruits bunches ("FFB"), adjusted for the estimated oil content of unharvested FFB, less harvesting, transport and other costs to sell and is categorised within Level 3 of the fair value hierarchy. A reasonable change in the key assumptions would not result in a material impact to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.18 Fair Value Measurement (Cont'd)

#### Financial Assets and Financial Liabilities

The carrying amounts of receivables, cash and cash equivalents, payables and loans and borrowings which are short-term in nature or repayable on demand are reasonable approximations of fair values. The fair values of long-term loans and borrowings are measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities (i.e. Level 2).

The fair values of quoted investments are directly measured using their unadjusted closing price in active markets (i.e. Level 1).

The fair values of unquoted investments that are not making an adequate return on assets or are making only marginal levels of profits are measured using the adjusted net asset method which involves deriving the fair values of the investees' equity instruments by reference to the fair values of their assets and liabilities (i.e. Level 3).

The fair values of derivatives are determined using quoted price of identical instruments from an active market (i.e. Level 1).

### 2.19 Revenue from Contracts with Customers

The Group and the Company recognise revenue (by applying the following steps) to depict the transfer of promised goods or services to customers at the transaction price.

- (i) Step 1: Identify contract - A contract is an agreement between two or more parties that creates enforceable rights and obligations.
- (ii) Step 2: Identify performance obligations - Each promise to transfer distinct goods or services is identified as a performance obligation and accounted for separately.
- (iii) Step 3: Determine transaction price - The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. It is adjusted for the effects of variable consideration (e.g. discounts, rebates, incentives or penalties), significant financing component, non-cash consideration and consideration payable to customer.
- (iv) Step 4: Allocate transaction price to performance obligations - The transaction price is allocated to each performance obligation on the basis of the relative (estimated) stand-alone selling prices of each distinct good or service promised in the contract.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.19 Revenue from Contracts with Customers (Cont'd)

- (v) Step 5: Recognise revenue - Revenue is recognised when (or as) the entity satisfies a performance obligation by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). Revenue is recognised either over time or at a point in time depending on the timing of transfer of control.

#### Sale of Goods

The Group determines that the transfer of control of promised goods generally coincides with the transfer of risks and rewards of ownership. Accordingly, revenue from the sale of goods is recognised at a point in time when the significant risks and rewards of ownership have been transferred to the customer upon delivery.

#### Sale of Agricultural Produce

The Group determines that the transfer of control of promised agricultural produce generally coincides with the transfer of risks and rewards of ownership. Accordingly, revenue from the sale of agricultural produce is recognised at a point in time when the significant risks and rewards of ownership have been transferred to the customer upon delivery.

#### Rendering of Services

The Company determines that the transfer of control of promised services generally coincides with the Company's performance as the customer simultaneously receives and consumes the benefits of the performance as the Company performs. Accordingly, revenue from the rendering of services is recognised over time when the services are performed. The Company measures the progress towards complete satisfaction of the performance obligation using an output method, i.e. time elapsed or milestones reached.

#### Construction Contracts

The Group determines that the transfer of control of promised services generally coincides with the Group's performance as the performance creates or enhances an asset that the customer controls as the asset is created or enhanced. Accordingly, revenue from construction contracts is recognised over time during the construction period. The Group measures the progress towards complete satisfaction of the performance obligation using an input method, i.e. costs incurred relative to the total expected costs. The effects of any costs incurred that do not depict the Group's performance are excluded from the calculation.

### 2.20 Other Income

Dividend income is recognised in profit or loss only when the entity's right to receive payment of the dividend is established, it is probable that the economic benefits associated with the dividend will flow to the entity and the amount of the dividend can be measured reliably.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.20 Other Income (Cont'd)

Interest income is recognised in profit or loss using the effective interest method.

Operating lease income is recognised in profit or loss on a straight-line basis over the lease term.

### 2.21 Employee Benefits

#### Short-term Employee Benefits

Short-term employee benefits such as wages, salaries, bonuses and social security contributions are recognised in profit or loss, in the period in which the associated services are rendered by the employee.

#### Defined Contribution Plans

As required by law, employers in Malaysia make contributions to the statutory pension scheme, Employees Provident Fund ("EPF"). The Group's foreign subsidiaries make contributions to their respective countries' statutory pension schemes. Contributions to defined contribution plans are recognised in profit or loss, in the period in which the associated services are rendered by the employee.

#### Defined Benefit Plans

The Group operates a funded final salary defined benefit plan for their employees. The liability in respect of the defined benefit plan is the present value of the future benefits that employees have earned in return for their services rendered in the current and prior periods. The calculation is performed using the projected unit credit method, with actuarial valuations being carried out with sufficient regularity at an interval of not more than three years such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period. All components of defined benefit costs are recognised in profit or loss in the period in which they are incurred, except for remeasurement of the defined benefit liability which is recognised in other comprehensive income.

### 2.22 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of the asset, until such time as the asset is substantially ready for its intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### 2.23 Income Taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax represents the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.23 Income Taxes (Cont'd)

Deferred tax is provided for under the liability method in respect of all temporary differences between the carrying amount of an asset or liability and its tax base except for those temporary differences associated with goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting nor taxable results at the time of the transaction.

A deferred tax liability is recognised for all taxable temporary differences, whereas a deferred tax asset is recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

### 2.24 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, term deposits that are withdrawable on demand 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. For the purpose of statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

## 3. JUDGEMENTS AND ESTIMATION UNCERTAINTY

The outbreak of the COVID-19 has brought unprecedented challenges and added economic uncertainties in Malaysia and markets in which the Group and the Company operate. While the Group and the Company have considered the potential financial impact of the COVID-19 pandemic in the preparation of these financial statements, the full financial impact to the Group and the Company remain uncertain. Accordingly, there is a possibility that factors not currently anticipated by management could occur in the future and therefore affect the recognition and measurement of the Group's and the Company's assets and liabilities at the reporting date.

### Judgements Made in Applying Accounting Policies

In the process of applying the accounting policies of the Group and the Company, management is not aware of any judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the financial statements.

### Sources of Estimation Uncertainty

The key assumptions about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 3. JUDGEMENTS AND ESTIMATION UNCERTAINTY (CONT'D)

### Sources of Estimation Uncertainty (Cont'd)

#### Impairment of non-financial assets

The Group reviewed its non-financial assets for indications of impairment and where such indications exist, the Group performed impairment test which involved significant judgements and estimation uncertainty in making key assumptions about future market and economic conditions, growth rates, profit margins, discount rate, etc. Possible changes in these estimates may result in revisions to the carrying amounts of non-financial assets.

#### Impairment of investments in associates

When there is objective evidence that an investment in associate is impaired, the Group performs impairment test by comparing the recoverable amount of the investment (higher of fair value less costs of disposal and value in use) with its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from its operations and the proceeds from the ultimate disposal of the investment. Such determination of the value in use involves significant judgements and estimation uncertainty in making key assumptions about future market and economic conditions, growth rates, profit margins, discount rate, etc. The carrying amounts of investments in associates are disclosed in Note 7.

#### Valuation of inventories

Reviews are made periodically by management on inventories for excess inventories, obsolescence and decline in net realisable value below cost. These reviews involve judgements and estimation uncertainty in forming expectations about future sales and demands. Any changes in these accounting estimates will result in revisions to the valuation of inventories as disclosed in Note 11.

#### Construction contracts

The Group considers the effects of variable consideration in determining the transaction price of a performance obligation satisfied over time, and recognises revenue accordingly by measuring the progress towards complete satisfaction of the performance obligation. These procedures involve judgements and estimation uncertainty in predicting the outcome of the performance obligation based on past experience, work of experts and continuous monitoring mechanism. Any changes in these accounting estimates will affect the carrying amounts of contract assets and contract liabilities as disclosed in Note 15.

#### Impairment of contract assets and receivables

The Group recognises loss allowance for expected credit losses on contract assets and receivables based on an assessment of credit risk. Such assessment involves judgements and estimation uncertainty in analysing information about past events, current conditions and forecasts of future economic conditions. Any changes in these accounting estimates will affect the carrying amounts of contract assets (Note 15) and receivables (Note 13).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 4. PROPERTY, PLANT AND EQUIPMENT

Group	At	Disposals/ Write-offs	Reclassification	Transfer	Depreciation	Currency translation differences	At
	1.1.2020						RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Carrying Amount</u>							
Freehold land	14,740	(12,073)	-	-	-	-	2,667
Buildings	62,703	(18,700)	94	3,848	(2,713)	(412)	45,696
Factory equipment and machinery	48,391	(12)	9,432	-	(6,261)	(978)	51,641
Furniture, fittings and office equipment	1,883	(47)	28	-	(459)	(6)	1,610
Motor vehicles	4,901	(113)	-	-	(1,544)	(74)	4,183
Renovation	2,097	(13)	-	-	(379)	-	1,705
Capital work-in-progress	40,782	(26)	(9,675)	(12,263)	-	(315)	26,476
Bearer plants	194,526	-	121	-	(9,528)	(4,857)	194,519
	370,023	(30,984)	-	(8,415)	(20,884)	(6,642)	328,497

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	At	Additions	Disposals/ Write-offs	Reclassification	Depreciation	Currency translation differences	At
	1.1.2019						31.12.2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Carrying Amount</u>							
Freehold land	32,517	-	(17,777)	-	-	-	14,740
Buildings	52,917	11,559	-	134	(2,235)	328	62,703
Factory equipment and machinery	17,244	8,225	(1)	25,791	(3,617)	749	48,391
Furniture, fittings and office equipment	1,866	493	(9)	3	(478)	8	1,883
Motor vehicles	5,882	759	(156)	-	(1,677)	93	4,901
Renovation	2,354	124	(40)	-	(341)	-	2,097
Capital work-in-progress	48,533	17,352	-	(25,928)	-	825	40,782
Bearer plants	174,330	20,923	-	-	(6,556)	5,829	194,526
	335,643	59,435	(17,983)	-	(14,904)	7,832	370,023

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	At cost	Accumulated	Carrying	
	RM'000	depreciation RM'000	amount RM'000	
At 31.12.2020				
Freehold land	2,667	-	2,667	
Buildings	57,105	(11,409)	45,696	
Factory equipment and machinery	72,132	(20,491)	51,641	
Furniture, fittings and office equipment	5,735	(4,125)	1,610	
Motor vehicles	14,204	(10,021)	4,183	
Renovation	3,580	(1,875)	1,705	
Capital work-in-progress	26,476	-	26,476	
Bearer plants	221,057	(26,538)	194,519	
	<u>402,956</u>	<u>(74,459)</u>	<u>328,497</u>	
At 31.12.2019				
Freehold land	14,740	-	14,740	
Buildings	74,699	(11,996)	62,703	
Factory equipment and machinery	62,713	(14,322)	48,391	
Furniture, fittings and office equipment	5,730	(3,847)	1,883	
Motor vehicles	14,335	(9,434)	4,901	
Renovation	4,574	(2,477)	2,097	
Capital work-in-progress	40,782	-	40,782	
Bearer plants	211,536	(17,010)	194,526	
	<u>429,109</u>	<u>(59,086)</u>	<u>370,023</u>	
Company	At		At	
	1.1.2020	Additions	31.12.2020	
	RM'000	RM'000	RM'000	
<u>Carrying Amount</u>				
Buildings	571	-	(7)	564
Furniture, fittings and office equipment	27	3	(6)	24
Renovation	679	-	(140)	539
	<u>1,277</u>	<u>3</u>	<u>(153)</u>	<u>1,127</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	At 1.1.2019 RM'000	Additions RM'000	Depreciation RM'000	At 31.12.2019 RM'000
<u>Carrying Amount</u>				
Buildings	578	-	(7)	571
Furniture, fittings and office equipment	2	28	(3)	27
Renovation	589	108	(18)	679
	<u>1,169</u>	<u>136</u>	<u>(28)</u>	<u>1,277</u>

Company	At cost RM'000	Accumulated depreciation RM'000	Carrying amount RM'000
At 31.12.2020			
Buildings	655	(91)	564
Furniture, fittings and office equipment	228	(204)	24
Renovation	996	(457)	539
	<u>1,879</u>	<u>(752)</u>	<u>1,127</u>

At 31.12.2019			
Buildings	655	(84)	571
Furniture, fittings and office equipment	225	(198)	27
Renovation	996	(317)	679
	<u>1,876</u>	<u>(599)</u>	<u>1,277</u>

The carrying amount of freehold land and buildings pledged as security for credit facilities granted to the Group are as follows:-

	Group	
	2020 RM'000	2019 RM'000
Freehold land	2,667	14,740
Buildings	<u>5,167</u>	<u>24,251</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 5. RIGHT-OF-USE ASSETS

Group	At	Additions	Derecognition	Transfer	Depreciation	Currency translation differences	At
	1.1.2020						31.12.2020
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Carrying Amount</u>							
Long leasehold land	11,806	-	-	-	(229)	-	11,577
Land use rights	72,409	92	-	8,415	(1,224)	(1,697)	77,995
Buildings	193	-	(17)	-	(52)	(4)	120
Motor vehicles	1,847	102	-	-	(473)	(23)	1,453
	86,255	194	(17)	8,415	(1,978)	(1,724)	91,145
Group	At	Additions	Disposals/ Write-offs	Depreciation	Currency translation differences	At	
	1.1.2019					31.12.2019	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<u>Carrying Amount</u>							
Long leasehold land	11,631	401	-	(226)	-	11,806	
Land use rights	70,750	210	-	(559)	2,008	72,409	
Buildings	-	235	-	(42)	-	193	
Factory equipment and machinery	468	-	(468)	-	-	-	
Motor vehicles	808	1,397	-	(377)	19	1,847	
	83,657	2,243	(468)	(1,204)	2,027	86,255	



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 5. RIGHT-OF-USE ASSETS (CONT'D)

Group	At cost RM'000	Accumulated depreciation RM'000	Carrying amount RM'000
At 31.12.2020			
Long leasehold land	12,935	(1,358)	11,577
Land use rights	79,779	(1,784)	77,995
Buildings	172	(52)	120
Motor vehicles	3,694	(2,241)	1,453
	<u>96,580</u>	<u>(5,435)</u>	<u>91,145</u>
At 31.12.2019			
Long leasehold land	12,935	(1,129)	11,806
Land use rights	72,969	(560)	72,409
Buildings	235	(42)	193
Motor vehicles	3,615	(1,768)	1,847
	<u>89,754</u>	<u>(3,499)</u>	<u>86,255</u>
Company	At 1.1.2020 RM'000	Depreciation RM'000	At 31.12.2020 RM'000
<u>Carrying Amount</u> Motor vehicles	119	(119)	-
	At 1.1.2019 RM'000	Depreciation RM'000	At 31.12.2019 RM'000
<u>Carrying Amount</u> Motor vehicles	238	(119)	119

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 5. RIGHT-OF-USE ASSETS (CONT'D)

Company	At cost RM'000	Accumulated depreciation RM'000	Carrying amount RM'000
At 31.12.2020			
Motor vehicles	594	(594)	-
At 31.12.2019			
Motor vehicles	594	(475)	119

The Group acquired the rights to use the long leasehold land as its principal place of business for 30 to 91 years. The rights to use the motor vehicles were acquired under hire purchase financing whereby ownership will be transferred by the end of the lease terms of 1 to 5 years.

