INNOPRISE PLANTATIONS BERHAD

199301030333 (285072-M)

2021

Annual Report

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Innoprise Plantations Berhad is a Sabah based company listed on the Main Board of Bursa Malaysia Securities Berhad.

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INNOPRISE AT A GLANCE

REVENUE
RM230.338 mil
FY2020: RM154.936 mil

PRE-TAX PROFIT
RM113.719 mil
FY2020: RM46.261 mil

OPERATING PROFIT
RM113.143 mil
FY2020: RM45.841 mil

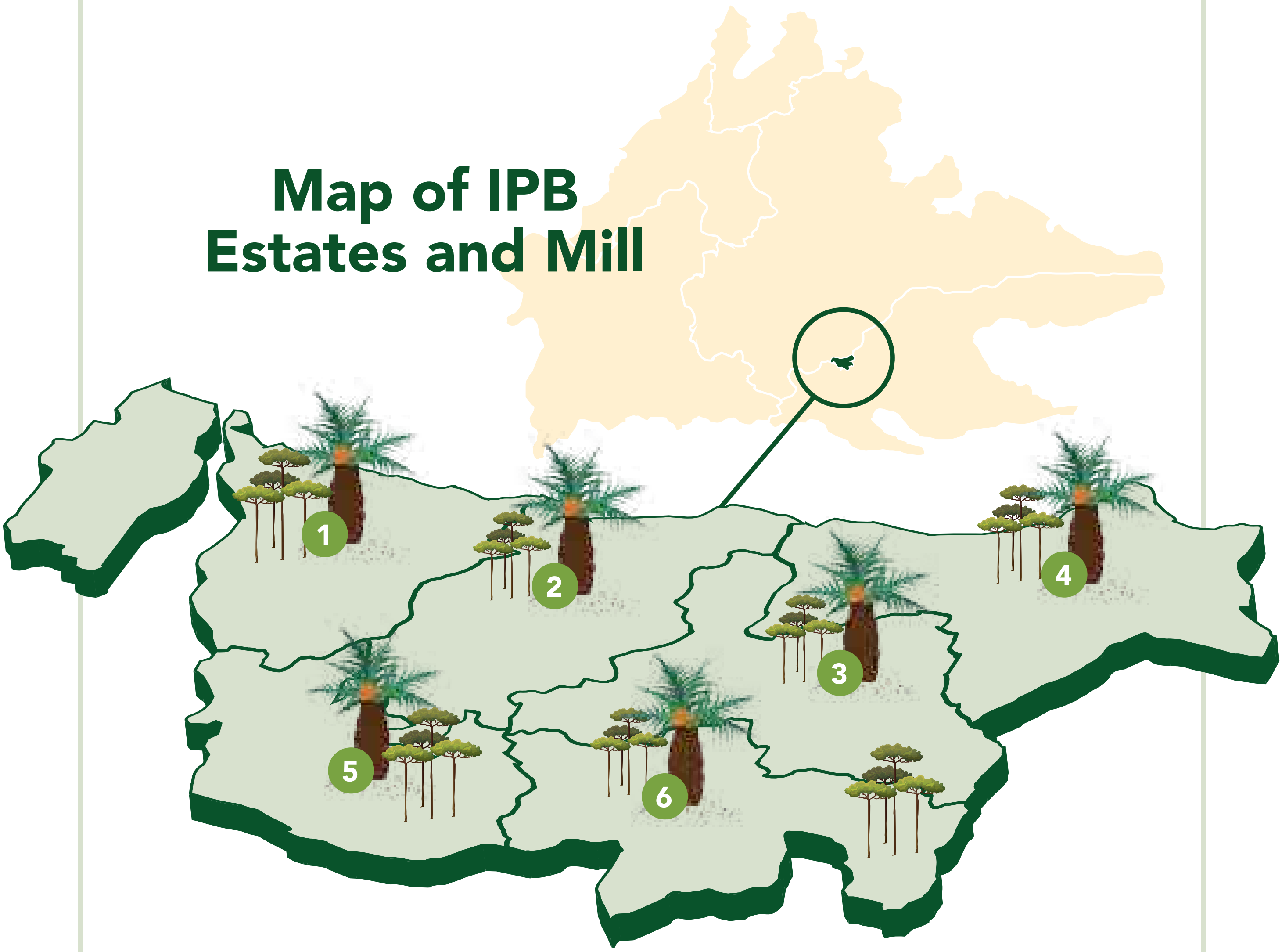
NET ASSET
RM323.712 mil
FY2020: RM333.285 mil

TOTAL MATURE AREA
11,599 Ha
as of 31 December 2021

SHAREHOLDERS' EQUITY
RM323.712 mil
FY2020: RM333.285 mil

INNOPRISE
AT A GLANCE

Map of IPB Estates and Mill



1 Lokan Estate
2 Luasong Estate
3 Gunung Rara Estate/Palm Oil Mill
4 Labau Estate
5 Maliau Estate
6 Imbak Estate

CORPORATE INFORMATION

DIRECTORS

DATUK HJ. MAJIN BIN HJ. AJING
Independent Non-Executive Director, Chairman

TAN AIK KIONG
Managing Director

DATO' SRI HAJI GULAMHAIDAR @ YUSOF BIN KHAN BAHADAR
Non-Independent Non-Executive Director

DATUK HAJI MOHD HATTAH BIN JA'AFAR
Non-Independent Non-Executive Director

ASGARI BIN MOHD FUAD STEPHENS
Independent Non-Executive Director

LIM TED HING
Independent Non-Executive Director

NG CHEE FEN
Executive Director

SECRETARIES
Dorothy Luk Wei Kam
(SSM PC No. 202008001484)
(MAICSA 7000414)
Chan Ai Hoon
(SSM PC No. 202008003338)
(LS0000393)

AUDIT COMMITTEE
Lim Ted Hing
Datuk Haji Mohd Hattah Bin Ja'afar
Asgari Bin Mohd Fuad Stephens

NOMINATION COMMITTEE
Asgari Bin Mohd Fuad Stephens
Datuk Haji Mohd Hattah Bin Ja'afar
Lim Ted Hing

REMUNERATION COMMITTEE
Lim Ted Hing
Tan Aik Kiong
Asgari Bin Mohd Fuad Stephens

RISK MANAGEMENT COMMITTEE
Lim Ted Hing
Tan Aik Kiong
Asgari Bin Mohd Fuad Stephens

AUDITORS
Ernst & Young PLT
MPT 4604, Lot 17-28, 3rd Floor,
Block B, Bandaran Baru, Jalan Baru,
91000 Tawau, Sabah.
Tel : 089-736 700
Fax : 089-762 950

PRINCIPAL BANKERS
AmBank (M) Berhad
Al Rajhi Banking & Investment Corporation (Malaysia) Berhad
Malayan Banking Berhad
United Overseas Bank (Malaysia) Berhad
RHB Investment Bank Berhad

REGISTERED OFFICE
6th Floor, Menara Tun Mustapha,
Likas Bay, 88400 Kota Kinabalu,
Sabah.
Tel : 088-326 415
Fax : 088-432 104

REGISTRAR
Boardroom Share Registrars Sdn. Bhd.
11th Floor, Menara Symphony,
No. 5, Jalan Prof. Khoo Kay Kim,
Seksyen 13, 46200 Petaling Jaya,
Selangor, Malaysia.
Tel : 03-7890 4700
Fax : 03-7890 4670

STOCK EXCHANGE LISTING
Bursa Malaysia Securities Berhad
(Main Market)

WEBSITE
www.innoprise.com.my

DIRECTORS' PROFILE

DATUK HJ. MAJIN BIN HJ. AJING

Chairman, Independent Non-Executive Director

Date of Appointment to the Board: 1 January 2021

Malaysian | Male | 73

Datuk Hj. Majin Bin Hj. Ajing was appointed as an Independent Non-Executive Director on 1 January 2021. He is also the Chairman of the Company. He graduated with Bachelor of Arts from University of Malaya in 1974. He served with the Sabah State Government from 1974 to 1999 before starting his own business. During his tenure in the State civil service, he held various senior posts amongst others Secretary of Internal Affairs and Security (1982-1984), Permanent Secretary to the Ministry of Industrial Development (1984-1994), General Manager of Sabah State Railway (1994-1999) and Director of Sabah Archives (1999). He was Director of Gold Coin Malaysia Bhd ("GCM"), Chairman of Sarawak Flour Mill Sdn Bhd (subsidiary of GCM), Director of Sabah Gas Industries Sdn Bhd, Director of Sabah Economic Development Corporation and Director of Sabah Forest Industries Sdn Bhd. He is formerly the Chairman of Innoprise Plantations Berhad (2005-2019).

He has no family relationship with any of the directors or substantial shareholders of the Company. He has no directorship in any other public listed company. He has no conflict of interest with the Company and has no convictions for offences within the past five (5) years and has no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

TAN AIK KIONG

Managing Director

Date of Appointment to the Board: 16 December 2014

Malaysian | Male | 62

Tan Aik Kiong is Managing Director of Innoprise Plantations Berhad. He serves as a member of Risk Management Committee and Remuneration Committee. He was appointed to the Board of Directors of the Company on 16 December 2014. He is also the Group Executive Director of TSH Resources Berhad. He sits on the Board of a list of private companies.

He has more than 30 years of experience in resource based industries, which includes cocoa and palm oil covering both the primary, processing, refining and international trade segments throughout his career with the Company, TSH Resources Berhad, Prudential Bache Ltd., an established brokerage and commission house and Ameroid Services Pte. Ltd., an independent warehousing company in Singapore.

He holds a Masters degree in Civil Engineering, majoring in Construction Management, from the University of Oklahoma, United States of America.

Other than the deemed interest as disclosed in the Circular to Shareholders on recurrent related party transactions, he has no other conflict of interest with the Company and has no convictions for offences within the past five (5) years and has no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

DIRECTORS' PROFILE

DATO' SRI HAJI GULAMHAIDAR @ YUSOF BIN KHAN BAHADAR

Non-Independent Non-Executive Director

Date of Appointment to the Board: 13 January 2021

Malaysian | Male | 67

Dato' Sri Haji Gulamhaidar @ Yusof Bin Khan Bahadar was appointed as a Non-Independent Non-Executive Director on 13 January 2021. He graduated with Bachelor of Human Resource Management (Honours) from University of Florida, USA. He holds a Master of Business Administration (Human Resource Management) from Berkeley International University of California, USA and a Professional Master Analyst in Political Science from Open University Malaysia.