The land use rights represent the payment of premium for obtaining the Hak Guna Usaha (lease certificates) of the estate lands from the Indonesian authorities.

## 6. INVESTMENTS IN SUBSIDIARIES

	Company	
	2020 RM'000	2019 RM'000
Unquoted shares, at cost	59,543	36,943

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows:-

Name of Subsidiary	Principal Place of Business/ Country of Incorporation	Effective Ownership Interest		Principal Activity
		2020 %	2019 %	
Modipalm Engineering Sdn. Bhd.	Malaysia	100	100	Manufacturer of palm oil mill equipment and related spare parts, providing services for engineering support, mechanical fabrication, commissioning and other contracting work for palm oil mills.
AVP Engineering (M) Sdn. Bhd. ("AVPSB") <sup>(b)</sup>	Malaysia	49	49	Retrofitting special purpose vehicles.
Advance Boilers Sdn. Bhd.	Malaysia	100	100	Manufacturing and servicing boilers.
PalmitEco Engineering Sdn. Bhd.	Malaysia	100	100	Manufacturer of palm oil mill equipment and related spare parts, providing services for engineering support, mechanical fabrication, commissioning and other contracting work for palm oil mills.
Avecpalm Marketing Resources Sdn. Bhd.	Malaysia	80	80	Trading in palm oil mill processing equipment.
Admiral Potential Sdn. Bhd. ("APSB")	Malaysia	100	100	Investment holding.
AV-Ecopalms Sdn. Bhd. ("AVESB")	Malaysia	100	100	Investment holding.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 6. 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	Effective Ownership Interest		Principal Activity
		2020 %	2019 %	
Accent Hectares Sdn. Bhd.	Malaysia	100	100	Investment holding.
Benar Optima Sdn. Bhd.	Malaysia	100	100	Investment holding.
C.B. Industrial Product Sdn. Bhd. ("CBIPSB")	Malaysia	100	100	Investment holding.
Great Enchant Sdn. Bhd.	Malaysia	100	100	Inactive.
Midas Portfolio Sdn. Bhd.	Malaysia	100	100	Investment holding.
Steam-Mech Engineering Sdn. Bhd. ("SMESB")	Malaysia	100	100	Investment holding.
Magview Machinery Sdn. Bhd.	Malaysia	100	100	Inactive.
Palmite Process Engineering Sdn. Bhd.	Malaysia	100	100	Inactive.
TPG Oil & Gas Sdn. Bhd. <sup>(c)(d)</sup>	Malaysia	100	80	Trading and processing of crude palm oil and related products.
Modipalm Engineering Solutions Sdn. Bhd.	Malaysia	70	70	Providing technical and other services for palm oil and related industries.
<u>Subsidiaries of CBIPSB</u>				
PT CB Polaindo <sup>(a)</sup>	Indonesia	70	70	Providing engineering support and contracting works for palm oil mills.
CBIP (PNG) Limited <sup>(a)</sup>	Papua New Guinea	100	100	Providing engineering support and contracting works for palm oil mills.
Modipalma Latin America <sup>(a)</sup>	Republic of Guatemala	99.6	99.6	Supply and sale of spare parts for palm oil mills.
<u>Subsidiaries of AVPSB</u>				
TPG Aeronautik Sdn. Bhd.	Malaysia	49	49	Design, fabricate, supply, procure, maintain and service aviation related equipment.
AVP EMDigital (M) Sdn. Bhd.	Malaysia	29.4	29.4	Inactive.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 6. 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	Effective Ownership Interest		Principal Activity
		2020 %	2019 %	
<u>Subsidiary of SMESB</u>				
PT Sawit Lamandau Raya <sup>(a)</sup>	Indonesia	85	85	Cultivation of oil palm.
<u>Subsidiary of APSB</u>				
PT Jaya Jadi Utama <sup>(a)</sup>	Indonesia	94	94	Cultivation of oil palm.
<u>Subsidiaries of AVESB</u>				
PT Berkala Maju Bersama <sup>(a)</sup>	Indonesia	94	94	Cultivation of oil palm.
PT CBI Ecopalms Group <sup>(a)</sup>	Indonesia	95	95	Inactive.

<sup>(a)</sup> Not audited by Crowe Malaysia PLT.

<sup>(b)</sup> Although the Group owns less than half of the voting power in AVPSB, the directors have determined that the Group has de facto control over AVPSB on the basis that the remaining voting rights in this investee are dispersed and that there is no indication that all the other shareholders have the intention to exercise their votes collectively.

<sup>(c)</sup> On 3 January 2020, the Company subscribed for 15,600,000 new ordinary shares in TPG Oil & Gas Sdn. Bhd. representing 97% of the enlarged share capital of TPG Oil & Gas Sdn. Bhd., for a total cash consideration of RM15,600,000.

<sup>(d)</sup> On 17 March 2020, the Company acquired 100,000 ordinary shares, representing 1% equity interest in the issued and paid-up share capital of TPG Oil & Gas Sdn. Bhd. for a total cash consideration of RM7,000,000. Upon completion of the acquisition of TPG Oil & Gas Sdn. Bhd.'s shares, TPG Oil & Gas Sdn. Bhd. became a wholly-owned subsidiary of the Company.

## 7. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Unquoted shares, at cost	49,430	49,430	49,430	49,430
Share of post-acquisition changes in net assets	56,639	52,264	-	-
Accumulated impairment losses	(18,946)	(18,946)	-	-
	<u>87,123</u>	<u>82,748</u>	<u>49,430</u>	<u>49,430</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 7. INVESTMENTS IN ASSOCIATES (CONT'D)

The details of the associates are as follows:-

Name of Associate	Principal Place of Business/ Country of Incorporation	Effective Ownership Interest		Principal Activity
		2020 %	2019 %	
Bahtera Bahagia Sdn. Bhd. ("BBSB") <sup>(a)</sup>	Malaysia	30	30	Cultivation of oil palm.
Kumpulan Kris Jati Sdn. Bhd. ("KKJSB") <sup>(a)</sup>	Malaysia	30	30	Cultivation of oil palm and production of crude palm oil and palm kernel.

<sup>(a)</sup> Not audited by Crowe Malaysia PLT.

The summarised financial information of the associates is as follows:-

Group	2020			2019
	BBSB RM'000	KKJSB RM'000	Total RM'000	Total RM'000
Non-current assets	31,839	201,058	232,897	211,165
Current assets	125,616	22,256	147,872	139,375
Non-current liabilities	(7,480)	(127,233)	(134,713)	(130,378)
Current liabilities	(5,353)	(62,393)	(67,746)	(56,437)
Net assets	144,622	33,688	178,310	163,725
Revenue	26,691	113,854	140,545	115,567
Profit/(Loss) (representing total comprehensive income/(loss)) for the financial year	<u>9,844</u>	<u>4,050</u>	<u>13,894</u>	<u>(3,910)</u>

The reconciliation of the above summarised financial information to the carrying amounts of the investments in associates is as follows:-

Group	2020			2019
	BBSB RM'000	KKJSB RM'000	Total RM'000	Total RM'000
Net assets	144,622	33,688	178,310	163,725
Effective ownership interest	<u>30%</u>	<u>30%</u>	<u>30%</u>	<u>30%</u>
Share of net assets	43,387	10,106	53,493	49,118
Goodwill	25,642	26,934	52,576	52,576
Accumulated impairment losses	<u>(3,946)</u>	<u>(15,000)</u>	<u>(18,946)</u>	<u>(18,946)</u>
Carrying amount	<u>65,083</u>	<u>22,040</u>	<u>87,123</u>	<u>82,748</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 8. INVESTMENTS IN JOINT VENTURES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Unquoted shares, at cost	24,211	24,211	24,211	24,211
Share of post-acquisition changes in net assets	(11,435)	(13,427)	-	-
	<u>12,776</u>	<u>10,784</u>	<u>24,211</u>	<u>24,211</u>

The details of the joint ventures are as follows:-

Name of Joint Venture	Principal Place of Business/ Country of Incorporation	Effective Ownership Interest		Principal Activity
		2020 %	2019 %	
Pride Palm Oil Mill Sdn. Bhd. ("PPOM") <sup>(a)</sup>	Malaysia	50	50	Investment holding.
Gulf Lubes Malaysia Sdn. Bhd. ("GLM") <sup>(b)</sup>	Malaysia	70	70	Business of trading, import & export crude oil and associated oil and operating a bio-diesel refinery.
<u>Subsidiary of PPOM</u>				
Solar Green Sdn. Bhd. <sup>(a)</sup>	Malaysia	50	50	Cultivation of oil palm.

<sup>(a)</sup> Not audited by Crowe Malaysia PLT.

<sup>(b)</sup> Investment in Gulf Lubes Malaysia Sdn. Bhd. ("GLM")

(i) Investment in Joint Venture

Notwithstanding that the Group holds more than 50% of the equity interest in Gulf Lubes Malaysia Sdn. Bhd., the Group has determined that it does not have sole control over the investee considering that strategic and financial decisions of the relevant activities of the investee require unanimous consent by all shareholders.

(ii) Excess of the share of the fair value of identifiable net assets over the cost of investment

In addition, the Group has not performed a Purchase Price Allocation for the acquisition of GLM as at the acquisition date. Accordingly, the notional excess of the Group's share of the fair value of GLM identifiable assets and liabilities over the cost of the investment amounted to RM57.702 million have not been recognised as income in the consolidated profit or loss of the Group as at the acquisition date. The notional excess is premised on the unaudited financial statements of GLM.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 8. INVESTMENTS IN JOINT VENTURES (CONT'D)

(b) *Investment in Gulf Lubes Malaysia Sdn. Bhd. ("GLM") (Cont'd)*

(iii) The audited financial statements and auditors' report of the joint venture are not available due to the circumstances disclosed in Note 38. For the purpose of applying the equity method of accounting, the management account of the joint ventures has been used.

(iv) At the end of the reporting period, GLM has yet to commence any operations.

The summarised financial information of the joint ventures is as follows:-

Group	2020			2019
	PPOM RM'000	GLM <sup>(a)</sup> RM'000	Total RM'000	Total RM'000
Non-current assets	62,539	168,620	231,159	233,387
Current assets	10,729	5,370	16,099	14,179
Cash and cash equivalents	1,496	(544)	952	348
Non-current liabilities	(4,902)	(32,282)	(37,184)	(38,580)
Current financial liabilities	(40,838)	(54,723)	(95,561)	(95,947)
Current liabilities	(45,472)	(55,431)	(100,903)	(103,799)
Net assets	22,894	86,277	109,171	105,187
Revenue	36,497	-	36,497	23,101
Depreciation and amortisation	(7,087)	-	(7,087)	(3,139)
Interest expense	(2,242)	-	(2,242)	(2,759)
Tax income	-	-	-	1,118
Profit/(Loss) (representing total comprehensive income/(loss))	2,754	-	2,754	(10,604)

The reconciliation of the above summarised financial information to the carrying amounts of the investments in joint ventures is as follows:-

Group	2020			2019
	PPOM RM'000	GLM <sup>(a)</sup> RM'000	Total RM'000	Total RM'000
Net assets	22,894	86,277	109,171	105,187
Effective ownership interest	50%	70%	66%	66%
Share of net assets	11,447	60,394	71,841	69,849
Gain on bargain purchase	(1,363)	(57,702)	(59,065)	(59,065)
Carrying amount	10,084	2,692	12,776	10,784

<sup>(a)</sup> Based on unaudited financial statements.



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

**9. OTHER INVESTMENTS**

	Group	
	2020 RM'000	2019 RM'000
Quoted investments in Malaysia, at fair value	22	20
Unquoted investments in Malaysia:		
- at fair value	3,711	3,710
- at amortised cost	32,611	27,191
	<u>36,344</u>	<u>30,921</u>

The fair values of quoted investments were directly measured using their unadjusted closing prices in active markets (i.e. Level 1).

The fair values of unquoted investments were measured using the adjusted net asset method which involved deriving the fair values of the investees' equity instruments by reference to the fair values of their assets and liabilities (i.e. Level 3).

**10. DEFERRED TAX ASSETS/LIABILITIES**

	Group	
	2020 RM'000	2019 RM'000
Balance at 1 January	140	258
Deferred tax (income)/expense recognised in:		
- Profit or loss (Note 28)	(455)	(145)
- Other comprehensive (loss)/income	(214)	55
Deferred tax expense relating to change in tax rate (Note 28)	(75)	-
Deferred tax liabilities over/(under) provided in prior years	579	(46)
Currency translation differences	(3)	18
Balance at 31 December	<u>(28)</u>	<u>140</u>
Disclosed as:		
- Deferred tax assets	673	779
- Deferred tax liabilities	(701)	(639)
	<u>(28)</u>	<u>140</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 10. DEFERRED TAX ASSETS/LIABILITIES (CONT'D)

	Group	
	2020 RM'000	2019 RM'000
In respect of:		
- Deductible/(Taxable) temporary differences of:		
- Financial instruments	256	232
- Property, plant and equipment	(446)	(719)
- Produce growing on bearer plants	(2,038)	(1,388)
- Right-of-use assets	(30)	(40)
- Retirement benefits	1,386	1,700
- Lease liabilities	31	41
- Other	117	164
- Unutilised capital allowances	145	-
- Unutilised tax losses	551	150
	<u>(28)</u>	<u>140</u>

Save as disclosed above, as at 31 December 2020, deferred tax liabilities and deferred tax assets have also effectively been recognised and offset against each other by the Group to the extent of approximately RM2,174,000 (2019 - RM2,226,000). No further deferred tax assets have been recognised for the following excess of deductible temporary differences, unutilised tax losses and unutilised capital allowances over taxable temporary differences as follows:-

	Group	
	2020 RM'000	2019 RM'000
Deductible temporary differences of:		
- Financial instruments	23,556	27,954
- Property, plant and equipment	441	354
Unutilised tax losses	72,736	54,180
Unutilised capital allowances	1,112	820
Taxable temporary differences of property, plant and equipment	(9,060)	(9,277)
	<u>88,785</u>	<u>74,031</u>

The unutilised tax losses of RM72,736,000 (2019 - RM54,180,000) will expire in the following financial years:

	Group	
	2020 RM'000	2019 RM'000
Financial years:-		
Expiring not more than five years	48,075	34,347
Expiring not more than seven years	24,661	19,833
	<u>72,736</u>	<u>54,180</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 10. DEFERRED TAX ASSETS/LIABILITIES (CONT'D)

Deferred tax assets have not been recognised in respect of these items as they may not be used to offset against taxable profits of other subsidiaries within the Group and they have arisen in subsidiaries that have a recent history of losses and the deferred tax assets may not be recovered based on estimated future financial performance of the subsidiaries.

As at 31 December 2020, the unrecognised deferred tax assets of the Group mainly relate to tax losses of certain subsidiaries in Malaysia and in Indonesia. Under the Malaysia Finance Act 2018 which was gazetted on 27 December 2018, the Group's unutilised tax losses are imposed with a time limit of utilisation. Any accumulated unutilised tax losses can be carried forward for another 7 consecutive years of assessment whereas the tax losses in Indonesia have an expiry of not more than 5 years. In the case of a dormant company, such allowances and losses will not be available to the affected group entities if there has been a change of 50% or more in the shareholdings thereof.

The deductible temporary differences and unutilised capital allowances have no expiry date.

## 11. INVENTORIES

	Group	
	2020 RM'000	2019 RM'000
At cost:-		
Raw materials	54,906	30,002
Work-in-progress	116	730
Finished goods	10,068	10,448
Estate stores	5,882	6,411
	<u>70,972</u>	<u>47,591</u>
Recognised in profit or loss:-		
Inventories recognised as cost of sales	238,677	104,053
Amount written down to net realisable value	296	199
Reversal of inventories previously written down	<u>(36)</u>	<u>(12)</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 12. PRODUCE GROWING ON BEARER PLANTS

	Group	
	2020 RM'000	2019 RM'000
Balance at 1 January	5,553	1,916
Changes in fair value	4,401	3,532
Currency translation differences	(171)	105
Balance at 31 December	<u>9,783</u>	<u>5,553</u>

The fair value measurement of the produce growing on bearer plants is determined by using the market approach, which takes into consideration the market prices of fresh fruits bunches ("FFB"), adjusted for the estimated oil content of unharvested FFB, less harvesting, transport and other costs to sell and is categorised within Level 3 of the fair value hierarchy. A reasonable change in the key assumptions would not result in a material impact to the financial statements.

## 13. RECEIVABLES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Trade receivables:				
- Related parties <sup>(a)</sup>	11,453	19,505	-	-
- Unrelated parties	117,253	187,148	-	-
	128,706	206,653	-	-
- Accumulated impairment losses	(23,551)	(28,087)	-	-
	105,155	178,566	-	-
Other receivables:				
- Subsidiaries	-	-	375,833	386,735
- Related parties <sup>(a)</sup>	1,624	1,792	1,300	1,470
- Joint venture	50,541	49,203	-	-
- Unrelated parties	27,110	33,440	28	91
- Accumulated impairment losses	(485)	(485)	-	-
	26,625	32,955	28	91
	78,790	83,950	377,161	388,296
Dividend receivables	6,504	3,450	-	-
Plasma receivables	38,518	36,417	-	-
	123,812	123,817	377,161	388,296
Total receivables	<u>228,967</u>	<u>302,383</u>	<u>377,161</u>	<u>388,296</u>

<sup>(a)</sup> Being companies in which a director has substantial financial interest.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

**13. RECEIVABLES (CONT'D)**

The currency profile of receivables is as follows:-

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Euro	1,326	204	-	-
Guatemala Quetzals	275	171	-	-
Indonesian Rupiah	70,702	74,111	307,820	299,510
Kina	3,970	5,984	-	-
Singapore Dollar	23	-	-	-
United States Dollar	30,962	73,269	-	-
Ringgit Malaysia	121,709	148,644	69,341	88,786
	<u>228,967</u>	<u>302,383</u>	<u>377,161</u>	<u>388,296</u>

**Trade Receivables**

Included in trade receivables are retention sums for contract work totalling RM38,865,000 (2019 - RM10,577,000).

The Group determines credit risk concentrations in terms of counterparties and geographical areas. As at 31 December 2020, the Group did not have any major credit risk concentration relating to any individual customer or counterparty. As at 31 December 2019, there was 1 major customer that accounted for 10% or more of the Group's trade receivables and the total outstanding balance due from this major customer amounted to RM27,938,000. The credit risk concentration profile by geographical areas of trade receivables (stated at gross) is as follows:-

	Group	
	2020 RM'000	2019 RM'000
Africa	3,492	2,922
Central America	4,861	4,548
Indonesia	50,226	106,872
Malaysia	50,274	40,535
Papua New Guinea	13,370	32,050
Liberia	178	10,860
Others	6,305	8,866
	<u>128,706</u>	<u>206,653</u>

Trade receivables are unsecured, non-interest bearing and generally on 30 to 90 days terms.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 13. RECEIVABLES (CONT'D)

### Trade Receivables (Cont'd)

The Group uses past due information to assess the credit risk of trade receivables. The analysis by past due status (stated at gross) is as follows:-

	Group	
	2020 RM'000	2019 RM'000
Not past due	55,608	62,243
1 to 30 days past due	7,799	34,686
31 to 90 days past due	8,508	20,302
More than 90 days past due	56,791	89,422
	<u>128,706</u>	<u>206,653</u>

The Group determines that a trade receivable is credit-impaired when the customer is experiencing significant financial difficulty and has defaulted in payments. Unless otherwise demonstrated, the Group generally considers a default to have occurred when the trade receivable is more than 90 days past due. The gross carrying amount of a credit-impaired trade receivable is directly written off when there is no reasonable expectation of recovery. This normally occurs when there is reasonable proof of customer insolvency.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses using the simplified approach in accordance with MFRS 9. Such lifetime expected credit losses are calculated using a provision matrix based on historical observed default rates (adjusted for forward-looking estimates). The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished among the diversity of customer base.

	Not past due RM'000	1 to 30 days past due RM'000	31 to 90 days past due RM'000	More than 90 days past due RM'000	Credit- impaired RM'000	Total RM'000
As at 31 December 2020						
Gross carrying amount	55,608	7,799	8,508	35,495	21,296	128,706
Average credit loss rate	0.66%	3.82%	2.70%	3.83%	100%	18.30%
Loss allowance	<u>368</u>	<u>298</u>	<u>230</u>	<u>1,359</u>	<u>21,296</u>	<u>23,551</u>
As at 31 December 2019						
Gross carrying amount	62,243	34,686	20,302	63,945	25,477	206,653
Average credit loss rate	0.89%	0.82%	0.86%	2.50%	100%	13.59%
Loss allowance	<u>556</u>	<u>283</u>	<u>174</u>	<u>1,597</u>	<u>25,477</u>	<u>28,087</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 13. RECEIVABLES (CONT'D)

### Trade Receivables (Cont'd)

The average credit loss rates were based on the payment profile of revenue over a period of 12 months and the corresponding historical credit losses experienced during the period. The rates were adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The changes in the accumulated impairment losses are as follows:-

	Group	
	2020 RM'000	2019 RM'000
Balance at 1 January	28,087	21,226
Impairment losses	8,661	14,608
Impairment gains	(13,197)	(7,747)
Balance at 31 December	<u>23,551</u>	<u>28,087</u>

### Other Receivables

Other receivables are unsecured and non-interest bearing. The amounts due from subsidiaries are repayable on demand. The amounts owing by other related and unrelated parties mainly consist of advances which have no fixed repayment terms.

Included in other receivables is an amount owing by a joint venture, Gulf Lubes Malaysia Sdn. Bhd. ("GLM") amounting to RM50.541 million which is unsecured, interest free advances and repayable on demand. As disclosed in Note 8 (b)(iv), GLM has yet to commence any operations as at 31 December 2020. However, based on the unaudited financial statements of the joint venture, the directors are of the view that no impairment is required on the said amount.

The Group measures the loss allowance at an amount equal to lifetime expected credit losses.

The changes in the accumulated impairment losses are as follows:-

	Group	
	2020 RM'000	2019 RM'000
Balance at 1 January	485	16,339
Impairment losses	-	504
Impairment gains	-	(16,358)
Balance at 31 December	<u>485</u>	<u>485</u>

Other receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulty and has defaulted on payment.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 13. RECEIVABLES (CONT'D)

### Plasma Receivables

In accordance with the policy of the Government of the Republic of Indonesia ("Government"), companies involved in plantation developments are required to provide support to develop and cultivate palm oil lands for local communities as part of their social obligation which is known as "Plasma" schemes.

In line with this requirement, the Group's subsidiaries in Indonesia participated in several plasma cooperative programs for the development and cultivation of oil palm plantation land for the local communities. The Group's subsidiaries manage the plasma plantation activities and purchase the plantation produce arising therefrom at prices determined by the Government. Advances made by the Group's subsidiaries to the plasma schemes in the form of plantation development costs are recoverable either through bank loans obtained by the plasma cooperatives or direct repayments from the cooperatives when these plasma designated areas are matured and ready for harvest. Impairment losses are made when the estimated recoverable amounts are less than the outstanding advances.

## 14. CONTRACT COSTS

	Group	
	2020 RM'000	2019 RM'000
Costs in fulfilling contracts	4,704	-

## 15. CONTRACT ASSETS/LIABILITIES

	Group	
	2020 RM'000	2019 RM'000
<b>Contract Assets</b>		
Construction contracts (Note (i))	78,638	61,237
<b>Contract Liabilities</b>		
Construction contracts (Note (i))	25,743	49,995
Sale of goods (Note (ii))	6,940	4,251
	<u>32,683</u>	<u>54,246</u>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 15. CONTRACT ASSETS/LIABILITIES (CONT'D)

### (i) Contract Assets and Contract Liabilities from Construction Contracts

	Group	
	2020 RM'000	2019 RM'000
Balance at 1 January	11,242	30,745
Revenue recognised during the financial year	240,168	310,371
Progress billings during the financial year	(194,161)	(333,277)
Currency translation differences	(29)	3,403
Accumulated impairment losses	(4,325)	-
Balance at 31 December	<u>52,895</u>	<u>11,242</u>
Disclosed as:		
- Contract assets relating to construction contracts	78,638	61,237
- Contract liabilities relating to construction contracts	(24,530)	(48,751)
- Advance payment from customers	(1,213)	(1,244)
	<u>(25,743)</u>	<u>(49,995)</u>
	<u>52,895</u>	<u>11,242</u>

As disclosed in Note 2.19, the Group generally satisfies its performance obligations over time during the construction period. Any excess of revenue recognised over progress billings is presented as contract asset, whereas any deficit is presented as contract liability.

The Group measures the loss allowance for contract assets at an amount equal to lifetime expected credit losses using the simplified approach in accordance with MFRS 9. Such lifetime expected credit losses are calculated using a provision matrix based on historical observed default rates (adjusted for forward-looking estimates). The following table details the risk profile of contract assets based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished among the diversity of customer base.

	2020 RM'000	2019 RM'000
Gross carrying amount - not past due	82,963	61,237
Average credit loss rate	5.21%	0%
Accumulated impairment losses	<u>4,325</u>	<u>-</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 15. CONTRACT ASSETS/LIABILITIES (CONT'D)

### (i) Contract Assets and Contract Liabilities from Construction Contracts (Cont'd)

The changes in the accumulated impairment losses are as follows:-

	Group	
	2020 RM'000	2019 RM'000
Balance at 1 January	-	-
Accumulated impairment losses	4,325	-
Balance at 31 December	<u>4,325</u>	<u>-</u>

### Remaining Performance Obligations

As at 31 December 2020, the aggregate transaction price allocated to the unsatisfied performance obligations amounted to approximately RM127,818,000 (2019 - RM185,637,000) and the Group expects to recognise these remaining performance obligations when the projects are completed over the next 1 to 4 (2019 - 1 to 4) years.

### (ii) Contract Liabilities from Sale of Goods

	Group	
	2020 RM'000	2019 RM'000
Balance at 1 January	4,251	4,579
Revenue recognised from opening contract liabilities	(4,251)	(4,579)
Excess of consideration over revenue recognised	<u>6,940</u>	<u>4,251</u>
Balance at 31 December	<u>6,940</u>	<u>4,251</u>

As disclosed in Note 2.19, the Group generally satisfies its performance obligations at a point in time upon delivery of goods. Any consideration received or due in advance before a performance obligation is satisfied is presented as contract liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 16. PREPAYMENTS

Included in prepayments of the Group are advance payments made to suppliers totalling RM6,993,000 which are unsecured, non-interest bearing and will be offset against future purchases.