He served with the Sabah State Government since 1995. He held various senior posts amongst others as a Confidential Secretary to the Minister of Land and Cooperative Development Malaysia, State of Sabah (1995-1998), Chief Assistant Secretary of Public Relations to the Deputy Chief Minister of Sabah cum Minister of Finance Sabah (1998-1999), Political Secretary to the Chief Minister of Sabah (1999-2003), Chairman of Innovation Papua New Guinea Ltd (Subsidiary of Innoprise Corporation Sdn. Bhd.) (2004-2008), Assistant Minister of Local Government and Housing Sabah (2008-2013), Assistant Minister of Infrastructure Development Sabah (2013-2018). He is now the Director of Yayasan Sabah cum Executive Chairman of Innoprise Corporation Sdn. Bhd. He is also the Sabah State Assemblyman (N.28/Kawang) since 2004 till now.

He has no family relationship with any of the directors or substantial shareholders of the Company. He has no directorship in any other public listed company. Other than the deemed interest as disclosed in the Circular to Shareholders on recurrent related party transactions, he has no conflict of interest with the Company and has no convictions for offences within the past five (5) years and has no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

DATUK HAJI MOHD HATTAH BIN JA'AFAR

Non-Independent Non-Executive Director

Date of Appointment to the Board: 22 May 2019

Malaysian | Male | 65

Datuk Haji Mohd Hattah Bin Ja'afar was appointed as a Non-Independent Non-Executive Director on 22 May 2019. He serves as a member of the Audit Committee and Nomination Committee. He graduated with Master of Science in Agricultural Engineering from Mississippi State University, USA in 1986.

He served with Department of Agriculture Sabah as Research Manager from 1996-1998. He joined Sabah Softwoods Berhad in 1998 and held various senior positions of the Group. During the period with Sabah Softwoods Berhad, he was also appointed as Chief Executive Officer of Benta Wawasan Sdn Bhd from 2005-2012. He was appointed as Chief Executive Officer of Sabah Softwoods Berhad since 2008 till March 2022.

He has no family relationship with any of the directors or substantial shareholders of the Company. He has no directorship in any other public listed company. Other than the deemed interest as disclosed in the Circular to Shareholders on recurrent related party transactions, he has no conflict of interest with the Company and has no convictions for offences within the past five (5) years and has no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

DIRECTORS' PROFILE

ASGARI BIN MOHD FUAD STEPHENS

Independent
Non-Executive Director

Date of Appointment
to the Board: 1 January 2019

Malaysian | Male | 61

Asgari Bin Mohd Fuad Stephens was appointed as an Independent Non-Executive Director on 1 January 2019. He serves as Chairman of the Nomination Committee and serves as a member of Audit Committee, Risk Management Committee and Remuneration Committee.

Asgari holds a Bachelor of Commerce (Honours) from University of Melbourne, Australia and a Master of Business Administration degree from Cranfield University, UK. He has extensive experience in both public and private equity investing in Malaysia. He was a director of Jaycorp Berhad and held the position until December 2021. He is the co-founder of Kumpulan Sentiasa Cemerlang Sdn Bhd ("KSC"), an investment advisory and fund management group. He started two venture capital firms, iSpring Venture Management Sdn Bhd and Intelligent Capital Sdn Bhd while continuing to work with KSC. He was previously the chairman of the Malaysian Venture Capital Association. Prior to starting his own company in 1996 he worked at Usaha Tegas Sdn Bhd establishing their fund investment division between 1988-1990 and 1992-1995. In 1990-1992 he worked as an associate director at a stock broking firm. In the years 1982-1988 he worked for a small family company in Sabah which was involved with Oil Palm plantations and property investments.

He has no family relationship with any of the directors or substantial shareholders of the Company. He has no directorship in any other public listed company. He has no conflict of interest with the Company and has no convictions for offences within the past five (5) years and has no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

LIM TED HING

Independent
Non-Executive Director

Date of Appointment
to the Board: 14 August 2019

Malaysian | Male | 66

Lim Ted Hing was appointed as an Independent Non-Executive Director of Innoprise Plantations Berhad on 14 August 2019. He serves as Chairman of the Audit Committee, Remuneration Committee and Risk Management Committee and serves as a member of the Nomination Committee.

He is a member of the Malaysian Institute of Accountants and a Fellow of the Institute of Chartered Accountants in England and Wales ("ICAEW"). He obtained his Fundamentals of Accounting from the North East London Polytechnic in 1977. Upon completion, he joined Malvern & Co., a firm of chartered accountants based in London, as an Articled Clerk during which he completed the ICAEW professional examinations in 1983. He joined Ernst & Young in 1985 and was the Senior Manager of its office in Sandakan prior to joining Syarikat Tekala Sdn. Bhd. in 1994 as the Group Financial Controller. Later in June 1996, he was appointed as an Executive Director/Chief Operating Officer of Tekala Corporation Berhad ("Tekala"), a company listed on the Main Market of Bursa Malaysia, and its subsidiaries. In January 2013, he was appointed as the Group Managing Director/Chief Executive Officer of Tekala. In July 2017, WMG Holdings Bhd. ("WMG") reverse took over Tekala and assumed its listing status. He is an Executive Director of WMG Group and has been appointed as Exco Chairman in September 2017. Other than his business interest in WMG Group and several other private companies, he is an Independent Non-Executive Director (Chairman of the board) of NPC Resources Berhad.

He has no family relationship with any of the directors or substantial shareholders of the Company. He has no conflict of interest with the Company and has no convictions for offences within the past five (5) years and has no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

DIRECTORS' PROFILE

NG CHEE FEN

Executive Director

Date of Appointment
to the Board: 14 August 2019

Malaysian Male 52

Ng Chee Fen was appointed as an Executive Director of Innoprise Plantations Berhad on 14 August 2019. He brings with him more than 25 years of working experience in finance, audit, treasury and taxation throughout his career with Ernst & Young, Kwantas Corporation Berhad, RT Plantations Sdn Bhd, SKT Perspektif Sdn Bhd and Hoko Sdn Bhd.

He holds a professional accounting qualification from the Association of Chartered Certified Accountants. He is a member of the Malaysian Institute of Accountants.

He has no family relationship with any of the directors or substantial shareholders of the Company. He has no directorship in any other public listed company. He has no conflict of interest with the company and has no convictions for offences within the past five (5) years and has no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

KEY SENIOR MANAGEMENT PROFILE

JOHN BIN SINDIN

General Manager

Date of Appointment as General Manager: 2015

Malaysian Male 55

Qualification

Member of Incorporated Society of Planters

Working Experience

- BAL Plantation Sdn Bhd
  1986-1989: Cadet Planter in Government Trainee
  1990-1994: Junior Assistant Manager
  1995-1997: Assistant Manager
- Kemabong Sdn Bhd
  1997-2002: Estate Manager
- TSH Resources Berhad
  2002-2006: Estate Manager
  2006-2009: Senior Estate Manager
  2009-2015: Assistant General Manager
- Innoprise Plantations Berhad
  2015-Present: General Manager

Save as disclosed, John Bin Sindin has no directorships in the Company and any other public companies. He has no family relationship with any Director/major shareholder of the Company. He has no conflict of interest with the Company and has no conviction for offences within the past five (5) years and has no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS OVERVIEW

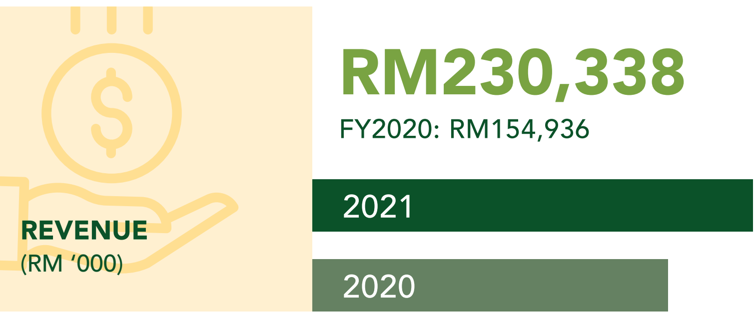
The Group is principally involved in the cultivation of oil palm, processing of Fresh Fruit Bunches ("FFB") to produce crude palm oil ("CPO") and palm kernel ("PK"). The Group is presently undertaking planting and development on 22,763 hectares of land of which approximately 12,258 hectares representing 53.9%, are suitable for oil palm planting. 1,404 hectares are currently utilised for Industrial Tree Planting ("ITP"), with future plans to expand aimed at maximising land utilisation. Plantation operation is organised under six (6) estates, namely Imbak, Gunung Rara, Labau, Maliau, Lokan and Luasong estates and one (1) palm oil mill with capacity of 60/90 MT FFB per hour. All are situated in the locality of Gunung Rara/Kalabakan, Sabah.

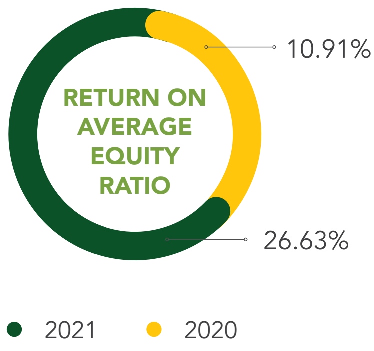
The Group has obtained its Malaysian Sustainable Palm Oil ("MSPO") certification on 21 June 2019, and is, committed to becoming an environment and community friendly organisation.

FINANCIAL RESULTS

<u>Key Financial Performance</u>

The purpose of this review is to provide an overview of key financial performance at Group Level.





MANAGEMENT DISCUSSION & ANALYSIS

PROFIT BEFORE INTEREST & TAXATION
(RM '000)

RM113,143
FY2020: RM45,841

PROFIT BEFORE TAX
(RM '000)

RM113,719
FY2020: RM46,261

PROFIT NET OF TAX
(RM '000)

RM86,198
FY2020: RM36,376

NET CASH GENERATED FROM OPERATING ACTIVITIES
(RM '000)

RM116,552
FY2020: RM67,574

TOTAL SHAREHOLDER'S FUND
(RM '000)

RM323,712
FY2020: RM333,285

The Group's revenue for FY2021 increased by 49% to RM230.338 million, due to higher average selling prices of CPO and PK compared to the preceding year.

The pre-tax profit increased by 146% to RM113.719 million compared to the previous financial year due to higher average selling prices of CPO and PK.

Financial Assets and Financial Liabilities

For the financial year 2021, the Group spent RM15.177 million on fleet vehicle upgrades and acquisition of field/mill equipment as well as the construction of housing, staff and workers' quarters and stores for fertiliser and chemicals. The Group also spent RM1.183 million on oil palm plantation development, i.e., supply or infilling and immature costs.

Biological assets recorded a profit on FFB valuation of RM3.107 million compared to the preceding year. In addition, the Group incurred RM4.456 million on ITP. Investment in ITP will be maintained in the years to come, and we expect ITP to contribute to the revenue stream once they reach maturity.