## 17. DERIVATIVES

	Group	
	2020 RM'000	2019 RM'000
Palm oil futures contracts, at fair value	1,150	-

Palm oil futures contracts are used to hedge the exposure to other price risk. The Group does not apply hedge accounting. As at 31 December 2020, the Group had contracts with a financial institution due within 1 year to buy 250MT (2019 - Nil) and sell 2,225MT (2019 - Nil) at notional amount of RM901,250 (2019 - Nil) and RM7,906,000 (2019 - Nil) respectively.

The fair values of palm oil futures contracts were directly measured using their unadjusted closing prices in active markets (i.e. Level 1).

## 18. CASH AND CASH EQUIVALENTS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Highly liquid investments in money market funds	37,896	45,040	7	7
Term deposits with licensed banks (fixed rate)	20,045	22,737	-	-
Cash and bank balances	82,339	66,611	333	2,021
	<u>140,280</u>	<u>134,388</u>	<u>340</u>	<u>2,028</u>

Cash and cash equivalents are placed with reputable financial institutions with low credit risk. Accordingly, their expected credit losses are not considered to be material and hence, have not been recognised.

Certain term deposits of the Group totalling of RM16,390,000 (2019 - RM16,079,000) have been pledged as security for credit facilities granted to the Group. Accordingly, these term deposits are not freely available for use.

The effective interest rates of term deposits as at 31 December 2020 ranged from 1.35% to 1.60% (2019 - 2.65% to 3.54%) per annum.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 18. CASH AND CASH EQUIVALENTS (CONT'D)

The currency profile of cash and cash equivalents is as follows:-

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Euro	347	4,352	-	-
Guatemala Quetzals	23	13	-	-
Indonesian Rupiah	20,033	12,745	-	-
Kina	3,163	707	-	-
United States Dollar	8,748	5,233	-	-
Ringgit Malaysia	107,966	111,338	340	2,028
	<u>140,280</u>	<u>134,388</u>	<u>340</u>	<u>2,028</u>

For the purpose of statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits as follows:-

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash and cash equivalents	140,280	134,388	340	2,028
Bank overdrafts (Note 21)	-	(36)	-	-
Term deposits pledged as security	(16,390)	(16,079)	-	-
	<u>123,890</u>	<u>118,273</u>	<u>340</u>	<u>2,028</u>

## 19. SHARE CAPITAL

	2020 RM'000	2019 RM'000
<u>Issued and fully paid</u>		
538,248,685 ordinary shares with no par value	271,044	271,044
Cancellation of 45,000,000 treasury shares	(22,500)	-
493,248,685 ordinary shares with no par value	<u>248,544</u>	<u>271,044</u>

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 19. SHARE CAPITAL (CONT'D)

### Treasury Shares

The shareholders of the Company, by a resolution passed at the Annual General Meeting held on 30 July 2020, approved the Company's plan to purchase its own shares. The directors are committed to enhance the value of the Company to its shareholders and believe that the purchase plan can be applied in the best interests of the Company and its shareholders.

The details of the shares purchased from the open market using internally generated funds and held as treasury shares during the financial year are as follows:-

	2020		2019	
	No. of Ordinary Shares '000	Cost RM'000	No. of Ordinary Shares '000	Cost RM'000
Balance at 1 January	33,213	56,307	26,528	49,863
Shares purchased	15,683	13,265	6,685	6,444
Cancellation of treasury shares	(45,000)	(64,750)	-	-
Balance at 31 December	<u>3,896</u>	<u>4,822</u>	<u>33,213</u>	<u>56,307</u>
Average unit cost for the year (RM)		<u>1.24</u>		<u>1.70</u>

The number of outstanding shares in issue after excluding the treasury shares is as follows:-

	2020	2019
	No. of Ordinary Shares '000	No. of Ordinary Shares '000
Balance at 1 January	505,035	511,720
Shares purchased	<u>(15,683)</u>	<u>(6,685)</u>
Balance at 31 December	<u>489,352</u>	<u>505,035</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 20. NON-CONTROLLING INTERESTS ("NCI")

Group	Accumulated NCI		Profit/(Loss) allocated to NCI	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Avecpalm Marketing Resources Sdn. Bhd.	2,000	1,838	162	124
AVP Engineering (M) Sdn. Bhd.	57,970	68,680	(10,456)	832
TPG Oil & Gas Sdn. Bhd.	-	(1,265)	-	(1,092)
TPG Aeronautik Sdn. Bhd.	6,720	7,778	(1,058)	535
AVP EMDigital (M) Sdn. Bhd.	(2,852)	(2,830)	(22)	(219)
PT CB Polaindo	12,759	8,953	3,849	932
PT Sawit Lamandau Raya	(4,091)	(4,807)	623	(235)
PT Jaya Jadi Utama	543	614	(58)	(25)
PT Berkala Maju Bersama	(1,626)	(899)	(802)	(1,030)
Modipalma Latin America	(1)	(4)	4	(2)
Modipalm Engineering Solutions Sdn. Bhd.	(67)	31	(98)	34
	<u>71,355</u>	<u>78,089</u>	<u>(7,856)</u>	<u>(146)</u>

The details of the subsidiaries that have NCI that are material to the Group are as follows:-

Name of Subsidiary	Principal Place of Business/ Country of Incorporation	Effective Ownership Interest Held by NCI		Principal Activity
		2020 %	2019 %	
Avecpalm Marketing Resources Sdn. Bhd.	Malaysia	20	20	Trading in palm oil mill processing equipment.
TPG Oil & Gas Sdn. Bhd.	Malaysia	-	20	Trading and processing of crude palm oil and related products.
Modipalm Engineering Solutions Sdn. Bhd.	Malaysia	30	30	Providing technical and other services for palm oil and related industries.
AVP Engineering (M) Sdn. Bhd. ("AVPSB")	Malaysia	51	51	Retrofitting special purpose vehicles.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 20. NON-CONTROLLING INTERESTS ("NCI") (CONT'D)

The details of the subsidiaries that have NCI that are material to the Group are as follows (Cont'd) :-

Name of Subsidiary	Principal Place of Business/ Country of Incorporation	Effective Ownership Interest Held by NCI		Principal Activity
		2020 %	2019 %	
<u>Subsidiaries of CBIPSB</u>				
PT CB Polaindo <sup>(a)</sup>	Indonesia	30	30	Providing engineering support and contracting works for palm oil mills.
Modipalma Latin America <sup>(a)</sup>	Republic of Guatemala	0.4	0.4	Supply and sale of spare parts for palm oil mills.
<u>Subsidiaries of AVPSB</u>				
TPG Aeronautik Sdn. Bhd.	Malaysia	51	51	Design, fabricate, supply, procure, maintain and service aviation related equipment.
AVP EMDigital (M) Sdn. Bhd.	Malaysia	70.6	70.6	Inactive.
<u>Subsidiary of SMESB</u>				
PT Sawit Lamandau Raya <sup>(a)</sup>	Indonesia	15	15	Cultivation of oil palm.
<u>Subsidiary of APSB</u>				
PT Jaya Jadi Utama <sup>(a)</sup>	Indonesia	6	6	Cultivation of oil palm.
<u>Subsidiaries of AVESB</u>				
PT Berkala Maju Bersama <sup>(a)</sup>	Indonesia	6	6	Cultivation of oil palm.
PT CBI Ecopalms Group <sup>(a)</sup>	Indonesia	5	5	Inactive.

<sup>(a)</sup> Not audited by Crowe Malaysia PLT.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 20. NON-CONTROLLING INTERESTS ("NCI") (CONT'D)

The summarised financial information (before inter-company eliminations) of the above subsidiaries with material non-controlling interests to the Group is as follows:-

	2020 RM'000	2019 RM'000
Non-current assets	433,482	501,530
Current assets	217,296	256,841
Non-current liabilities	(137,287)	(138,973)
Current liabilities	(383,459)	(478,093)
Net assets	130,032	141,305
Divdends paid to non-controlling interests	(255)	(2,550)
Revenue for the financial year	165,384	140,873
Loss (representing total comprehensive loss) for the financial year	(18,634)	(22,084)
Net cash from operating activities	22,172	4,531
Net cash from/(for) investing activities	20,761	(65,638)
Net cash (for)/from financing activities	(2,107)	36,196
Net increase/(decrease) in cash and cash equivalents	<u>40,826</u>	<u>(24,911)</u>

### Change in ownership interest in subsidiary

On 17 March 2020, the Group acquired the remaining 100,000 ordinary shares from its non-controlling interests, representing 1% ownership interest in the issued and paid-up share capital of TPG Oil & Gas Sdn. Bhd. for a total cash consideration of RM7,000,000 as disclosed in Note 6(d) to the financial statements.

The effects of the change in ownership interest on the equity attributable to owners of the Company are as follows:-

	RM'000
Amount by which NCI are adjusted	(1,265)
Cash consideration paid	<u>(7,000)</u>
Decrease in equity attributable to owners of the Company	<u>(8,265)</u>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 21. LOANS AND BORROWINGS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<u>Secured</u>				
Term loans (floating rate)	133,032	139,134	-	-
Revolving credits (fixed rate)	26,711	33,379	26,711	26,807
Banker acceptances (fixed rate)	-	3,246	-	-
Foreign currency trade finance (fixed rate)	10,827	-	-	-
<u>Unsecured</u>				
Bank overdrafts (floating rate) (Note 18)	-	36	-	-
	<u>170,570</u>	<u>175,795</u>	<u>26,711</u>	<u>26,807</u>
Disclosed as:				
- Current liabilities	41,516	39,983	26,711	26,807
- Non-current liabilities	129,054	135,812	-	-
	<u>170,570</u>	<u>175,795</u>	<u>26,711</u>	<u>26,807</u>

The currency profile of loans and borrowings is as follows:-

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Indonesian Rupiah	24,112	95,735	-	-
Ringgit Malaysia	42,860	46,385	26,711	26,807
United States Dollar	103,598	30,429	-	-
Euro	-	3,246	-	-
	<u>170,570</u>	<u>175,795</u>	<u>26,711</u>	<u>26,807</u>

Term loans are secured against certain property, plant and equipment (Note 4).

The effective interest rates of loans and borrowings as at 31 December 2020 ranged from 2.43% to 10.50% (2019 - 1.36% to 10.00%) per annum.

Except for term loans, loans and borrowings are generally short-term in nature or repayable on demand and their carrying amounts will approximate to the remaining contractual undiscounted cash flows.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 21. LOANS AND BORROWINGS (CONT'D)

### Term Loans

Term loans are repayable over 3 to 8 years. The repayment analysis is as follows:-

	Group	
	2020 RM'000	2019 RM'000
Gross loan instalments:		
- Within 1 year	6,570	4,182
- Later than 1 year and not later than 2 years	15,330	4,041
- Later than 2 years and not later than 5 years	77,188	68,114
- Later than 5 years	64,959	64,547
Total contractual undiscounted cash flows	164,047	140,884
Future finance charges	(31,015)	(1,750)
Present value of term loans:		
- Within 1 year	3,978	3,322
- Later than 1 year and not later than 2 years	10,636	3,352
- Later than 2 years and not later than 5 years	61,280	66,704
- Later than 5 years	57,138	65,756
	<u>133,032</u>	<u>139,134</u>

The fair values of term loans are measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities (i.e. Level 2). The fair values measured are considered to be reasonably close to the carrying amounts reported as the observable current market interest rates also approximated to the effective interest rates of term loans.

## 22. LEASE LIABILITIES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Gross lease liabilities:				
- Within 1 year	608	1,020	56	113
- Later than 1 year and not later than 2 years	780	762	-	56
- Later than 2 years and not later than 5 years	240	718	-	-
- Later than 5 years	40	9	-	-
Total contractual undiscounted cash flows	1,668	2,509	56	169
Future finance charges	(255)	(453)	(1)	(6)
Present value of lease liabilities	<u>1,413</u>	<u>2,056</u>	<u>55</u>	<u>163</u>

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

**22. LEASE LIABILITIES (CONT'D)**

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Disclosed as:				
- Current liabilities	489	747	55	108
- Non-current liabilities	924	1,309	-	55
	<u>1,413</u>	<u>2,056</u>	<u>55</u>	<u>163</u>

The currency profile of lease liabilities is as follows:-

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Indonesian Rupiah	721	1,162	-	-
Ringgit Malaysia	570	728	55	163
Guatemala Quetzals	122	166	-	-
	<u>1,413</u>	<u>2,056</u>	<u>55</u>	<u>163</u>

The incremental borrowing rates applied to lease liabilities as at 31 December 2020 ranged from 3.21% to 10.17% (2019 - 3.21% to 10.17%) per annum.

**23. RETIREMENT BENEFITS**

The movements during the financial year in the amounts recognised in the statements of financial position are as follows:-

	Group	
	2020 RM'000	2019 RM'000
Non-current:-		
Balance at 1 January	7,182	4,982
Defined benefit costs	1,574	1,898
Contributions paid	(482)	(183)
Actuarial (gain)/loss recognised in other comprehensive income	(1,204)	234
Currency translation differences	(158)	251
Balance at 31 December	<u>6,912</u>	<u>7,182</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 23. RETIREMENT BENEFITS (CONT'D)

The components of defined benefit costs are as follows:-

	Group	
	2020 RM'000	2019 RM'000
Current service cost	1,127	1,462
Interest expense	447	436
Remeasurements of defined benefit obligations:		
- Actuarial gain arising from changes in financial assumptions	(1,363)	(32)
- Experience adjustments	159	266
	<u>370</u>	<u>2,132</u>

The principal actuarial assumptions used to determine the present value of the defined benefit obligations are as follows:-

	Group	
	2020 %	2019 %
Discount rates	6.7 to 6.92	7.64 to 8.54
Future salary growth	<u>7 to 10</u>	<u>7 to 10</u>

The following table demonstrates the sensitivity of the defined benefit obligations to changes in each principal actuarial assumption that were reasonably possible at the end of the reporting period, with all other variables held constant:-

	Group	
	Increase/(Decrease) in defined benefit obligations	
	2020 RM'000	2019 RM'000
Increase in discount rates by 1%	(6,241)	(6,572)
Decrease in discount rates by 1%	7,707	7,626
Increase in future salary growth by 1%	7,680	7,878
Decrease in future salary growth by 1%	<u>(6,250)</u>	<u>(6,576)</u>

The remaining duration of the defined benefit obligations is 7 to 19 years (2019 - 10 to 23 years) for the Group.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 24. PAYABLES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Trade payables:				
- Related parties <sup>(a)</sup>	1,464	1,276	-	-
- Unrelated parties	53,838	82,643	-	-
	55,302	83,919	-	-
Other payables:				
- Related parties <sup>(a)</sup>	200	475	200	200
- Subsidiaries	-	-	210,872	185,917
- Directors	40	34	-	-
- Unrelated parties	28,159	12,591	1,751	1,749
	28,399	13,100	212,823	187,866
	83,701	97,019	212,823	187,866

<sup>(a)</sup> Being companies in which certain directors of the Company and their close family members have substantial financial interests.

The currency profile of payables is as follows:-

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Euro	877	968	-	-
Indonesian Rupiah	25,357	28,686	3,723	3,139
Kina	4,275	3,749	-	-
Ringgit Malaysia	45,109	59,617	209,100	184,727
United States Dollar	7,780	3,634	-	-
Others	303	365	-	-
	83,701	97,019	212,823	187,866

Trade and other payables are generally short-term in nature or repayable on demand and their carrying amounts will approximate to the remaining contractual undiscounted cash flows.

### Trade Payables

Trade payables are unsecured, non-interest bearing and generally on 30 to 120 days terms.

### Other Payables

Other payables are unsecured and non-interest bearing. The amounts owing to subsidiaries and directors are repayable on demand. The amounts owing to other related parties and unrelated parties mainly consist of sundry payables and accruals for operating expenses which are generally due within 30 to 90 days.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 25. REVENUE

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue from contracts with customers:				
- Sale of goods	220,902	87,705	-	-
- Sale of agricultural produce	76,858	50,037	-	-
- Rendering of services	2,453	4,374	9	45
- Construction contracts (Note 15)	240,168	310,371	-	-
Other source of revenue:				
- Dividend income	-	-	28,987	1,960
	<u>540,381</u>	<u>452,487</u>	<u>28,996</u>	<u>2,005</u>

### Disaggregation of revenue from contracts with customers

Group	Operating segments (Note 33)				Total RM'000
	Refinery RM'000	Plantation and milling RM'000	Equipment and engineering RM'000	Special purpose vehicles RM'000	
<b>2020</b>					
Major products/services:					
- Construction of palm oil mills	-	-	199,397	-	199,397
- Trading of palm oil equipments	-	-	68,186	-	68,186
- Trading of medical isolation gown	-	-	-	722	722
- Sale of fresh fruit bunches	-	76,858	-	-	76,858
- Trading and processing of crude palm oil and related products	149,695	-	-	-	149,695
- Manufacturing, installation and repair of bio-energy systems	-	-	30,788	-	30,788
- Rendering of services	-	-	2	-	2
- Retrofitting of special purpose vehicles	-	-	-	14,733	14,733
	<u>149,695</u>	<u>76,858</u>	<u>298,373</u>	<u>15,455</u>	<u>540,381</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 25. REVENUE (CONT'D)

### Disaggregation of revenue from contracts with customers (Cont'd)

Group	Operating segments (Note 33)				Total RM'000
	Refinery RM'000	Plantation and milling RM'000	Equipment and engineering RM'000	Special purpose vehicles RM'000	
Geographical areas:					
- Malaysia	72,445	-	35,650	15,455	123,550
- Indonesia	-	76,858	178,673	-	255,531
- Papua New Guinea	-	-	40,979	-	40,979
- Central America	6,311	-	12,284	-	18,595
- Africa	-	-	12,924	-	12,924
- Liberia	-	-	13,957	-	13,957
- Germany	35,216	-	-	-	35,216
- United Arab Emirates	22,345	-	-	-	22,345
- Singapore	13,378	-	75	-	13,453
- Others	-	-	3,831	-	3,831
	<b>149,695</b>	<b>76,858</b>	<b>298,373</b>	<b>15,455</b>	<b>540,381</b>
Timing of revenue recognition:					
- Over time	-	-	227,892	13,713	241,605
- At a point in time	149,695	76,858	70,481	1,742	298,776
	<b>149,695</b>	<b>76,858</b>	<b>298,373</b>	<b>15,455</b>	<b>540,381</b>

Group	Operating segments (Note 33)				Total RM'000
	Plantation and milling RM'000	Equipment and engineering RM'000	Special purpose vehicles RM'000	Investing RM'000	
<b>2019</b>					
Major products/services:					
- Construction of palm oil mills	-	265,061	-	-	265,061
- Trading of palm oil equipments	-	76,688	-	-	76,688
- Sale of fresh fruit bunches	50,037	-	-	5,320	55,357
- Manufacturing, installation and repair of bio-energy systems	-	52,211	-	-	52,211
- Rendering of services	-	413	-	-	413
- Retrofitting of special purpose vehicles	-	-	2,757	-	2,757
	<b>50,037</b>	<b>394,373</b>	<b>2,757</b>	<b>5,320</b>	<b>452,487</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 25. REVENUE (CONT'D)

### Disaggregation of revenue from contracts with customers (Cont'd)

Group	Operating segments (Note 33)				Total RM'000
	Plantation and milling RM'000	Equipment and engineering RM'000	Special purpose vehicles RM'000	Investing RM'000	
Geographical areas:					
- Malaysia	-	47,774	2,757	1,337	51,868
- Indonesia	50,037	264,342	-	-	314,379
- Papua New Guinea	-	31,151	-	-	31,151
- Central America	-	18,618	-	-	18,618
- Africa	-	12,311	-	-	12,311
- Liberia	-	15,821	-	-	15,821
- Others	-	4,356	-	3,983	8,339
	<u>50,037</u>	<u>394,373</u>	<u>2,757</u>	<u>5,320</u>	<u>452,487</u>
Timing of revenue recognition:					
- Over time	-	310,359	12	-	310,371
- At a point in time	50,037	84,014	2,745	5,320	142,116
	<u>50,037</u>	<u>394,373</u>	<u>2,757</u>	<u>5,320</u>	<u>452,487</u>

### Company

Information about disaggregation of revenue has not been disclosed as the Company derives revenue mainly from rendering management services to its subsidiaries and dividend income received from subsidiaries.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 26. PROFIT BEFORE TAX

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit before tax is arrived at after charging/ (crediting):-				
Auditors' remuneration:				
- Current year	494	454	85	85
- Prior year	15	56	-	17
Bad debt written off	125	275	-	-
Depreciation of property, plant and equipment	20,884	14,904	153	28
Depreciation of right-of-use assets	1,978	1,204	119	119
Dividend income from:				
- Subsidiaries	-	-	(28,987)	(1,960)
- Unquoted investments in Malaysia	(4,104)	(810)	-	-
- Quoted investments in Malaysia	-	(4)	-	(3)
Employee benefits expenses (Note 27)	33,376	31,952	1,549	1,479
Fair value changes in produce growing on bearer plants	(4,401)	(3,532)	-	-
Fair value loss/(gain) on financial instruments mandatorily measured at fair value through profit or loss	627	(928)	-	(940)
Gain on disposal of property, plant and equipment	(9,364)	(9,628)	-	(75)
Gain on disposal of right-of-use assets	-	(31)	-	-
(Gain)/Loss on disposal of other investments	-	(32)	-	955
Impairment loss on goodwill	-	16,341	-	-
Impairment loss on investment in an associate	-	15,000	-	-
Interest expense for financial assets measured at amortised cost	603	-	-	-
Interest expense for financial liabilities measured at amortised cost	10,207	10,565	1,492	1,331
Interest expense for lease liabilities	225	263	5	10
Interest income for financial assets measured at amortised cost	(7,424)	(8,906)	(20)	(1,391)
Insurance claim	-	(31)	-	-
Inventories written off	296	199	-	-
Lease expense relating to:-				
- Short-term leases	344	267	144	60
- Leases of low-value assets	6	7	-	-
- Others	-	13	-	-
Loss due to financial malfeasance	-	125	-	-

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

**26. PROFIT BEFORE TAX (CONT'D)**

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit before tax is arrived at after charging/ (crediting) (Cont'd):-				
Loss/(Gain) on foreign exchange:				
- Realised	1,157	971	-	-
- Unrealised	(948)	66	6,682	(8,044)
Loss on derecognition of right-of-use assets	17	-	-	-
Net impairment losses/(gain) on contract assets and financial assets:				
- Impairment loss on contract assets	4,325	-	-	-
- Impairment losses on receivables	8,661	15,092	-	-
- Reversal of impairment losses on receivables	(13,197)	(7,747)	-	-
Operating lease income	(48)	(48)	-	(3)
Property, plant and equipment written off	84	6	-	-
Retrenchment cost	101	-	-	-
Reversal of interest expense for financial assets measured at amortised cost	(1,024)	(987)	-	-
Reversal of inventories written down	(36)	(12)	-	-
Government grants under Wage Subsidy Programme	(326)	-	(11)	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 27. EMPLOYEE BENEFITS EXPENSES (INCLUDING DIRECTORS' REMUNERATION)

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Directors of the Company:				
- Fee	318	374	241	240
- Other short-term employee benefits	2,522	2,580	181	200
- Defined contribution plan	147	166	-	-
	2,987	3,120	422	440
Directors of subsidiaries:				
- Fee	126	188	-	-
- Other short-term employee benefits	2,485	2,608	-	-
- Defined contribution plan	180	282	-	-
	2,791	3,078	-	-
Other employees:				
- Short-term employee benefits	24,685	22,470	1,006	928
- Defined contribution plan	1,339	1,499	121	111
- Defined benefit plan	1,574	1,785	-	-
	27,598	25,754	1,127	1,039
	33,376	31,952	1,549	1,479

The estimated monetary value of benefits received or receivable by certain directors otherwise than in cash from the Group and the Company amounted to approximately RM155,000 and RM43,000 (2019 - RM140,000 and RM37,000) respectively.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 28. TAX EXPENSE/(INCOME)

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Tax based on results for the year:				
- Malaysian income tax	6,527	8,276	32	140
- Overseas income tax	2,740	2,474	-	-
- Deferred tax (Note 10)	530	145	-	-
	<u>9,797</u>	<u>10,895</u>	<u>32</u>	<u>140</u>
Tax under/(over) provided in prior years:				
- Malaysian income tax	16,314	(9,698)	(127)	11
- Deferred tax (Note 10)	(579)	46	-	-
Real Property Gains Tax	159	1,096	-	-
Withholding tax	-	25	-	-
Tax expense/(income)	<u>25,691</u>	<u>2,364</u>	<u>(95)</u>	<u>151</u>

The numerical reconciliation between the applicable tax rate, which is the statutory income tax rate, and the average effective tax rate on results for the year is as follows:-

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit before tax	<u>72,710</u>	<u>37,718</u>	<u>17,973</u>	<u>7,057</u>
Tax at applicable tax rate of 24%	17,450	9,052	4,313	1,694
Non-deductible expenses	5,056	12,750	2,676	1,091
Non-taxable income	(1,658)	(3,760)	(6,957)	(2,645)
Increase in unrecognised deferred tax assets	3,541	8,001	-	-
Tax savings arising from pioneer status	(11,921)	(15,283)	-	-
Reversal of accelerated tax on project near to completion	-	(3)	-	-
Real Property Gains Tax	159	1,096	-	-
Effect of differential in tax rates	(2,671)	138	-	-
Tax under/(over) provided in prior years:				
- Current tax	16,314	(9,698)	(127)	11
- Deferred tax	(579)	46	-	-
Withholding tax	-	25	-	-
Tax expense/(income)	<u>25,691</u>	<u>2,364</u>	<u>(95)</u>	<u>151</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 28. TAX EXPENSE/(INCOME) (CONT'D)

PalmitEco Engineering Sdn. Bhd. has obtained approval from Malaysian Investment Development Authority (MIDA) for the application of Pioneer Status Incentive. The pioneer activity of the Company as stated in MIDA's letter is related to production of "palm oil mill system and equipment" and the Company will be eligible to enjoy 70% tax exemption on its statutory business income subject to the terms and conditions stated in the letter. The Company's pioneer status commenced from 2 November 2016 to 1 November 2021 based on the letter from MIDA dated 28 June 2019.

The average effective tax rate of the Group for the financial year ended 31 December 2020 is higher than the statutory income tax rate due to back taxes levied on one subsidiary amounting to RM14 million.

## 29. EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the Group's profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year as follows:-

	Group	
	2020	2019
Profit for the financial year attributable to owners of the Company (RM'000)	<u>54,875</u>	<u>35,500</u>
Number of shares in issue at 1 January ('000)	538,248	538,248
Cancellation of treasury shares ('000)	(45,000)	-
Effect of shares purchased ('000)	<u>(5,063)</u>	<u>(423)</u>
Weighted average number of shares in issue ('000)	<u>488,185</u>	<u>537,825</u>
Basic earnings per share (sen)	<u>11.2</u>	<u>6.6</u>

The diluted earnings per share equals the basic earnings per share as the Company did not have any dilutive potential ordinary shares during the financial year.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 30. DIVIDENDS

	Group and Company	
	2020	2019
	RM'000	RM'000
First interim single tier dividend of 2 sen per ordinary share in respect of the financial year ended 31 December 2020	9,820	-
First interim single tier dividend of 2 sen per ordinary share in respect of the financial year ended 31 December 2019	-	10,101
Second interim single tier dividend of 2 sen per ordinary share in respect of the financial year ended 31 December 2018	-	10,215
	<u>9,820</u>	<u>20,316</u>

A second interim single tier dividend of 2 sen per share in respect of the financial year ended 31 December 2020 has been proposed on 8 April 2021.