The Group's shareholders' equity as at 31 December 2021 stood at RM323.712 million, a decrease of RM9.573 million as compared to FY2020. The decrease was mainly due to net profit for the year of RM86.198 million off-set by a single-tier dividend of 20 sen amounting to RM95.771 million paid during the year.

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW

Plantation Operations

Out of a total land bank of 22,763 hectares, it is estimated that 12,258 hectares are plantable and has been fully planted. Out of the total planted area, 11,599 hectares are considered mature and a further 659 hectares will come into maturity during 2022. The area statement is as shown below:

		2021	2020
		Ha	Ha
Oil Palm	Mature	11,599	11,505
	Immature	659	753
	Total	**12,258**	**12,258**
Laran Tree	Planted	1,404	568
	Total	**1,404**	**568**
	Others	9,101	9,937
	Total Area	**22,763**	**22,763**

In FY2021, the Group's plantation operating environment was rendered more challenging by the continued wet weather with prolonged rainy seasons, which damaged roads and bridges and caused disruptions to harvesting and evacuation process of FFB. On the other hand, shortage of labour continued to be a threat to the palm oil industry and impacted the overall performance of the Group. Nonetheless, the management is confident that the above average yield can be achieved with hands-on management and dedication to details.

During the financial year, the Group is able to produce 237,312 MT (2020: 233,875 MT) of FFB, which represents an increase of 1.47% against FY2020. The increase is principally due to higher hectarage under harvesting and improving age profile of the plantings. Yield per mature hectare improved to 20.46 MT per hectare in 2021 from 20.33 MT per hectare in 2020.

The Group's oil palm ages are between 2 to 14 years with about 5% being immature palms. About 9% are young mature palms (4-7 years) with an increasing yield trend in coming years and 86% of the total palms are of prime mature (8 years and more). As such there will be no necessity for replanting for the next 10 years.

Details of Oil Palm Maturity Profile are as follow:

	Immature	Young Mature	Prime Mature	Total
	Ha	Ha	Ha	Ha
Imbak Estate	6	138	1,665	**1,809**
Labau Estate	35	116	2,155	**2,306**
Maliau Estate	-	135	1,957	**2,092**
Lokan Estate	520	467	1,313	**2,300**
Luasong Estate	81	110	2,080	**2,271**
Gunung Rara Estate	17	161	1,302	**1,480**
Total	659	1,127	10,472	**12,258**

Many factors, including weather conditions and shortage of labour influence yield. Management strives to focus on controllable factors, be hands on and pay attention to details in order to achieve high productivity and cost efficiency. The Group is committed to process improvement through mechanisation and adoption of advanced technology, such as pest control spraying using drones and grabbers for the FFB loading process. Quality Management Teams have been established at each estate to ensure all aspects of operation comply with Standard Operating Procedures.

The Group is firmly committed to sustainability and has been certified by MSPO since 2019.

Milling Operations

The Group operates a 60/90 MT FFB per hour palm oil mill which commenced commercial operation on 17 December 2014. In FY2021, total FFB processed was 240,501 MT. The mill recorded total production of 48,765 MT (2020: 52,083 MT) of CPO and 7,441 MT (2020: 7,701 MT) of PK. The Group recorded OER of 20.28% for CPO (2020: 21.60%). A protracted season of wet weather has affected harvesting and FFB evacuation process, consequently impacting OER. Despite this, OER is still above industrial average and can be sustained through the Group's commitment to KPI oriented processes and procedures in oil palm cultivation, harvesting and milling operations.

MANAGEMENT DISCUSSION & ANALYSIS

Mill processing statistics are as shown below:

	2021	2020	Change (%)
FFB Processed (MT)	240,501	241,106	-
Mill Production (MT)			
• CPO	48,765	52,083	(6%)
• PK	7,441	7,701	(3%)
Extraction Rates (%)			
• CPO	20.28	21.60	(6%)
• PK	3.09	3.19	(3%)
Average Selling Price (RM/MT):			
• CPO	4,374	2,702	62%
• PK	2,835	1,518	87%
Sales Volume (MT)			
• CPO	47,625	52,920	(10%)
• PK	7,390	7,773	(5%)

OUTLOOK AND PROSPECT

Management is confident of achieving a reasonable growth in FFB production in 2022 boosted by better age profile with more areas coming into higher yielding age and additional areas coming into maturity. The good rainfall experienced in 2020/2021 would also favorably impact FFB yield for 2022.

Global economy faces several strong headwinds in 2022 among which are inflationary pressures throughout supply chain including rising wages, input costs, escalating commodity prices, energy and transport costs. Cost pressure is further accentuated by the Russia-Ukraine war as both countries are major producers of some key commodities.

As most major economies are experiencing rather high inflation, their central banks have adapted a hawkish monetary policy by raising interest rates in an attempt to rein in inflation - a delicate task as over tightening could be recessionary.

On the other hand, as Ukraine is a major producer and exporter of sunflower oil, the Russia-Ukraine conflict has resulted in a significant escalation of edible/vegetable oil prices. The extent and duration of the exceptionally high prices will depend on how long the war will drag on.

Short term forecasts of CPO prices have been revised upwards due to the recent turn of events, and is expected to stay strong for quite some time. With the current level of CPO prices, the Group is confident of achieving record high profit in 2022.

For the longer term, the Group is optimistic about the prospects of the palm oil industry due to population growth propelling increased demand, higher per capital income, many health qualities of palm oil and the wide usage of palm oil in oleo chemical and bio diesel industries.

To enhance long term sustainability, management will continue its relentless drive for productivity and efficiency improvement to reduce unit cost of production.

DIVIDEND

With the majority of the Group's plantation already matured and on an ascending yield curve phase and as much of the supporting infrastructural facilities, stores, staff and labour quarters as well as mill's process improvement facilities having been completed, future capital expenditures will be substantially reduced.

In light of the above, the Group is committed to a dividend policy by paying out a minimum of 80% of profit after tax.

In financial year 2021, the Group has declared interim single-tier tax-exempt dividend of 18 sen per ordinary share amounting to RM86.194 million and an additional single-tier tax-exempt special dividend of 4 sen per ordinary share amounting to RM19.154 million.

The total dividend represents 122% of the Group's profit after tax for the year 2021.

During the year under review, the Group was conferred with an award, which was voted the "World Chinese Excellent Entrepreneur Lifetime Achievement Award" presented during the 2021 World Chinese Economic & Technology Summit.

MANAGEMENT DISCUSSION & ANALYSIS

SUSTAINABILITY STATEMENT

The Company's principal subsidiary Serijaya Industri Sdn. Bhd. ("SJI") operates an oil palm plantation and palm oil mill within a Class Two Forest Reserve in Tawau, Sabah. Stringent requirements are imposed by the Forest Department of Sabah on SJI's operation including slope limitation, conservation of riparian reserve, water quality control and erosion prevention. Additionally SJI has separately agreed with the Forestry Department to undertake silviculture treatment/ enrichment planting for up to 500 hectares a year. Hence sustainability has always been an integral part and guiding principle in our operation procedures and business decision. Over the years, the Group has undertaken various efforts to improve our environmental initiatives. Our community programs have improved the livelihoods of our employees and local communities. Sustainability occurred in all areas: production, social accountability and sound environmental management.

This sustainability statement will outline our efforts at practicing and improving sustainability in economic, environmental and social aspects. We will highlight some of the achievements made throughout 2021 from our efforts to turn waste into energy to enriching forests to our effort in helping the local community.

SHORT-TERM GOALS	ACHIEVEMENT
Monitoring usage of water for palm oil mill.	√
Managing pesticide usage for oil palm estates.	√
Integrated pest management to be undertaken in all estates.	√
Sustainability Standard Operating Procedures (SSOP) and insertion of sustainability requirements inside all the Operational SOP.	√
Maintaining Malaysian Sustainable Palm Oil ("MSPO") certification for all estates and palm oil mill.	√

LONG-TERM GOALS	ACHIEVEMENT
Plant more than 1 million trees within 5 years under Industrial Tree Planting activity (Time-bound plan).	*On-track for 2025*

SUSTAINABILITY VISION

To be a Sabah based plantation company committed to long term sustainability.

SUSTAINABILITY MISSION

To be a progressive plantation enterprise with focus on sustainable production, social accountability and sound environmental management.

SUSTAINABILITY STATEMENT

SCOPE

This statement covers sustainability-related performance, achievements and various initiatives for SJI's estates and palm oil mill operations.

The statement covers the period from 1 January 2021 to 31 December 2021 and follows the Amendments to Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements relating to Sustainability Statement in Annual Reports. In addition, the disclosures herein have been prepared with reference to the Global Reporting Initiative ("GRI") Standards.