## 31. NOTES TO STATEMENTS OF CASH FLOWS

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
<b>Acquisition of Right-Of-Use Assets</b>				
Cost of right-of-use assets acquired	194	2,350	-	-
Acquisition by means of leases	(80)	(1,591)	-	-
Net cash disbursed	<u>114</u>	<u>759</u>	<u>-</u>	<u>-</u>
<b>Short-Term Loans and Borrowings</b>				
Balance at 1 January	36,625	25,084	26,807	19,029
Net cash flow changes	1,844	11,541	(96)	7,778
Currency translation differences	(931)	-	-	-
Balance at 31 December	<u>37,538</u>	<u>36,625</u>	<u>26,711</u>	<u>26,807</u>
Represented by:				
- Foreign currency trade finance (Note 21)	10,827	-	-	-
- Revolving credits (Note 21)	26,711	33,379	26,711	26,807
- Banker acceptances (Note 21)	-	3,246	-	-
	<u>37,538</u>	<u>36,625</u>	<u>26,711</u>	<u>26,807</u>
<b>Term Loans</b>				
Balance at 1 January	139,134	98,962	-	-
Drawdowns	11,699	41,174	-	-
Repayments	(11,872)	(3,345)	-	-
Currency translation differences	(5,929)	2,343	-	-
Balance at 31 December (Note 21)	<u>133,032</u>	<u>139,134</u>	<u>-</u>	<u>-</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 31. NOTES TO STATEMENTS OF CASH FLOWS (CONT'D)

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Lease Liabilities</b>				
Balance at 1 January	2,056	1,583	163	265
Additions	80	1,591	-	-
Repayments	(698)	(1,138)	(108)	(102)
Currency translation differences	(25)	20	-	-
Balance at 31 December (Note 22)	<u>1,413</u>	<u>2,056</u>	<u>55</u>	<u>163</u>

The total cash outflow for leases is as follows:-

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Operating Activities</b>				
Lease expense recognised in profit or loss (Note 26):				
- Short-term leases	344	267	144	60
- Leases of low-value assets	6	7	-	-
Interest portion of lease liabilities (Note 26)	225	263	5	10
<b>Investing Activities</b>				
Acquisition of right-of-use assets	114	759	-	-
<b>Financing Activities</b>				
Principal portion of lease liabilities	698	1,138	108	102
	<u>1,387</u>	<u>2,434</u>	<u>257</u>	<u>172</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 32. RELATED PARTY DISCLOSURE

Transactions with related parties during the financial year other than those disclosed elsewhere in the financial statements are as follows:-

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Key management personnel compensation:				
- Fee	318	562	241	240
- Short-term employee benefits	4,704	5,574	487	586
- Defined contribution plan	321	493	37	45
	5,343	6,629	765	871
Dividends declared from subsidiaries	-	-	28,987	1,960
Interest charged by loans given by subsidiaries	-	-	293	-
Interest charged on loans given to a subsidiary	-	-	-	1,356
Interest charged to related parties <sup>(a)</sup>	1,708	-	-	-
Interest charged to a joint venture	704	-	-	-
Rendering of management services to subsidiaries	-	-	81	117
Rental charged to a subsidiary	-	-	-	3
Rental charged by a subsidiary	-	-	144	60
Advisory fee charged by directors	308	488	-	-
Purchase of goods from related parties <sup>(a)</sup>	115,047	10,078	-	-
Revenue from construction contract with related parties <sup>(a)</sup>	5,307	2,402	-	-
Receiving of contract services from a related party <sup>(a)</sup>	11,358	4,885	-	-
Rental charged to a related party <sup>(a)</sup>	48	48	-	-
Rental charged by a related party <sup>(a)</sup>	-	13	-	-
Sales of goods to related parties <sup>(a)</sup>	4,907	3,982	-	-
Sales of goods to a joint venture	5	203	-	-

<sup>(a)</sup> Being companies in which certain directors have substantial financial interests.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 33. OPERATING SEGMENTS

Group

### Operating Segments

For management purposes, the Group is organised into business units based on their products and services and has the following reportable operating segments:-

- |       |                           |   |   |
|-------|---------------------------|---|---|
| (i)   | Plantation and milling    | - | Cultivation of oil palm and production of crude palm oil and palm kernel.   |
| (ii)  | Equipment and engineering | - | Manufacture of palm oil equipment and related products, commissioning and contracting works for palm oil mills and trading of palm oil mill processing equipment. |
| (iii) | Refinery                  | - | Trading and processing of crude palm oil and related products.  |
| (iv)  | Special purpose vehicles  | - | Retrofitting special purpose vehicles.  |
| (v)   | Investing                 | - | Investment holding.   |

Except as indicated above, no other operating segments have been aggregated to form the above reportable segments.

The accounting policies and measurement bases of the segment items reported are the same as those disclosed in Note 2. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with external parties.

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# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 33. OPERATING SEGMENTS (CONT'D)

2020	Plantation and	Equipment and	Special purpose	Refinery	Investing	Consolidation	Total
	milling	engineering	vehicles	RM000	RM000	adjustments and	
	RM000	RM000	RM000	RM000	RM000	eliminations	RM000
Segment assets	757,525	789,366	144,494	121,394	393,695	(1,206,872)	999,602
Investments in associates	-	-	-	-	49,430	37,693	87,123
Investments in joint ventures	-	-	-	-	24,211	(11,435)	12,776
Income tax and deferred tax assets	116	13,572	3,022	181	131	-	17,022
<b>Total assets</b>	<b>757,641</b>	<b>802,938</b>	<b>147,516</b>	<b>121,575</b>	<b>467,467</b>	<b>(1,180,614)</b>	<b>1,116,523</b>
<b>Additions to non-current assets</b>	<b>29,667</b>	<b>1,775</b>	<b>7,849</b>	<b>6,227</b>	<b>22,603</b>	<b>-</b>	<b>68,121</b>
Segment liabilities	718,641	211,236	22,871	105,181	228,030	(1,162,663)	123,296
Loans and borrowings	127,710	5,322	-	10,827	26,711	-	170,570
Lease liabilities	959	331	-	68	55	-	1,413
Income tax and deferred tax liabilities	902	63	1,859	-	-	-	2,824
<b>Total liabilities</b>	<b>848,212</b>	<b>216,952</b>	<b>24,730</b>	<b>116,076</b>	<b>254,796</b>	<b>(1,162,663)</b>	<b>298,103</b>
External revenue	76,858	298,373	15,455	149,695	-	-	540,381
Intersegment revenue	-	18,107	-	-	28,996	(47,103)	-
<b>Total revenue</b>	<b>76,858</b>	<b>316,480</b>	<b>15,455</b>	<b>149,695</b>	<b>28,996</b>	<b>(47,103)</b>	<b>540,381</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 33. OPERATING SEGMENTS (CONT'D)

	2020						
	Plantation and milling RM000	Equipment and engineering RM000	Special purpose vehicles RM000	Refinery RM000	Investing RM000	Consolidation adjustments and eliminations RM000	Total RM000
Segment (loss)/profit	(3,080)	94,201	(8,925)	483	19,433	(32,158)	69,954
Interest income	290	9,220	2,408	-	20	(4,514)	7,424
Interest expense	(8,157)	(831)	(806)	(4,257)	(1,498)	4,514	(11,035)
Share of profit of associates	-	-	-	-	-	4,375	4,375
Share of profit of joint ventures	-	-	-	-	-	1,992	1,992
(Loss)/Profit before tax	(10,947)	102,590	(7,323)	(3,774)	17,955	(25,791)	72,710
Tax (expense)/income	(833)	(9,668)	(15,284)	-	94	-	(25,691)
(Loss)/Profit for the financial year	(11,780)	92,922	(22,607)	(3,774)	18,049	(25,791)	47,019
Non-cash income	5,517	22,362	1,364	628	-	-	29,871
Depreciation	16,761	4,392	690	747	272	-	22,862
Other non-cash expenses	(200)	(13,791)	(1,181)	(655)	(6,682)	-	(22,509)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 33. OPERATING SEGMENTS (CONT'D)

2019	Plantation and milling RM'000	Equipment and engineering RM'000	Special purpose vehicles RM'000	Investing RM'000	Consolidation adjustments and eliminations RM'000	Total RM'000
Segment assets	755,819	775,864	153,647	503,523	(1,149,737)	1,039,116
Investments in associates	-	-	-	49,430	33,318	82,748
Investments in joint ventures	-	-	-	24,211	(13,427)	10,784
Income tax and deferred tax assets	557	16,381	2,402	4	-	19,344
Total assets	756,376	792,245	156,049	577,168	(1,129,846)	1,151,992
Additions to non-current assets	43,646	5,180	397	13,003	-	62,226
Segment liabilities	708,965	251,644	10,153	309,386	(1,111,600)	168,548
Loans and borrowings	126,164	22,824	-	26,807	-	175,795
Lease liabilities	1,425	382	-	249	-	2,056
Income tax and deferred tax liabilities	262	1,206	2	5	-	1,475
Total liabilities	836,816	276,056	10,155	336,447	(1,111,600)	347,874
External revenue	50,037	394,373	2,757	5,320	-	452,487
Intersegment revenue	-	20,133	-	2,005	(22,138)	-
Total revenue	50,037	414,506	2,757	7,325	(22,138)	452,487

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 33. OPERATING SEGMENTS (CONT'D)

	2019					Total RM'000
	Plantation and milling RM'000	Equipment and engineering RM'000	Special purpose vehicles RM'000	Investing RM'000	Consolidation adjustments and eliminations RM'000	
Segment (loss)/profit	(11,727)	84,580	(4,923)	14,494	(35,928)	46,496
Interest income	330	3,977	7,521	1,421	(4,343)	8,906
Interest expense	(8,340)	(1,154)	(203)	(5,474)	4,343	(10,828)
Share of loss of associates	-	-	-	-	(1,173)	(1,173)
Share of loss of joint ventures	-	-	-	-	(5,683)	(5,683)
(Loss)/Profit before tax	(19,737)	87,403	2,395	10,441	(42,784)	37,718
Tax expense	(392)	(694)	(26)	(1,252)	-	(2,364)
(Loss)/Profit for the financial year	(20,129)	86,709	2,369	9,189	(42,784)	35,354
Non-cash income	3,788	9,880	987	17,648	-	32,303
Depreciation	10,606	4,197	895	410	-	16,108
Other non-cash expenses	243	15,533	1,421	955	-	18,152

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 33. OPERATING SEGMENTS (CONT'D)

### Geographical Information

In presenting information about geographical areas, segment revenue is based on the geographical location of customers whereas segment assets are based on the geographical location of assets.

	External Revenue		Non-current Assets	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Indonesia	255,531	314,379	334,568	342,945
Malaysia	123,550	51,868	220,903	236,738
Papua New Guinea	40,979	31,151	1,294	1,912
Central America	18,595	18,618	264	386
Africa	12,924	12,311	-	-
Liberia	13,957	15,821	-	-
Germany	35,216	-	-	-
United Arab Emirates	22,345	-	-	-
Singapore	13,453	-	-	-
Others	3,831	8,339	-	-
	<u>540,381</u>	<u>452,487</u>	<u>557,029</u>	<u>581,981</u>

### Major Customers

The Group did not have any major customer that contributed 10% or more of its total revenue.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 34. FINANCIAL GUARANTEE CONTRACTS

The Company has entered into financial guarantee contracts to provide financial guarantees to financial institutions for credit facilities granted to certain subsidiaries up to a total limit of approximately RM435,790,000 (2019 - RM542,579,000). The total utilisation of these credit facilities as at 31 December 2020 amounted to approximately RM232,176,000 (2019 - RM333,729,000). No maturity analysis is presented for the financial guarantee contracts as the entire amount could be called at any time in the event of default by the subsidiaries.

The aforementioned financial guarantee contracts should have been recognised in the statement of financial position in accordance with the recognition and measurement policies as stated in Note 2.14. After considering that the probability of the subsidiaries defaulting on the credit lines is remote, the financial guarantee contracts have not been recognised as the fair values on initial recognition are not expected to be material.

<b>The Company</b>	2020 RM'000	2019 RM'000
Carrying Amount	-	-
Contractual Undiscounted Cash Flows - Over 5 Years	<u>232,176</u>	<u>333,729</u>

## 35. FINANCIAL RISK MANAGEMENT

The activities of the Group are exposed to certain financial risks, including credit risk, liquidity risk, currency risk, interest rate risk and other price risk. The overall financial risk management objective of the Group is to ensure that adequate financial resources are available for business development whilst minimising the potential adverse impacts of financial risks on its financial position, performance and cash flows.

The aforementioned financial risk management objective and its related policies and processes explained below have remained unchanged from the previous financial year.

### Credit Risk

The Group's exposure to credit risk arises mainly from receivables, derivatives and deposits placed with financial institutions. The maximum credit risk exposure of these financial assets is best represented by their respective carrying amounts in the statements of financial position. The Company is also exposed to credit risk in respect of its financial guarantees provided for credit facilities granted to certain subsidiaries. The maximum credit risk exposure of these financial guarantees is the total utilisation of the credit facilities granted as disclosed in Note 34.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 35. FINANCIAL RISK MANAGEMENT (CONT'D)

### Credit Risk (Cont'd)

As the Group only deals with reputable financial institutions, the credit risk associated with deposits placed with them is minimal. The Group manages its credit risk exposure of receivables by assessing counterparties financial standings on an on-going basis, setting and monitoring counterparties limits and credit terms. The quantitative information about such credit risk exposure is disclosed in Note 13.

### Liquidity Risk

The Group's exposure to liquidity risk relates to its ability to meet obligations associated with financial liabilities as and when they fall due. The remaining contractual maturities of financial liabilities are disclosed in their respective notes.