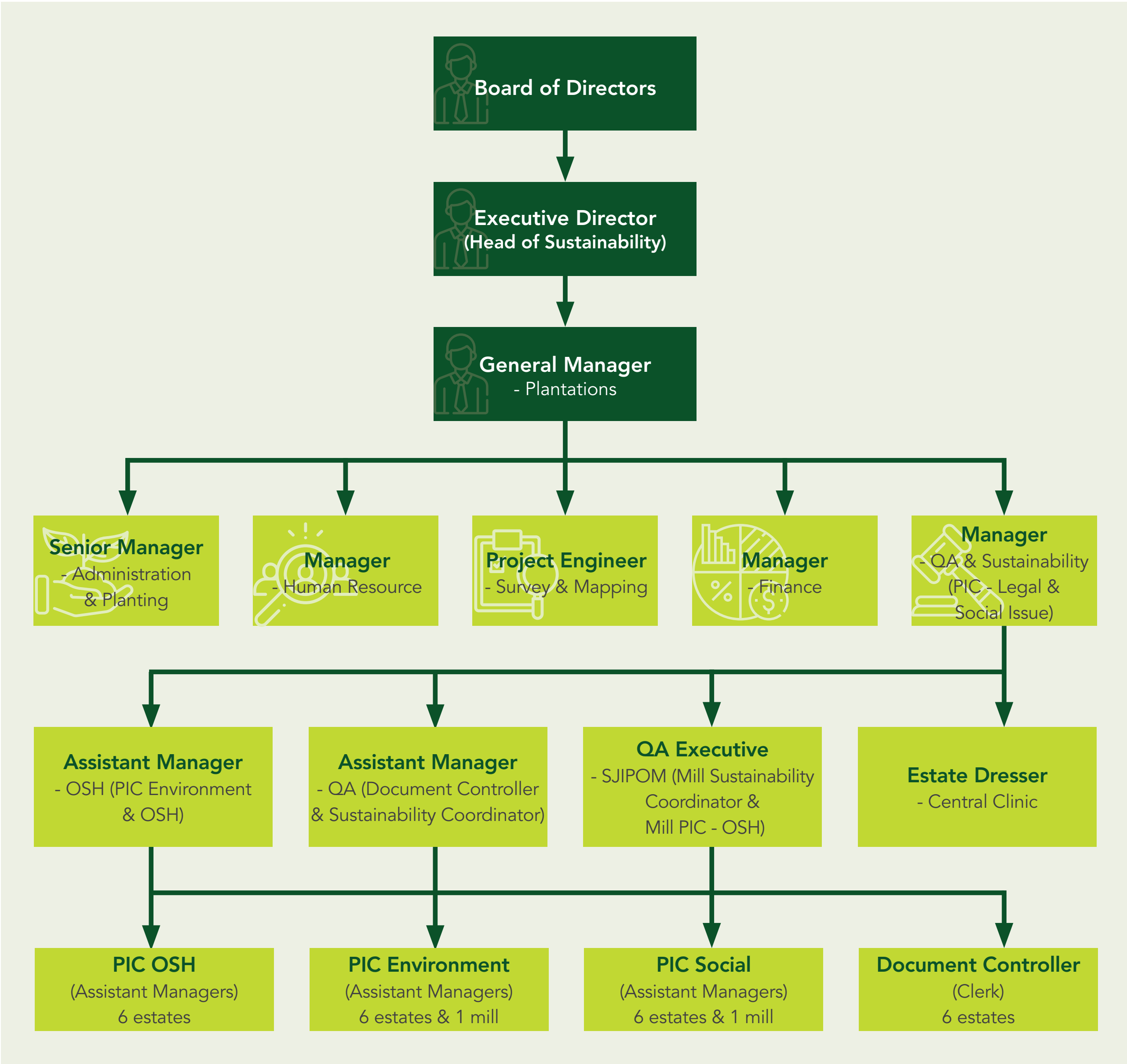
GOVERNANCE

As demonstration of our commitment towards sustainability, the Group has set up a department dedicated to managing sustainability issues with regard to our oil palm activities. Headed by the Executive Director, the Department pays particular attention to the principles, criteria and mandatory requirements under the MSPO certification regimes, as well as regulations imposed by the Forest Department of Sabah.

In addition, through the Executive Director, the Board of Directors ("Board") delegates the responsibility of managing day-to-day operations in accordance with the standards for social and ethical practices that have been set out in the Employee Handbook and oversees the matters related to Environmental, Social and Governance ("ESG"), so as to identify emerging ESG issues.

The Board has set specific sustainability objectives and the timelines in which to achieve them such as the MSPO certification and silviculture/enrichment planting. Management regularly updates the Board on the progress of these objectives.

Safety and health issues are managed by a Safety and Health Committee in the respective estates and mill. The Company also has a Risk Management Committee which reviews risk policies, profiles and registers and is assisted by the Internal Audit Department.



The Board is ultimately responsible for implementing IPB's Code of Ethics which is applicable to directors, officer and employees of the Group. The Corporate Disclosure Policy and Procedures outlines the policies and processes for communications with shareholders and investors to ensure that the communications are effective and comply with the applicable laws, rules and regulations.

RISK MANAGEMENT

SJI has identified and will focus on managing two types of risk i.e., strategic and operational. Strategic risks are caused by events that are external to the Group, but have a significant impact on its strategic decisions or activities. These are dealt with by the Board and the Executive Director.

Operational risks are inherent in the activities within the different business units of SJI. These risks are the responsibility of the various Business Units or Department heads.

SUSTAINABILITY STATEMENT

Key risks in 2021

Adverse Weather Conditions

Extreme weather, including both drought (El Nino) and prolonged rainy seasons (La Nina) may adversely impact estate operations. Of the two, the impact of low or delayed rainfall on palm trees is more immediate, longer lasting and pronounced. Drier weather brought on by El Nino causes moisture stress in palms. On the other hand, prolonged rainy seasons may also affect the progress and effectiveness of field maintenance programs as well as hamper harvesting and logistic activities.

Compliance with Forestry Act and Regulations

Forestry Department officials regularly visit SJI's estates unannounced. Non-compliance could result in fines being imposed and on a worst case scenario stop operation order. As mitigation measure, a checklist of compliance with Forestry Act and Regulations has been provided to operational staff and new staffs are briefed on various environmental issues.

Fluctuation of Palm Product Prices

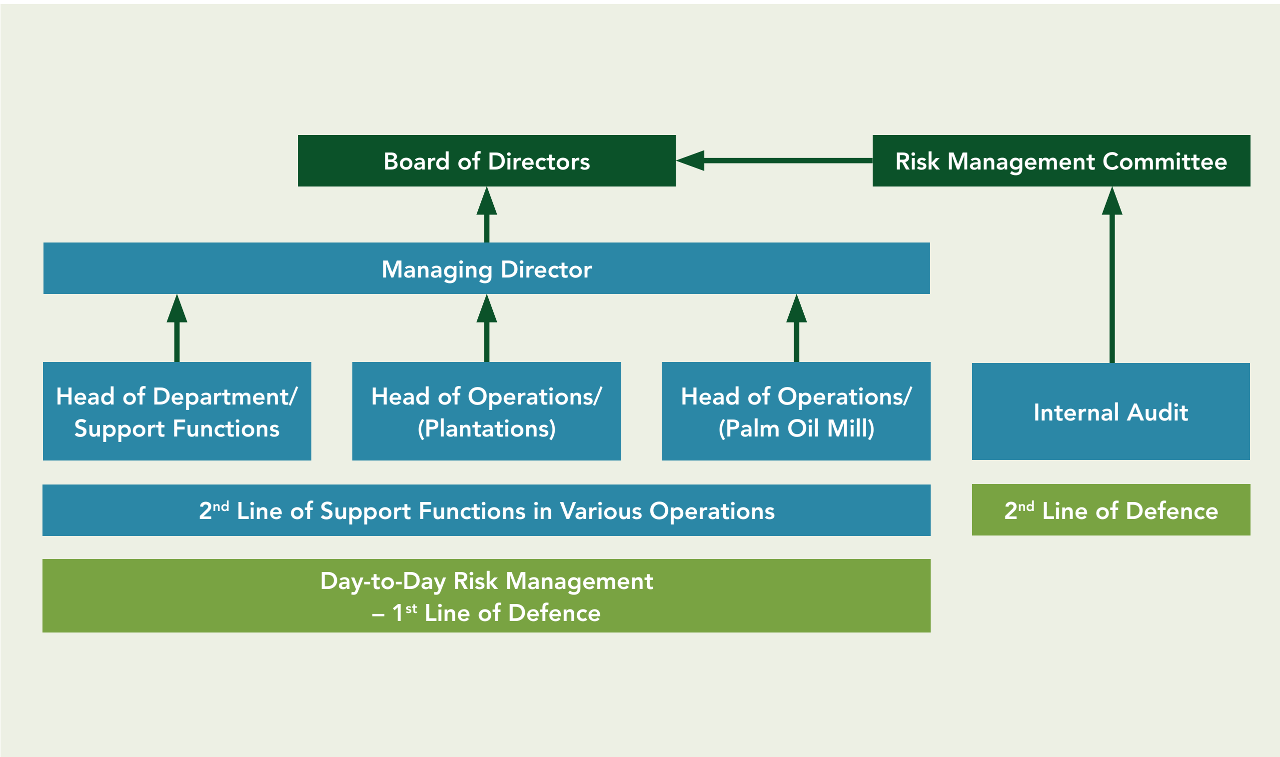
An external uncontrollable factor, fluctuation in prices has significant impact on the Company's profitability.

Labour Shortage

The estates are largely dependent on foreign workers. In the event of acute shortage, estate operation could be severely hampered, adversely affecting FFB production.

Outbreak of COVID-19

Due to the outbreak of COVID-19, characterised as a pandemic by the World Health Organisation (WHO), economy uncertainties have become more prominent and eventually emerged as one of the biggest disruptive forces affecting the world economy. In the event of outbreak in the estate's community, estate and mill operations could be severely affected and impeding CPO and PK production.



SUSTAINABILITY STATEMENT

SUSTAINABILITY IN PRACTICE

The Company's sustainability initiatives are undertaken through a four-pronged approach that can be categorised as:

(a) Sound Environmental Management

We promote sustainable Good Agriculture Practices and the use of renewable resources. Our efforts are underlined by an ongoing commitment towards certification and standards. SJI complies with the Environmental Impact Assessment ("EIA") requirements of projects and other regulations on safety and the environment.

(b) Human Resources Development

SJI is committed to treating all employees equally, with fair pay commensurate with their skills, performance and local market conditions. SJI also provides periodic training and opportunities for professional development. In addition, there is an open grievance and whistleblowing channel made available on our corporate website. We have zero tolerance for harassment of any kind in the workplace.

(c) Occupational Safety & Health ("OSH")

SJI has set up a Safety & Health Committee and an Emergency Response Team (ERT) for each operating unit to further embed a safety culture within the company. Employees are continuously trained and updated with safety procedures while business operations are subjected to regular safety and health reviews.

(d) Community

SJI provides business and employment opportunities to the local community whereby local traders are invited to market their products during "tamu" or open market day. Job vacancies are advertised in local newspaper and local community halls at Kampung Luasong and Kalabakan.

Key Sustainability-related Policies

Elements of sustainability have been embedded throughout the Company's operations over the past decade. This includes the early groundwork in preparation for adoption of MSPO certifications and the longstanding implementation of Good Agricultural Practices, which includes Zero Burning Policy, in compliance with the Forestry's Policy on Zero Burning.

The 3 key components of sustainability namely environment, social and governance which in-turn governed by the policies, procedures and guidelines as listed below:

Environmental

- Environment Policy Statement.
- Zero Open Burning Policy.

Social

- Child Labour Policy Statement.
- Equal Opportunity and Discrimination Policy Statement.
- Freedom of Association Policy Statement.
- Good Agricultural Practices (GAP).
- Human Rights and Responsible Business Practices Policy.
- Reproductive Rights Policy Statement.
- Safety and Health Policy Statement.
- Sexual Harassment Policy Statement.
- IPB Group Employee Handbook.

Governance

- Board Charter.
- Code of Ethics.
- Corporate Disclosure Policy and Procedures.
- IPB Corporate Governance Guidelines.
- Transparency Policy Statement.
- Whistle-Blowing Policy.
- Sustainability Information Request Procedure.
- Sustainability Policy Statement.
- Anti-Bribery and Corruption Policy

Going forward, the Company plans to develop a more comprehensive Sustainability Policy, serving as a guiding compass for the Company's sustainability values and practices.