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities whilst maintaining sufficient cash and the availability of funding through standby credit facilities.

### Currency Risk

The Group's exposure to currency risk arises mainly from transactions entered into by individual entities within the Group in currencies other than their functional currencies. The major functional currencies within the Group are Ringgit Malaysia ("RM") and Indonesian Rupiah ("IDR"), whereas the major foreign currencies transacted are US Dollar ("USD"), Indonesian Rupiah ("IDR") and Kina ("PGK"). The gross carrying amounts of foreign currency denominated monetary items at the end of the reporting period are as follows:-

	Denominated in USD		Denominated in IDR		Denominated in PGK	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Receivables	30,962	73,269	70,702	74,111	3,970	5,984
Cash and cash equivalents	8,748	5,233	20,033	12,745	3,163	707
Payables	(7,780)	(3,634)	(25,357)	(28,686)	(4,275)	(3,749)
Loans and borrowings	(103,598)	(30,429)	(24,112)	(95,735)	-	-
Lease liabilities	-	-	(721)	(1,162)	-	-
	<u>(71,668)</u>	<u>44,439</u>	<u>40,545</u>	<u>(38,727)</u>	<u>2,858</u>	<u>2,942</u>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 35. FINANCIAL RISK MANAGEMENT (CONT'D)

### Currency Risk (Cont'd)

The Group observes the movements in exchange rates and acts accordingly to minimise its exposure to currency risk. Where necessary, the Group enters into derivative contracts to hedge the exposure. Such exposure is also partly mitigated in the following ways:

- (i) The Group's foreign currency sales and purchases provide a natural hedge against fluctuations in foreign currencies.
- (ii) The Group maintains part of its cash and cash equivalents in foreign currency accounts to meet future obligations in foreign currencies.

Based on a symmetric basis which uses the foreign currency as a stable denominator, the following table demonstrates the sensitivity of profit or loss (and equity) to changes in exchange rates that were reasonably possible at the end of the reporting period, with all other variables held constant:-

	Group	
	Increase/ (Decrease) in Profit 2020 RM'000	Increase/ (Decrease) in Profit 2019 RM'000
Appreciation of USD against RM by 10%	(5,447)	3,377
Depreciation of USD against RM by 10%	5,447	(3,377)
Appreciation of IDR against RM by 10%	3,081	(2,943)
Depreciation of IDR against RM by 10%	(3,081)	2,943
Appreciation of PGK against RM by 10%	217	224
Depreciation of PGK against RM by 10%	(217)	(224)
Appreciation of USD against IDR by 10%	(7,770)	(2,282)
Depreciation of USD against IDR by 10%	<u>7,770</u>	<u>2,282</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 35. FINANCIAL RISK MANAGEMENT (CONT'D)

### Interest Rate Risk

The Group's exposure to interest rate risk arises mainly from interest-bearing financial instruments, namely term deposits, loans and borrowings and lease liabilities.

The Group observes the movements in interest rates and always strives to obtain the most favourable rates available for new financing or during repricing. It is also the Group's policy to maintain a mix of fixed and floating rate financial instruments as follows:-

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Fixed rate instruments</b>				
Financial assets	20,045	22,737	-	-
Financial liabilities	(38,951)	(38,681)	(26,766)	(26,970)
<b>Floating rate instruments</b>				
Financial liabilities	<u>(133,032)</u>	<u>(139,170)</u>	<u>-</u>	<u>-</u>

As the Group does not account for its fixed rate financial instruments at fair value through profit or loss, any changes in interest rates at the end of the reporting period would not affect its profit or loss (and equity). For floating rate financial instruments measured at amortised cost, the following table demonstrates the sensitivity of profit or loss (and equity) to changes in interest rates that were reasonably possible at the end of the reporting period, with all other variables held constant:-

	Group	
	(Decrease)/ Increase in Profit 2020 RM'000	(Decrease)/ Increase in Profit 2019 RM'000
Increase in interest rates by 100 basis points	(1,011)	(1,058)
Decrease in interest rates by 100 basis points	<u>1,011</u>	<u>1,058</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 35. FINANCIAL RISK MANAGEMENT (CONT'D)

### Other Price Risk

The Group's exposure to other price risk arises mainly from quoted investments and derivatives. The Group manages these investments on an individual basis by continuously evaluating the price movements, investment returns and the general industrial conditions relevant to the investees.

The following table demonstrates the sensitivity of profit or loss (and equity) to reasonably possible price movements in quoted investments and derivatives at the end of the reporting period, with all other variables held constant:-

	Group	
	Increase/ (Decrease) in Profit 2020 RM'000	Increase/ (Decrease) in Profit 2019 RM'000
Increase in price by 10% (2019 - 10%)	582	2
Decrease in price by 10% (2019 - 10%)	<u>(582)</u>	<u>(2)</u>

## 36. CAPITAL RISK MANAGEMENT

The overall capital management objective of the Group is to safeguard its ability to continue as a going concern so as to provide fair returns to shareholders and benefits to other stakeholders. In order to meet this objective, the Group always strives to maintain an optimal capital structure to reduce the cost of capital and sustain its business development.

The Group considers its total equity (including non-controlling interests) and total interest-bearing debts to be the key components of its capital structure and may, from time to time, adjust the dividend payouts, purchase own shares, issue new shares, sell assets, raise or redeem debts, where necessary, to maintain an optimal capital structure. The Group monitors capital using a debt-to-equity ratio, which is calculated as total interest-bearing debts divided by total equity as follows:-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 36. CAPITAL RISK MANAGEMENT (CONT'D)

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Loans and borrowings	170,570	175,795	26,711	26,807
Lease liabilities	1,413	2,056	55	163
Total interest-bearing debts	171,983	177,851	26,766	26,970
Total equity	818,420	804,118	272,365	277,382
Total capital	990,403	981,969	299,131	304,352
Debt-to-equity ratio	0.21	0.22	0.10	0.10

The aforementioned capital management objective, policies and processes have remained unchanged from the previous financial year.

## 37. CONTINGENT LIABILITY

A subsidiary of the Group, PT Sawit Lamandau Raya ("PTSLR") is in dispute with the Koperasi Karang Indah Cahaya Taba ("Koperasi") over a portion of the planted area of 353.73 Ha which is outside the Hak Guna Usaha ("HGU") area granted to PTSLR. The amount of plantation costs recognised by the Group amounted to IDR26,046,601,000 (equivalent to approximately RM7.5 million) included in the carrying amount of property, plant and equipment as bearer plants.

On 7 March 2017, PTSLR appointed Aminuddin Lingga, SH., MH & Partner as its Attorney to negotiate with the Koperasi on the arrangement of plasma scheme as defined in Note 13. The negotiations fell through between both parties which escalated to the courts.

On 11 April 2018, PTSLR filed legal action against the Koperasi in Pangkalan Bun District Court ("District Court"), claiming for a compensation of the plantation development expenditure incurred by PTSLR. On 4 February 2019, the District Court ruled in favour of PTSLR against the Koperasi. On 11 April 2019, the Koperasi appealed to the Pangkalan Raya High Court against the District Court Decision and the favourable decision of the High Court issued on 9 May 2019 was in line with the decision of the District Court. Subsequently, the Koperasi made an appeal to Supreme Court of the Republic of Indonesia against the High Court decision whereby the decision is unfavourable to PTSLR. Currently, PTSLR is seeking a final appeal via a judicial review in the Supreme Court.

The directors are unable to assess the probability that an outflow of resources embodying economic benefits will be required to settle the obligation. Accordingly, no impairment loss has been recognised in the financial statements in respect of the carrying amount of the disputed bearer plants.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 38. MATERIAL LITIGATION

The Group has filed a Winding-Up Petition on 11 June 2020 against Gulf Lubes Malaysia Sdn. Bhd. ("GLM"). The Winding-Up Petition is a contributories Winding-Up Petition based on just and equitable grounds caused by a deadlock arising from the amendments made to the Constitution of GLM as at the acquisition date. As a result, both the minority shareholders and the management have joint control on their respective investments in GLM which resulted in a deadlock situation, including in the finalisation and approval of audited financial statements of GLM. As at the reporting date, the court has fixed the hearing date on 15 June 2021.

## 39. FINANCIAL INSTRUMENTS

### 39.1 Classification of Financial Instruments

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Financial Assets</b>				
<u>Amortised Cost</u>				
Receivables	228,967	302,383	377,161	388,296
Cash and cash equivalents	140,280	134,388	340	2,028
Other investments	32,611	27,191	-	-
	<u>401,858</u>	<u>463,962</u>	<u>377,501</u>	<u>390,324</u>
<u>Fair Value Through Profit or Loss</u>				
Other investments	3,733	3,730	-	-
Derivatives	1,150	-	-	-
	<u>4,883</u>	<u>3,730</u>	<u>-</u>	<u>-</u>
<b>Financial Liabilities</b>				
<u>Amortised Cost</u>				
Payables	83,701	97,019	212,823	187,866
Loans and borrowings	170,570	175,795	26,711	26,807
Lease liabilities	1,413	2,056	55	163
	<u>255,684</u>	<u>274,870</u>	<u>239,589</u>	<u>214,836</u>

### 39.2 Fair Value Information

The method used in determining the fair values of financial instruments recognised on the statements of financial position are disclosed in their respective notes to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 40. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (i) On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak as global pandemic. Following the declaration, the Government of Malaysia has on 18 March 2020 imposed the Movement Control Order (“MCO”) and subsequently entered into various phases of the MCO to curb the spread of the COVID-19 pandemic in Malaysia.

The management has assessed the impact on the Group and of the opinion that there were no material financial impacts arising from the pandemic. Nevertheless, the Group has taken and will continue to take necessary steps to safeguard and preserve its financial condition, emphasising on liquidity management to meet its continuing financial commitments and liquidity needs.

- (ii) On 6 July 2020, the Group entered into a Sale and Purchase Agreement with a third party to dispose of a piece of freehold land together with a detached factory building for a total consideration of RM40 million.

# LIST OF PROPERTIES

AS AT 31 DECEMBER 2020

Location	Description Of Property/Usage	Tenure	Year Of Acquisition/ Revaluation (if any)	Land Area (Sq. M)	Net Carrying Amount (RM'000)	Approximate Age Of Building (Years)
Lot No. 4 Jalan Waja 15, Telok Panglima Garang Industrial Estate, Mukim of Telok Panglima Garang, District of Kuala Langat, Selangor	Industrial land with a 3 storey office block cum factory building	Leasehold for 99 years/ Expiring on 9 September 2103	1998	22,286	7,973	22
Lot No. 3 Jalan Waja 16, Telok Panglima Garang Industrial Estate, Mukim of Telok Panglima Garang, District of Kuala Langat, Selangor	Industrial land with factory building	Leasehold for 99 years/ Expiring on 9 September 2103	2003	24,654	5,886	14
Lot No. 4 Jalan Waja 16, Telok Panglima Garang Industrial Estate, Mukim of Telok Panglima Garang, District of Kuala Langat, Selangor	Industrial land with a 3 storey office block cum factory building	Leasehold for 99 years/ Expiring on 9 September 2103	2006	20,369	8,271	14
No.1C, 3C & 5C, 3rd Floor, Block 2, Pusat Perniagaan Worldwide, Shah Alam, Selangor	3 units office lot	Leasehold for 99 years/ Expiring on 25 March 2102	2008	360	564	24
Geran 58844 Lot 64258, Mukim Damansara, Daerah Petaling, Selangor	Industrial land with office cum factory building	Freehold	2017	2,215	7,834	21
PLO71, Jalan Nibong 5, Kawasan Perindustrian Tanjung Langsat, Pasir Gudang, Johor	Industrial land with office and factory buildings	Leasehold for 52 years/ Expiring on 13 March 2068	2018	40,470	9,228	5
Jl. Jenderal Sudirman KM8, No. 18 A, Kel. Pasir Putih, Kec. M.B Ketapang, Kec. Kotawaringin Timur Kalimantan Tengah, Indonesia	Industrial land with office cum factory building	Leasehold for 44 years/ Expiring on 13 January 2046	2016	4,829	1,745	3
Kecamatan Lamandau, Kabupaten Lamandau, Kalimantan Tengah, Indonesia	Plantation land with estate buildings and oil palm plantation	Leasehold for 35 years/ Expiring on 23 October 2049	2014	5,898 (Hectares)	16,574	9
Kecamatan Daman Batu and Kahayan Hulu Utara, Kabupaten Gunung Mas, Kalimantan Tengah, Indonesia	Plantation land with estate buildings and oil palm plantation	Leasehold for 25 years/ Expiring on 2 December 2045	2020	7,169 (Hectares)	19,739	3

# ANALYSIS OF SHAREHOLDINGS

AS AT 28 APRIL 2021

CLASS OF SHARES	: Ordinary shares
ISSUED SHARE CAPITAL	: 485,798,158 ordinary shares (excluding Treasury Shares of 7,450,527)
VOTING RIGHTS	: One vote per ordinary share
NUMBER OF SHAREHOLDERS	: 5,187

## DISTRIBUTION TABLE ACCORDING TO THE NUMBER OF SECURITIES HELD IN RESPECT OF ORDINARY SHARES AS AT 28 APRIL 2021

Size of Holding	No. of Holders	No. of Holdings	Percentage (%)
Less than 100	223	3,450	0.00
100 - 1,000	606	351,137	0.07
1,001 - 10,000	2,631	13,721,234	2.83
10,001 - 100,000	1,430	44,859,699	9.23
100,001 – 24,289,906 <sup>1</sup>	292	282,036,066	58.06
24,289,907 <sup>2</sup> and above	5	144,826,572	29.81
Total:	5,187	485,798,158 <sup>3</sup>	100.00

Notes:

- <sup>1</sup> Less than 5% of issued shares
- <sup>2</sup> 5% and above of issued shares
- <sup>3</sup> Excluding Treasury Shares of 7,450,527

## SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

Names	Direct Holdings		Indirect Holdings	
	No. of shares	%	No. of shares	%
Datuk Lim Chai Beng	158,885,420	32.71	18,875,000 <sup>1</sup>	3.89
Lim Chai Guan	26,142,120	5.38	1,017,500 <sup>2</sup>	0.21
Tan Sow Peng	1,017,500	0.21	26,142,120 <sup>2</sup>	5.38
Yacktman Asset Management LP	28,200,800	5.81	-	-

## LIST OF DIRECTORS' SHAREHOLDINGS

Names	Direct Holdings		Indirect Holdings	
	No. of shares	%	No. of shares	%
Datuk Lim Chai Beng	158,885,420	32.71	18,875,000 <sup>1</sup>	3.89
Lim Chai Huat	22,222,222	4.57	-	-
Mak Chee Meng	16,376,660	3.37	-	-
Tengku Dato' Ardy Esfandiari Bin Tengku A. Hamid Shah	3,360,000	0.69	-	-
Tan Sri Datuk Dr. Yusof Bin Basiran	-	-	800,000 <sup>2</sup>	0.16
Wong Chee Beng	-	-	-	-
Karpanadevi A/P K R Somasundram	-	-	-	-
Lim Zee Ping (Alternate Director to Datuk Lim Chai Beng)	4,684,000	0.96	-	-

Notes:

- <sup>1</sup> Deemed interested under Section 59(11)(c) of the Companies Act 2016 by virtue of shares held by his children and deemed interested under Section 8 of the Companies Act 2016 by virtue of his direct interest in Zee Capital Sdn Bhd.
- <sup>2</sup> Deemed interested under Section 59(11)(c) of the Companies Act 2016 by virtue of shares held by his/her spouse.



**ANALYSIS OF SHAREHOLDINGS**

AS AT 28 APRIL 2021

**LIST OF THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS**

(Without aggregating the securities from different securities account belonging to the same Depositors)

No.	Name	No. of Holdings	Percentage (%)
1.	Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account For Lim Chai Beng (33-00006-000)	35,456,217	7.30
2.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Chai Beng	33,300,000	6.85
3.	Lim Chai Guan	26,142,120	5.38
4.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Chai Beng (CEB)	25,411,652	5.23
5.	Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account For Lim Chai Beng (33-00005-000)	24,516,583	5.05
6.	Mak Chee Meng	15,876,660	3.27
7.	Lim Chai Huat	15,603,142	3.21
8.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Chai Beng (CBIPHB)	15,000,000	3.09
9.	HLB Nominees (Tempatan) Sdn Bhd Lim Chai Beng (CUST.SIN 10081)	13,810,364	2.84
10.	DB (Malaysia) Nominee (Asing) Sdn Bhd The Bank of New York Mellon For Emerald Bay Fund, LP	11,320,000	2.33
11.	DB (Malaysia) Nominee (Asing) Sdn Bhd The Bank of New York Mellon For AMG Yacktman Focused Fund-Security Selection Only	10,500,000	2.16
12.	Tan Yu Hwa	8,395,600	1.73
13.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account For Goh Gee Kim	7,421,400	1.53
14.	Zee Capital Sdn. Bhd.	7,000,000	1.44
15.	DB (Malaysia) Nominee (Asing) Sdn Bhd The Bank of New York Mellon For AMG Yacktman Special Opportunities Fund	6,380,800	1.31
16.	Lim Chye Ooi	6,202,280	1.28
17.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Chai Beng (7001398)	5,500,000	1.13
18.	Public Invest Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Mohamed Nizam Bin Abdul Razak	5,187,440	1.07
19.	Lim Zee Yang	4,882,600	1.01
20.	Lim Chai Tiong	4,872,340	1.00
21.	Lim Zee Ping	4,684,000	0.96
22.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Chai Beng (7002516)	3,924,000	0.81

# ANALYSIS OF SHAREHOLDINGS

AS AT 28 APRIL 2021

No.	Name	No. of Holdings	Percentage (%)
23.	Ong Lea Ping	3,764,200	0.77
24.	HLIB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ang Siow Cheng	3,693,500	0.76
25.	Lim Chai Huat	3,565,680	0.73
26.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tengku Ardy Esfandiari Bin Tengku A Hamid Shah (E-SS2)	3,360,000	0.69
27.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Chye Hong (E-TWU)	3,134,900	0.65
28.	Citigroup Nominees (Asing) Sdn Bhd CBNY For Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	2,923,620	0.60
29.	Tan Ah Wah	2,689,100	0.55
30.	Teh Huat Seng	2,662,000	0.55



**CB INDUSTRIAL PRODUCT HOLDING BERHAD**

Registration No.: 199701013434 (428930-H)  
(Incorporated in Malaysia)

**FORM OF PROXY**

\*I/We ..... \*NRIC/ Passport/ Company No .....

of .....

being a member(s) of **CB INDUSTRIAL PRODUCT HOLDING BERHAD [199701013434 (428930-H)]** hereby appoints

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings (%)
<b>*And/or (delete as appropriate)</b>			

or failing \*him/her, THE CHAIRMAN OF THE MEETING, as \*my/our \*proxy/proxies, to vote for \*me/us on \*my/our behalf at the **TWENTY-FOURTH ANNUAL GENERAL MEETING** of the Company to be conducted virtually and live-stream from the broadcast venue at Aquamarin Room, The Saujana Hotel Kuala Lumpur, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor Darul Ehsan on Monday, 28 June 2021 at 10:00 a.m. and at any adjournment thereof.

# If you wish to appoint other person / persons to be your proxy / proxies, kindly delete the words “or failing him / her, THE CHAIRMAN OF THE MEETING” and insert the name / names of the person / persons desired.

Please indicate with an “X” in the space provided, how you wish your vote to be cast in respect of the following resolutions. In the absence of specific directions, your proxy may vote or abstain at his/her discretion. If you appoint two (2) proxies, please specify the proportions of holdings to be represented by each proxy.

My/our proxy/proxies is/are to vote as indicated below:

Ordinary Resolutions		For	Against
1	To re-elect Tan Sri Datuk Dr. Yusof Bin Basiran as a Director.		
2	To re-elect Lim Chai Huat as a Director.		
3	To approve the payment of Directors’ Remuneration of RM720,000 for the financial period from 1 July 2021 until 30 June 2022.		
4	To re-appoint Messrs. Crowe Malaysia PLT as Auditors of the Company.		
5	To approve the Authority to Issue and Allot Shares.		
6	To approve the Proposed Renewal of Authority for the Company to Purchase its Own Shares.		
7	To approve the Proposed Renewal of Existing Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		
8	To approve the continuing in office for Tan Sri Datuk Dr. Yusof Bin Basiran as an Independent Non-Executive Director.		
9	To approve the continuing in office for Wong Chee Beng as an Independent Non-Executive Director.		

\* Delete if not applicable

Dated this ..... day of..... 2021

.....  
Signature/Common Seal of Shareholder

Number of shares held:-	
CDS account no.:-	
Telephone no.:-	

**Notes:-**

1. In support of the Government of Malaysia's ("the Government") ongoing efforts to contain the spread of the Coronavirus (Covid-19) and the Government's advice of social distancing and not having mass gatherings, the Company would like to leverage on technology advancement by conducting the Twenty-Fourth Annual General Meeting of the Company ("the Meeting" or "AGM") on a **fully virtual basis** through electronic live streaming and online remote voting, pursuant to Section 327(2) of the Companies Act 2016 and Clause 59 of the Company's Constitution. The Company will be using Boardroom's LUMI AGM solution which is available on the designated link at <https://web.lumiagm.com/>. Please follow the procedures as stipulated in the Administrative Details for the Meeting in order to register, participate and vote virtually via the Boardroom's LUMI AGM solution.
2. The main and only venue of the virtual Meeting is strictly to serve as the broadcast venue where the chairman of the Meeting is physically present and no **shareholders/proxies shall be physically present at the broadcast venue**. The Meeting will be in compliance with Section 327(2) of the Companies Act 2016 which provides that the main venue of the AGM shall be in Malaysia and the chairperson must be present at the main venue of the AGM. The electronic means of conducting the AGM on a fully virtual basis will facilitate and enable all shareholders to participate fully in the proceedings by audio and/or video capabilities without the need to be physically present at the Meeting venue, which is advantageous given the current circumstances relating to Covid-19 and best health practices.
3. A member entitled to virtually attend and vote at the above Meeting is entitled to appoint a proxy or proxies to exercise all or any of his rights to virtually attend, participate, speak and vote in his/her stead, in accordance with the Administrative Details.
4. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation.
5. A member shall be entitled to appoint more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) to attend and vote at the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportions of his shareholdings to be represented by each proxy.
6. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, such member may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
7. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one 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.
8. If no name is inserted in the space provided for the name of your proxy, the Chairman of the meeting will act as your proxy.
9. The instrument appointing a proxy must be deposited at the office of the Share Registrar, Boardroom Share Registrars Sdn. Bhd. at Ground Floor or 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia or via electronic means through the Boardroom Smart Investor Online Portal at <http://www.boardroomlimited.my> (please refer to Section E of the Administrative Details for more details) not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.
10. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
11. Shareholders/proxies/corporate representative will need to sign up as an user of Boardroom Smart Investor Portal first before they can request for the Remote Participation User identification number and password to virtually attend, participate, speak and vote at the above Meeting via Boardroom's LUMI AGM solution. Please refer to the Administrative Details for registration as user with Boardroom Smart Investor Portal.
12. For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting the Bursa Malaysia Depository Sdn. Bhd. to make available to the Company pursuant to Clause 62 of the Constitution of the Company, a Record of Depositors as at 21 June 2021 and only a Depositor whose name appear on such Record of Depositors shall be entitled to attend this meeting.

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**CB INDUSTRIAL PRODUCT HOLDING BERHAD**  
c/o Boardroom Share Registrars Sdn. Bhd.  
Ground Floor or 11th Floor, Menara Symphony  
No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13  
46200 Petaling Jaya  
Selangor Darul Ehsan

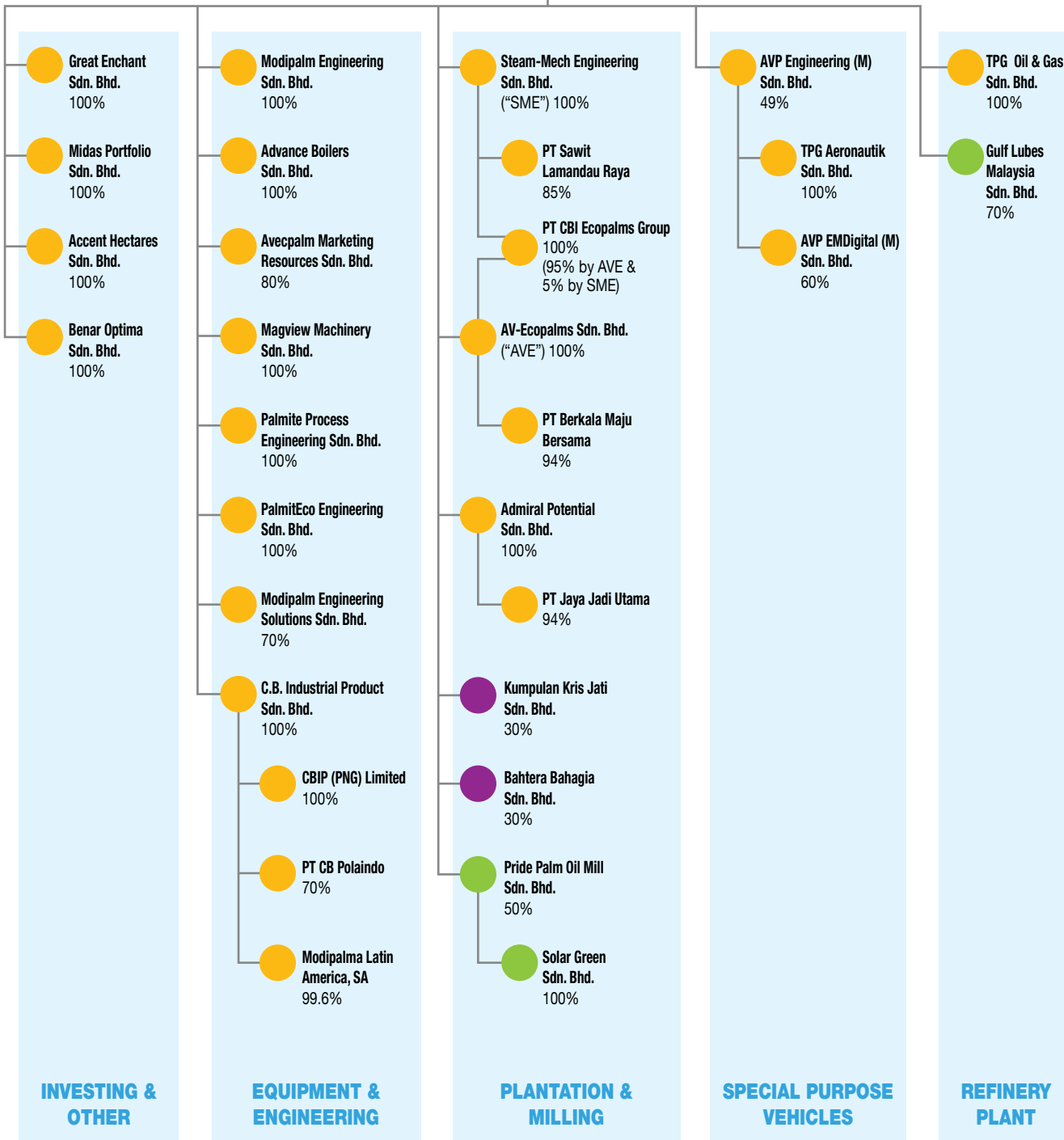
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# CORPORATE STRUCTURE

AS AT 31 DECEMBER 2020



CB INDUSTRIAL PRODUCT HOLDING BERHAD



● Associates

● Joint Ventures



**CB INDUSTRIAL PRODUCT HOLDING BERHAD**

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