SUSTAINABILITY STATEMENT

UNITED NATIONS' SUSTAINABLE DEVELOPMENT GOALS

We align our sustainability practices to support the 17 Sustainable Development Goals ("SDGs"), a collection of widely adopted global goals set by the United Nations General Assembly to be achieved by Year 2030. The Company will further align the selected priority SDGs that are most relevant to our business and to which we are able to contribute with our efforts in sustainability. The table below maps the Company's initiatives to the SDGs for the current reporting period.

SDG Indicators	Company's Initiatives
Good Health & Well-Being 3 GOOD HEALTH AND WELL-BEING	• OSH Committee for health and safety risk management • Healthcare benefits for all staff • COVID-19 SOP compliance and staff vaccination
Clean Water & Sanitation 6 CLEAN WATER AND SANITATION	• Water management to maximise water usage efficiency • Strict control and management of operations in riparian reserves
Affordable & Clean Energy 7 AFFORDABLE AND CLEAN ENERGY	• Energy management to maximise energy efficiency • Waste-to-energy initiative to convert biomass and biogas into electricity
Decent Work & Economic Growth 8 DECENT WORK AND ECONOMIC GROWTH	• Staff training and professional development programs
Responsible Consumption & Production 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	• Water management • Energy management • Waste management
Climate Action 13 CLIMATE ACTION	• Biogas capture • Forest restoration and rehabilitation • Replacement of diesel generators with biogas and steam power
Life on Land 15 LIFE ON LAND	• Forest management and restoration • Biodiversity protection

SUSTAINABILITY STATEMENT

STAKEHOLDER ENGAGEMENT

IPB attaches considerable importance to being open and transparent. The Group recognises that transparency promotes accountability and ensures that matters pertaining to stakeholders are approached with an emphasis on openness, ethical conduct, as well as operational and economic responsibility.

The Group aims to uphold the principles of conducting its business in an accessible and visible manner. The presupposition of transparency does not preclude the legitimate protection of information (including commercial information) whose release would invade personal privacy, breach of confidentiality or damage other genuinely compelling interests.

IPB will continue to improve its long-term relationships with stakeholders. Its website provides access to the latest information on the Group's financials and operations as well as the direction of the Group. There are email links for stakeholders to provide feedback or enquiries.

Also, stakeholder meetings are conducted at the estate level and during the assessment process for the Social Impact Assessment (SIA), Environmental Impact Assessment (EIA) and High Conservation Value (HCV) reports.

At the corporate level, the secretarial department ensures compliance with all regulatory requirements and communication with regulatory bodies. Constant two-way communication is also established with investors, analysts and shareholders via General meetings, quarterly announcements on results, periodic announcements to Bursa Securities and through press releases.

Stakeholder Group	Engagement Platforms	Issues Raised in FY2021	Response to Issues and Outcomes
EMPLOYEES	- Multichannel engagement	- Safety and health improvements - Housing/amenities improvements - Minimum wage - Performance review	- Weekly housing inspection on cleanliness/health issue - Provide medical services (clinics and medical surveillance) - Building more housing - Organise Annual Sport and Family Day - Minimum wage implemented - Performance review for all staff - Conduct quarterly meeting for OSH, Environment and Welfare
SHAREHOLDERS	- Multichannel engagement	- Non-financial indicators	- Improved disclosure with regard to business-related performance, palm age profiles which are in the Annual Report 2021, total hectares of mature, immature, planted and unplanted areas, and measures undertaken to ensure data accuracy

SUSTAINABILITY STATEMENT

Stakeholder Group	Engagement Platforms	Issues Raised in FY2021	Response to Issues and Outcomes
COMMUNITIES	- Town hall meetings - Various other formal and informal engagement	- Water Quality Issue - Business/Employment Opportunities	- Water quality (upstream and downstream) is continually monitored through Envsolve (appointed consultant for SJI). To produce environment monitoring surveillance report (every 4 months) (i) Business opportunities. Invite local traders during "tamu" or open market once a month (ii) Advertised job vacancies through local newspapers, posted at local community hall (Kg. Luasong, Kg. Kalabakan, etc) (iii) Participate in the "open interview" organized by Labour Department
CIVIL SOCIETY	- Multichannel engagement	- World Wildlife Fund	- Prohibition of poaching of all protected species - Committee member on joint consultation on human and elephant conflicts - Installation of electric fencing to prevent wildlife intrusion
GOVERNMENT	- Multichannel engagement	- Fire prevention requirements - Wildlife protection	- Fire Prevention Plan endorsed by the Chief Conservator of Forest Sabah - Reporting to Forestry Department on illegal hunting and encroachment into protected forest reserve
SUPPLIERS	- Local contractors/ suppliers	- Assistance to local contractors - Priority for local suppliers	- Meet targets for local suppliers
MEDIA	- Multichannel engagement	- Financial and community information reported in various media platforms	- Meet commitment for transparency

MATERIAL SUSTAINABILITY MATTERS

The sustainability issues most material to our business were determined from an analysis of internal documents, peer reviews and our risk register to identify the risks and opportunities for the business. The material matters are reviewed annually for relevance, and if there are any new concerns arising from:

- Changing global and local trends
- Directions of the local palm oil industry
- Regulatory changes
- Media reporting
- Company strategies

The following matters were deemed material to the Group, as categorized into the 4 pillars of our sustainability strategy: Marketplace, Environment, Workplace and Community:

Marketplace

- Commitment to Certification
- Supply Chain Management

Environment

- Waste-to-Energy
- Waste as Fertiliser
- Water Management
- Sustainable Forestry
- Biodiversity

Workplace

- Human Rights
- Workforce Diversity
- Occupational Safety & Health
- Sexual Harassment
- Labour Employment
- Training & Development
- Succession Planning
- Employee Engagement, Benefits & Well-being

Community

- Community Giving & Charity

Going forward, the Group plans to conduct an internal and external stakeholders engagement to rank the material matters in accordance to their importance. This will allow the Group to better integrate stakeholders' concerns and priorities into our sustainability strategy and practices in future.

SUSTAINABILITY STATEMENT

MARKETPLACE

As part of the Group's commitment to be environmentally responsible, all our 6 estates and the mill are MSPO certified. Our commitment is underlined by our membership in the MSPO.

Commitment to Certification

In line with the Government's ruling on mandatory of MSPO certification, the Group had successfully obtained its MSPO certification for all the 6 estates and 1 palm oil mill on 21 June 2019. The validity of MSPO certification is from 21 June 2019 to 20 June 2024 subject to annual surveillance audit.

Certification Status

Description	2021
Number of MSPO - Certified estate	6
Number of MSPO - Certified mill	1

Supply Chain Management

As a responsible Company, the Group works to ensure that the materials and components we use in our entire supply chain such as fertilisers can be traced to sources.

We also strive to ensure that we source as much of our materials as possible from local suppliers so as to empower and boost the surrounding economy. In 2021, all the suppliers were local suppliers.

We strictly adhere to all local labor regulations and ensure that there is zero tolerance for forced labour and child labour. This is done through field audits and inspections of our plantations.

ENVIRONMENT

IPB works to ensure that its operations are environmentally responsible, and takes steps to protect and effectively manage risks that may adversely impact the environment. An independent environment consulting firm undertakes river water quality analysis every four months. Our Environment Policy Statement deals with greenhouse gas emissions (GHGs), waste management and biodiversity issues. We also have a zero burning policy for all our operations.

Wastes are recycled and managed, monitored to minimize its effluents and sources of pollution. We also partner with government agencies to protect bio-diverse and fragile ecosystems, besides replanting degraded and logged-out forests. The Group also generates renewable energy from oil palm waste for our own use and as a way to cut greenhouse gas emissions.

The Group undertakes Environmental Impact Assessment (EIA) prior to any land development. New area for development will comply with the principles and criteria under MSPO.

In addition, our palm oil production is handled according to Good Agricultural Practices (GAP) guidelines where field operations in the plantation and transportation are processed in ways that minimise environmental impact and take into account occupational safety and health of workers.

SUSTAINABILITY STATEMENT

Waste-to-Energy

A subsidiary - IPB Bio Energy Sdn. Bhd. operates a 1.8 MW biomass power plant to supply steam for process, as well as electricity to the mill, offices and estate housing. This represents our contribution towards reduction of carbon and greenhouse gas emission. The Company has successfully implemented a 850 KW bio-gas engine system, further reducing greenhouse gas emissions and generating renewable energy through the replacement of diesel generators.

Waste as Fertiliser

Oil palm waste, empty fruit bunches (EFB) and decanter waste from mills are turned into mulch and organic fertilisers which are then applied in the plantations. This upcycles waste produced during process into an essential product which improves productivity. This process is environmentally friendly and represents significant cost savings as it enhances soil structure while avoiding the need for waste disposal and the purchase of chemical fertiliser.

Water Management

SJI maintains riparian boundaries to prevent fresh water contamination. Areas of natural riverside vegetation – known as a 'riparian reserves' – along both sides of a river act as a buffer zone between our plantations and a water source. External lab assessments of the river water are done every four months to ensure absolute compliance. The amount of water used in our mills and estates is carefully scrutinised by our team on a timely basis.

2021	Description
1.5 m^3/metric tonnes of FFB produced	Volume of water intensity (m^3/metric tonnes of FFB produced)

SUSTAINABLE FORESTRY

SJI has in liaison with the Sabah Forest Department ("SFD") set a target of undertaking 500 hectares of silviculture/ enrichment planting per year within the unplanted forest and riparian reserve. This target has been achieved yearly and for the year 2021, 1,052 hectares had been undertaken and to-date a total of 4,882 hectares has been recorded. SJI also undertakes to plant more trees within the unplanted forest and riparian reserve. The primary objective is to stimulate and contribute to the industrial tree planting activity in the Region of Sabah. This is aimed to provide a consistent supply of timber to maintain the downstream industry in a sustainable manner for the benefit of the local people by creating more jobs in the State of Sabah. It's envisioned that this will be in-line with the vision of the SFD to plant more trees in the near future.

Biodiversity

SJI has put in place several practices to mitigate our impact on the surrounding environment's biodiversity. These include annual wildlife population assessments, soil conservation treatments, growing beneficial plants and monitoring HCV areas. To reduce pesticide use, we have implemented an integrated pest management program that involves conducting pest censuses and growing beneficial plants which are natural habitats for predators that feed on leaf-eating pests.

SUSTAINABILITY STATEMENT

WORKPLACE

At IPB, we realise that our successes are the result of our employees' collective energy and efforts at the workplace. We continuously strive to bring out the best in them through technological systems that aid them in their work and through streamlined management and operating procedures.

We have in place civil and labor rights protections to further look after their welfare, and rewarding them according to merit. Management believes that these measures will create a workplace where our employees feel dignified and respected no matter their ethnicity, religion, political beliefs or age.

We also strictly comply with local labor regulations and have implemented national minimum wage rates throughout our operations.

Human Rights

IPB is fully committed to operating in an ethical and responsible manner, and to eradicate human rights violations throughout its supply chain. Our Human Rights and Responsible Business Practices Policy covers elements of anti-bribery, anti-corruption and forced labor. One of the policy's main objectives is to emphasise the importance of Free, Prior and Informed Consent (FPIC). The impediment of these rights whether through bribery or through the fraudulent use of funds will not be tolerated. The Company will not do business with those who violate the rights of others, such as by using forced or child labor. No incidences of forced or child labor have been found at our operations.

We have a formal grievance mechanism so that complaints of mistreatment and abuse can be reported. The mechanism covers complaints on labor practices and human rights, and also comes with a remediation process.

(i) <u>Freedom of Association</u>

IPB respects the right of its employees to freedom of association and, as such, the Company neither encourages nor discourages employees from joining trade unions.

The Company has established workplace welfare committees to represent employees and provide them a structured communication channel in the event a union is not present.

(ii) <u>Maternal Care</u>

The Company supports its employees' reproductive rights and promotes accessibility to maternal health care. The Reproductive Rights Policy Statement underlines our commitment. The group also ensures that pregnant employees are not engaged in handling weedicides and pesticides and we give adequate days off.

(iii) <u>Child Labor</u>

IPB is fully against the use of children for work and is fully committed to eradicating the occurrence of child labor in its workforce, which includes among employees, contractors, and any other comparable form that constitutes as labor according to local and international laws.

SUSTAINABILITY STATEMENT

Workforce Diversity

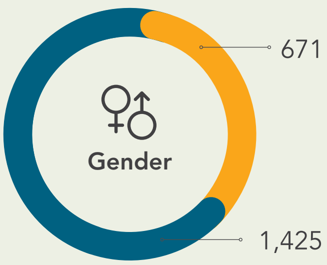
IPB is committed to equal opportunity at work, embraces diversity and is against any and all forms of discrimination. The Group aspires to maintain a fair workplace by recruiting, developing, and retaining a diverse workforce.

In order to achieve this goal, the Company promotes the right to work and advancement on the basis of merit, ability, potential, and experience that is free from prejudice. The Company is strongly against the discrimination of any person based on age, race, nationality, religion, disability, gender and political affiliation.

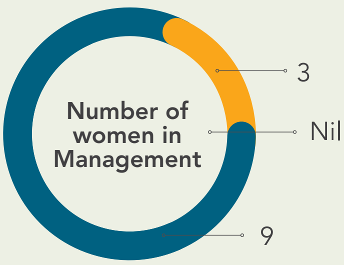
EMPLOYEE BREAKDOWN (2021)

Total Number
2,096

Turnover Rate
4%



Female   Male



Board of Directors
Management   Executive

Occupational Safety and Health

The group is committed to maintaining high safety and health standards within its workforce, contractors and visitors within the Group and its subsidiaries. To achieve this objective, each operation unit has established a Safety and Health Committee which is responsible for cultivating safe working practices and behavior. A series of in-house training programs on safety and health have also been conducted by committee members and external experts.

The Company provides adequate health care such as medical check-ups for workers handling chemicals, pesticide, fertiliser and who operate the chemical premix station. Besides protective clothing, workers are trained to handle pesticides in a safe manner.

Injury	No. of cases	
	2021	2020
Fatal	Nil	Nil
Major	Nil	Nil
Minor	7	7

Sexual Harassment

IPB has a zero tolerance policy for sexual harassment of any kind within the Group and its subsidiaries. Sexual harassment is deliberate or repeated, unsolicited and unwelcome verbal comments, gestures or physical contact of a sexual nature, or request for sexual favors which interferes with an individual's work performance.

Labour Employment

IPB shall ensure that employment of workers is in accordance with the Sabah Labour Ordinance and any related employment legislation. The company shall pay workers the minimum wage as per current government ruling whether local or foreign workers.

Workers shall be given orientation to explain the differences in language, safety rules, labour law and culture. In addition, workers will be covered by insurance and provided with standard housing as per Malaysia Minimum Standard of Housing and Amenities Act, 1990.

SUSTAINABILITY STATEMENT

Training and Development

We nurture a conducive learning culture for all our employees – from the lowest general worker to the senior manager – to equip them with the knowledge and skills to effectively perform and overcome the challenges in our industry:

- The all-encompassing Group Human Resource Manual spells out the benefits, rules and regulations and policies for our employees.
- Our estates and mills conduct daily safety briefings for workers.
- Field workers are trained in Standard Operating Procedures (SOP).
- Fire drill training provided by Fire and Rescue Department, Tawau.

100%

Percentage of staff receiving regular performance and career development review (%) in 2021

Succession Planning

The senior management succession plan involves attracting and developing talented and skilled people who fit with the Company's culture and business strategy as well as identifying successors for senior management positions. The Board is responsible for reviewing, monitoring, appointing and dismissing senior management while the Group Managing Director is responsible for the senior management succession plan.

EMPLOYEE ENGAGEMENT AND BENEFITS AND WELLBEING

Benefits and Welfare

IPB provides a host of benefits that enhances the welfare of our workers especially those staying in our plantations. These benefits include physical facilities such as housing, schools, sports grounds, child crèches, treated water supply and places of worship.

Engagement

IPB understands that non-work activities and programs are important to employee well-being and morale, and the Company continues to engage with employees through a variety of activities and events in 2021. These include:

- COVID-19 Antigen rapid test kit (RTK) swab test for SJI workers.
- Pertussis (Whooping Cough) vaccination for workers' children conducted by Department of Health, Sabah.
- Outreach immigration program conducted by Department of Immigration, Sabah
- Outreach "Program Immunisasi COVID-19 Kebangsaan ("PICK") conducted by Department of Health, Sabah.

COMMUNITY

As a responsible corporate citizen, IPB strives to contribute to the surrounding community particularly to children and the underprivileged. Community contributions are managed by estate management.

Community Giving and Charity

We have actively supported many community programmes as part of our initiatives to improve the livelihood of the surrounding community. In particular, the Group has placed great emphasis on education, disaster relief, sports and health, religious activities and infrastructure development. Due to COVID-19 pandemic, the Group reached out to the communities to support them with food, personal protection and respiratory equipment.

In year 2021, the Group contributed over RM1.2 million in monetary donations to various schools, hospital, charity bodies in support of the elderly, orphaned and otherwise underprivileged members of our society.

- Donation to Hospital Tawau for purchase of respiratory equipment.
- Donation to COVID-19 Fund for Tongod District.
- Donation of food baskets to resident in Tawau District.
- Donation to Badan Kebajikan Islam Kumpulan Yayasan Sabah to purchase of vehicle.
- Donation to Tabung Pendidikan Negeri Sabah (TPNS).
- Donation to Sabah Chinese High School for Best Student Award.
- Donation to Tawau Badminton Academy for Youth Badminton Selection Sabah 2021.
- Donation to Local Communities (Kg. Luasong and Kg. Mukandot).
- Donation to procure Personal Protection Equipment (PPE) for PICK frontliners at Pusat Pemberian Vaksin ("PPV") Merotai.
- Donation to COVID-19 Immunization Task Force (CITF) for PICK at PPV Tongod District.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of Innoprise Plantations Berhad ("IPB") ("Board") recognises that exercise of good corporate governance in conducting the business and affairs of the Company with integrity, transparency and professionalism are key components for the Company's continued progress and success. These will not only safeguard and enhance shareholders' investment and value but will at the same time ensure that the interests of other stakeholders are protected.

The Board is therefore committed to high standards of corporate governance and business practices. Accordingly, the Board has adopted IPB Corporate Governance Guidelines ("IPB Guidelines") to assist the Board in the exercise of its responsibilities. The IPB Guidelines, along with the Terms of References ("TORs") of the Board and Board Committees provide the framework for corporate governance at IPB.

The Board is pleased to present this statement, an overview of IPB's corporate governance practices during the financial year with reference to the three Principles which are set out in the Malaysian Code on Corporate Governance 2017 ("Code"):

(a) Board leadership and effectiveness;
(b) Effective audit and risk management; and
(c) Integrity in corporate reporting and meaningful relationship with stakeholders

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. ROLE AND RESPONSIBILITIES OF THE BOARD

The Board has overall responsibility for overseeing the effective management and control of the Group on behalf of IPB's shareholders and supervising executive management's conduct of the Group's affairs within a controlled authority framework, which is designed to enable risk to be prudently and effectively assessed and monitored. The Board has adopted a schedule of matters reserved to it for decision, a copy of which can be found on IPB's website at www.innoprise.com.my.

The Board is guided by its Board Charter which sets out the Board's roles, powers, duties and functions. The Board Charter can be found online at IPB's website. The structure of the Board ensures that no individual or group of individuals dominates the Board's decision-making process. The Board is supported by the Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee. Each Board Committee has defined TORs, which can be found on IPB's website.

Clear Functions of the Board and Management

There is a clear distinction between the roles and responsibilities of the Board, Chairman and Managing Director which are set out in the IPB Guidelines.

The Board retains full and effective control of the Company. Matters specifically referred to the Board for approval include, inter-alia reviewing and approving corporate proposals, plans and annual budgets, acquisitions and disposals of undertakings and properties of a substantial value, major investments and financial decisions and changes to the management and control structure within the Group, including key policies and procedures and delegated authority limits.

The Board delegates some of its function to the Committees of the Board which operate within clearly defined TORs with a view to assist in the fulfillment of its responsibilities. Chairmen of the various Committees report to the Board with recommendation on all matters considered at its meeting. In addition, minutes of each Board Committee meeting is circulated to all Board members in order to keep the Board abreast of the actions and decisions taken by each Board Committee.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

I. ROLE AND RESPONSIBILITIES OF THE BOARD (CONTINUED)

Clear Functions of the Board and Management (continued)

The Board plays an active role in the development of the Group's strategic plan with a view to maximising shareholder value and promoting sustainability. This includes review, comment and provides final approval of the Group's strategic plan prepared by management. In conjunction with this, the Board also reviews and approves the annual budget for the ensuing year and monitors management's implementation and performance with respect to that agreed strategic plan.

The Board carries out periodic review of the achievements by the various operating segments against their respective business targets to determine whether these divisions are efficiently managed. Financial statements are reviewed by the Board before being released through Bursa LINK.

Some of the matters considered by the Board in relation to the strategic priorities are disclosed in the Corporate Governance Report ("CG Report"), a copy of which can be downloaded from IPB's website at www.innoprise.com.my.

Company Secretary

The Board is supported by two (2) qualified Company Secretaries of which one (1) is a member of professional body and one (1) is licensed by the Registrar, who both undertake the role jointly. The Company Secretaries ensure that all governance matters and Board policies and procedures are followed and that applicable laws and regulations are complied with.

All Directors have access to the advice and services of the Company Secretaries, whose appointment and removal is a matter for the Board, to whom the Company Secretaries are directly accountable.

Supply and Access to Information and Advice

The Directors have access to all information within the Company, whether as a full board or in their individual capacity, to the extent that the information required is pertinent to the discharge of their duties as Directors.

For each Board and Committee meeting, the meeting papers are, to the extent feasible, provided/made available 5 working days prior to each meeting so that Directors have sufficient time to read and understand the information and obtain further information, clarification or explanation, where necessary. Time is allocated for Directors to raise other matters not covered by the formal agenda.

The Board has also put into place a procedure for Directors, whether as a full Board or in their individual capacity, to take independent professional advice at the Company's expense, if necessary. Details of procedures are disclosed in the IPB Corporate Governance Guidelines.

Management will make all information readily available to the professional advisers and must make themselves available to such advisers in order to facilitate the effective solution of the Directors' concerns. The findings of the advisers will need to be put before the Board for determination of any action that may be required by the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

I. ROLE AND RESPONSIBILITIES OF THE BOARD (CONTINUED)

Code of Ethics

The Board is guided by a high standard of ethical conduct in accordance with the Code of Ethics for Company Directors as established by the Companies Commission of Malaysia.The Board is ultimately responsible for the implementation of this Code of Ethics.

The Board has delegated to the Nomination Committee the responsibility to administer this Code of Ethics. The procedures which are set out in the IPB Guidelines are disclosed in the CG Report.

IPB has a Code of Ethics to govern the employees. The provisions set out in the Code of Ethics ensure compliance with laws and regulations, sound employment practices, confidentiality and privacy. It also includes amongst others, provisions on conflicts of interest, bribery and the protection and proper use of IPB's assets and resources. To tackle new challenges, this Code of Ethics has been expanded to include anti-corruption and money laundering.

Anti-Bribery and Anti-Corruption Policy

The Company is committed to operating business in an ethical and responsible manner, accompanied by the highest standards of integrity. The Company has in place an Anti-Bribery and Anti-Corruption Policy that provides clarity on the oversight and responsibilities, particularly in the area of anti-bribery and anti-corruption. The main objective of the anti-bribery and anti-corruption policy is intended as an introduction to our employees, as well to the public at large, of the Company's commitment to combat bribery and corruption. But strict adherence is expected during the course of implementation without compromise. The policy on anti-bribery and anti-corruption is available on the Company's website at www.innoprise.com.my.

Whistle-Blowing Policy

The Board has adopted a Whistle-Blowing Policy that outlines the principles underpinning the policy and grievance procedures. This policy aims to encourage the reporting of any misconduct, wrongdoings, corruption and instances of fraud, waste, and/or abuse involving the resources of the Group, in good faith, with the confidence that employees making such reports will, to the extent possible, be protected from reprisal.

Details of whistle-blowing channel are available on the Company's website at www.innoprise.com.my.

II. BOARD COMPOSITION AND INDEPENDENCE

IPB Board currently consists of seven (7) members of which three (3) are Independent Non-Executive Directors, two (2) Non-Independent Non-Executive Directors, one (1) Executive Director and one (1) Managing Director. The Chairman is an Independent Non-Executive Director. The Board composition complies with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements") that requires a minimum of two (2) Directors or one-third of the Board, whichever is higher, to be independent directors.

The Board consists of a majority of Non-Executive Directors and the Independent Directors are able to exercise strong independent judgement and provide balance to the Board with their unbiased and independent views, advice and judgement in all Board deliberations. The composition of the Board continues to provide the Group with a wealth of knowledge and experience to draw from a comprehensive mix of skills which includes financial, technical, public relations, accountancy, legal and business expertise that is important for the continued successful direction of the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

II. BOARD COMPOSITION AND INDEPENDENCE (CONTINUED)

Annual Assessment of Independent Directors

The Independent Non-Executive Directors play a crucial role in bringing objectivity to the decisions made by the Board. They provide independent judgement, experience and objectivity without being subordinated to operational considerations. They help to ensure that the interests of all stakeholders are taken into account and that the relevant issues are subjected to objective and impartial consideration by the Board.

All Independent Directors are required to assess their level of independence annually by completing the form of annual assessment of independence of independent directors for submission to the Nomination Committee for review and assessment. The Chairman of the Nomination Committee shall then report the findings and/or recommendations to the Board.

For the financial year ended 31 December 2021, each of the three (3) Independent Non-Executive Directors had provided an annual confirmation of his independence to the Board based on its policy on criteria of assessing independence in line with the definition of "independence directors" prescribed by the Listing Requirements. The Nomination Committee and the Board had assessed the three (3) Independent Non-Executive Directors of the Company, namely Datuk Hj. Majin Bin Hj. Ajing, Lim Ted Hing and Asgari Bin Mohd Fuad Stephens and were satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interest of the Company. Each Independent Director has retained their independence throughout the tenure and had not in any circumstances formed any association with management that might compromise their ability to exercise independent judgement.

Tenure of Independent Director

The Board believes that the interests of all stakeholders are best served if its composition includes a blend of experience and tenure among Directors. The Board is of the view that the ability of long serving independent directors to remain independent and to discharge their duties with integrity and competency should not be measured solely by tenure of service or any pre-determined age. Their long service should not affect their independence as they are independent-minded and they continue to provide the necessary checks and balances in the best interest of the Company.

The Code stated that the tenure of an Independent Director should not exceed a cumulative term limit of nine (9) years. Upon completion of nine (9) years, an Independent Director may continue to serve on the Board as Non-Independent Director or to seek annual shareholders' approval if the Board intends to retain an Independent Director beyond nine (9) years.

Notwithstanding the above, currently none of the Independent Director has served the Board for more than nine (9) years.

Diversity

The Board acknowledges the importance of Board diversity, including gender, ethnicity, age and business experience, to the effective functioning of the Board. While it is important to promote such diversity, the normal selection criteria of a Director, based on effective blend of competencies, skills, extensive experience and knowledge in areas identified by the Board should remain a priority so as not to compromise on effectiveness in carrying out the Board's functions and duties.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

II. BOARD COMPOSITION AND INDEPENDENCE (CONTINUED)

Diversity (continued)

While the Board does not have a specific policy on setting targets for women candidates and ethnicity, the Board will as best as it can, ensure that its composition not only reflects the diversity as recommended by the Code but also has the right mix of skills and balance to contribute to the achievement of the Group's goals. The Board, through its Nomination Committee will evaluate and match the criteria of future potential nominees to the Board as well as considering the boardroom diversity.

The board, through its Nomination Committee will continue to review the balance, experience and skills of the Board, paying attention to the Board's gender diversity. Going forward, gender diversity will be one of the factors to be considered in evaluating prospective candidates when board vacancy arises.

The Company practices equal employment opportunities to all qualified individuals to create a workforce that is fair and inclusive and seeks to retain and attract the best people to do the job. The Company rewards and promotes employees based on assessment of individual performance, capability and potential. The Company is committed to providing opportunities that allow individuals to reach their full potential irrespective of individual background or difference.

Summary of the gender mix of our workforce is disclosed on page 27 of the Sustainability Statement 2021.

Appointment of New Directors

A formal and transparent procedure has been established for the appointment of new Directors to the Board and the Nomination Committee is empowered to identify and recommend suitable Directors to fill new positions created by expansion and vacancies that occur by resignation, retirement or for any other reason.

Selection of candidates to be considered for appointment as Directors is facilitated through recommendations from:

(a) the Managing Director, other Directors or shareholders for executive position; and

(b) Non-Executive and/or Independent Directors or non major controlling shareholders for non-executive position.

(c) external parties including the Company's contacts in related industries as well as independent sources such as women directors' registry, finance, legal and accounting professions.

A comprehensive and independent assessment of the candidate will be conducted by the Nomination Committee without any influence from the major controlling shareholders, Managing Director or Executive Director.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

II. BOARD COMPOSITION AND INDEPENDENCE (CONTINUED)

Appointment of New Directors (continued)

In considering candidates as potential Directors, the Nomination Committee takes into account the following criteria:

- skills, knowledge, expertise and experience;
- character, integrity and professionalism;
- perceived ability to work cohesively with other members of the Board;
- number of directorships and other external obligations which may affect the Director's commitment, including time commitment and value contribution;
- diversity in age, gender and experience/background; and
- such other relevant factors as may be determined by the Nomination Committee which would contribute to the Board's collective skills, whilst taking into account the current and future needs of the Company, boardroom diversity and other soft attributes required as Directors.

whilst taking into account the current and future needs of the Company, boardroom diversity and other attributes required as Directors.

There is no change to the composition of the Board from the date of the last report to the date of this report.

III. FOSTER COMMITMENT

Time Commitment

The Board has adopted a policy whereby all its Board members are required to notify the Chairman of the Board before accepting any new directorship and to indicate the time expected to be spent on the new appointment.

A schedule of Board and Board Committee meetings set for a whole financial year is prepared in advance and tabled to the Board for approval before the commencement of a new financial year to enable the Directors to plan ahead and allocate time in their respective schedules.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

III FOSTER COMMITMENT (CONTINUED)

Time Commitment (continued)

During the financial year, the Board met four (4) times, whereat it deliberated and considered various matters including the Group's financial results, major investment and strategic decisions, business plan and direction of the Group. Details of attendance of each Board member are as follows:

Name	22/02/21	24/05/21	26/08/21	25/11/21	Total
Datuk Hj. Majin Bin Hj. Ajing (Appointed on 1 January 2021)	√	√	√	√	4/4
Tan Aik Kiong	√	√	√	√	4/4
Dato' Sri Haji Gulamhaidar @ Yusof Bin Khan Bahadar (Appointed on 13 January 2021)	-	√	-	√	2/4
Datuk Haji Mohd Hattah Bin Ja'afar	√	-	√	√	3/4
Asgari Bin Mohd Fuad Stephens	√	√	√	√	4/4
Lim Ted Hing	√	√	√	√	4/4
Ng Chee Fen	√	√	√	√	4/4

The Directors' commitment to carry out their duties and responsibilities is affirmed by their attendance at the Board meetings held during the financial year ended 31 December 2021. In addition to the above, all Directors of the Company have complied with the Listing Requirements of not holding more than five (5) directorships in listed issuers at any given time.

Directors' Training

All Directors receive full and appropriate briefing on first appointment, with subsequent updating as necessary. They were also provided with a Directors' manual containing amongst others, the background information on IPB Group, IPB Corporate Governance Guidelines and other relevant policies for their reference.

All Directors had attended the Mandatory Accreditation Programme ("MAP"). The Board, through the Nomination Committee had undertaken an assessment of the training needs of each Director for the financial year under review and concluded that all Board members have vast experience and extensive knowledge in managing the core business of the Group. Nonetheless, the Directors are encouraged to attend various training programmes to ensure they keep abreast on various issues facing the changing business environment within which the Group operates to effectively discharge their duties as Directors.

Details of the training that the Directors have attended during the financial year under review are disclosed in the CG Report.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

IV BOARD COMMITTEES

Nomination Committee

The Board has established a Nomination Committee which currently comprises two (2) Independent Non-Executive Director and one (1) Non-Independent Non-Executive Director as follows:

- Asgari Bin Mohd Fuad Stephens (Chairperson)
- Datuk Haji Mohd Hattah Bin Ja'afar
- Lim Ted Hing

The Chair of the Committee is held by the Independent Non-Executive Director, who is not the Chairman of the Board.

On 29 December 2021, Asgari Bin Mohd Fuad Stephens was appointed as Chairperson of the Nomination Committee to replace Datuk Hj. Majin Bin Hj. Ajing who had stepped down as a Chairman of the Nomination Committee and subsequently ceased to be a member of the Nomination Committee.

Concurrently on 29 December 2021, Datuk Haji Mohd Hattah Bin Ja'afar was appointed as an additional member of Nomination Committee.

The Nomination Committee is responsible for reviewing the Board's succession plans, training for Directors and assessing the effectiveness of the Board and Board Committees. The Committee is governed by its TOR which is made available on IPB's website.

Annual Assessment

The Board has adopted a formal process to be carried out by the Nomination Committee for reviewing its own effectiveness and that of its individual Directors and Board Committees and assessing the independence of its Independent Directors. The process will also take into account the fulfillment of the respective TORs of the Board and Board Committees.

Details of the evaluation process and criteria as well as summary of the activities undertaken by the Nomination Committee during 2021 are disclosed in the CG Report.

The Directors who are due for retirement and re-election pursuant to Clause 100 of the Company's Constitution are Tan Aik Kiong and Ng Chee Fen. The Nomination Committee has recommended their re-election at the forthcoming AGM.

Future priorities of the Nomination Committee include the following:

- reviewing the overall composition of the Board, in terms of the appropriate size, skills, experience and qualification, paying attention to the Board's gender diversity and number of Independent Directors.

- considering the engagement of external Board evaluation facilitator/consultant.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

IV BOARD COMMITTEES (CONTINUED)

Remuneration Committee

The Board has established a Remuneration Committee and currently comprises two (2) Independent Non-Executive Directors and one (1) Executive Director as follows:

- Lim Ted Hing (Chairman)
- Tan Aik Kiong
- Asgari Bin Mohd Fuad Stephens

The Chair of the Committee is held by the Independent Non-Executive Director, who is not the Chairman of the Board.

On 29 December 2021, Lim Ted Hing was redesignated as Chairperson of the Remuneration Committee to replace Datuk Hj. Majin Bin Hj. Ajing who had stepped down as Chairperson of the Remuneration Committee.

Concurrently on 29 December 2021, Asgari Bin Mohd Fuad Stephens was appointed as a member of the Remuneration Committee to replace Datuk Hj. Majin Bin Hj. Ajing who had ceased to be a member of the Remuneration Committee.

The Remuneration Committee's primary responsibility is to recommend to the Board the remuneration of the Executive Directors and senior management staff in all its forms, drawing from outside advice as necessary.

The Remuneration Committee assists the Board in developing a policy on remuneration of Directors to attract and retain Directors and ensure that rewards and remuneration packages are commensurate with each of their expected responsibilities and contribution to growth and profitability of the Company.

The remuneration of the Executive Directors is structured on the basis of linking rewards to corporate and individual performance. The Executive Directors play no part in deciding their own remuneration and the Directors concerned shall abstain from all discussion pertaining to their remuneration.

The level of remuneration for Non-Executive Directors reflects the experience and level of responsibilities. The Board as a whole determines the remuneration package of Non-Executive Directors. The annual Directors' fees payable to Non-Executive Directors are subject to shareholders' approval at the AGM based on the recommendation of the Board. Additional allowances are paid to certain Non-Executive Directors in accordance with the number of meetings attended during the financial year.

Details of the remuneration of the Directors of the Company for the financial year under review are disclosed in the Note 11 to the financial statements.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

AUDIT COMMITTEE

As at the date of this report, the Audit Committee comprises three (3) members, all of whom are Non-Executive Directors with a majority of them being Independent Directors. The Chairman of the Audit Committee is an Independent Director, who is not the Chairman of the Board.

The Audit Committee is authorised by the Board to investigate any matter within its TORs and to have the resources in order to perform its duties and responsibilities as set out in its TORs. The TORs are made available on the Company's website at www.innoprise.com.my and its report is set out in the ensuing pages of this Annual Report.

The Company's financial statements for the year ended 31 December 2021 are prepared in accordance with the provisions of the Companies Act, 2016 in Malaysia and applicable financial reporting standards in Malaysia. The Board is responsible to ensure that the financial statements give a true and fair view and balanced and understandable assessment of the state of affairs of the Company and of the Group. The Statement of Directors' Responsibilities in respect of the preparation of the annual audited financial statements is set out in the ensuing pages of this Annual Report.

The Audit Committee assists the Board to review the adequacy and integrity of the Group's financial administration and reporting, internal control and risk management systems.

During the year under review, the Audit Committee reviewed the Company's quarterly results and annual financial statements prior to recommending them for the Board's approval and release to public through Bursa LINK.

The Chief Financial Officer formally presented the Company's quarter-to-quarter and year-to-date financial performance against budget as well as performance of each business segment. The Chief Financial Officer also provided assurance to the Audit Committee that adequate processes and controls were in place for an effective and efficient financial statements close process, that appropriate accounting policies had been adopted and applied consistently and that the relevant financial statements gave a true and fair view of the state of affairs of the Group.

In addition, the Internal Audit also undertook independent assessment of the system of internal control and assured the Audit Committee that no material issue or major deficiency had been noted which posed a high risk to the overall system of internal control under review.

ASSESSMENT OF SUITABILITY AND INDEPENDENCE OF EXTERNAL AUDITORS

The Board through the Audit Committee maintains a formal and transparent relationship with the Company's external auditors. The external auditors are invited to attend the Audit Committee meetings and AGMs and are available to answer shareholders' questions on the conduct of the statutory audit and the preparation and content of their audit report.

The Audit Committee undertakes annual independent assessment of the external auditors, details of which are disclosed in the CG Report. The Audit Committee continually reviews the nature and extent of non-audit services provided to the Group by the external auditors to ensure that external auditors' independence and objectivity are safeguarded. The external auditors would also provide written assurances to the Audit Committee on their independence.

Overall, the Audit Committee was satisfied with the suitability of Messrs. Ernst & Young PLT as external auditors of the Group based on the quality of audit services and sufficiency of resources they provided to the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONTINUED)

RISK MANAGEMENT AND INTERNAL AUDIT

The Board is responsible for maintaining a sound system of internal control to safeguard shareholders' investment and the Company's assets.

The Board has established framework and policies to ensure that risk management and internal controls across the various risk classes are managed within risk appetite set by the Board. To ensure their continuous effectiveness, the framework and policies are reviewed periodically, and when there are significant regulatory changes.

The Company has put in place a comprehensive system of internal control which is embodied within the Standard Operating Procedures covering financial controls, operational and compliance controls and risk management. Some of the systems have been in place over the years and will continue to be reviewed, added on or updated in line with the changes in the operating environment. The Board seeks regular assurance on the continuity and effectiveness of the internal control system through independent appraisals by the internal and external auditors. Information on the Group's internal control and risk management are presented in the Statement on Risk Management and Internal Control.

In addition to routine business, the Audit Committee through the internal audit function actively reviews:

- whether the systems in place are being followed;
- whether any impairment is necessary;
- risk register at every meeting as on-going process for risk identification and assessment on Group's operation; and
- audit findings are discussed with management for execution and implementation.

The Company has established an internal audit function which reports directly to the Audit Committee. The internal audit department communicates regularly with the members of the Audit Committee and the Internal Audit is invited to attend meetings of the Audit Committee. Internal audit activities, all of which are risk-based, are performed by a team of appropriate, qualified and experienced employees. Further information on internal audit function is set out in the Audit Committee Report of this Annual Report and CG Report.

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

STAKEHOLDER ENGAGEMENT

IPB Group is committed to engaging all stakeholders in a timely, effective and transparent manner. The Group has established a comprehensive website at www.innoprise.com.my, which includes a dedicated section on Investor Relations, to support its communication with the investment community. Investor queries maybe directed to Ng Chee Fen, our Executive Director at cheefen@innoprise.com.my. Stakeholders who wish to reach the respective divisions of the Group can do so through the 'Contact Us'.

The stakeholder groups whose activities could have significant impact on our business are carefully identified and are engaged at various platforms and intervals throughout the year. A variety of engagement initiatives including direct meetings and dialogues with community are constantly conducted. We also actively seek solutions to grievances and disputes through negotiations and other due processes. Our Sustainability Team has a dedicated section to address any enquiries or grievances relating to sustainability issues. Details on the stakeholders' engagement can be found on our Sustainability Report of year 2021.

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

CORPORATE DISCLOSURE POLICY

The Company's Corporate Disclosure Policy is designed to ensure the timely release of material price-sensitive information to the market. This policy establishes procedures to ensure that Directors and employees are aware of the Company's disclosure obligations and procedures, and have accountability for the Company's compliance with those obligations.

The Company has also put in place the precautions to be observed in order to keep the information completely confidential. The Board is mindful that information which is expected to be material must be announced immediately.

LEVERAGE ON INFORMATION TECHNOLOGY

The Company maintains a website at www.innoprise.com.my for shareholders and the public to access information on amongst others, the Company's background, business activities and products, annual reports, corporate responsibility, shareholders' rights, updates on its various news and events and financial performance. In addition, the Board has also established a dedicated section for corporate governance on the Company's website where information on the Board Charter, shareholders' rights, code of ethics and conducts, anti-bribery and anti-corruption and whistle blowing may be accessed.

The Board also encourages other channel of communication with shareholders. For this purpose, shareholders and other stakeholders may convey their concerns relating to the Company to the Independent Non-Executive Director, Lim Ted Hing.

ENCOURAGE SHAREHOLDER PARTICIPATION AT GENERAL MEETINGS

The AGM is the principal forum for dialogue with shareholders, who are given the opportunity to enquire and seek clarification on the operations and financial performance of the Group. Hence, the Chairman and the Board encourage shareholders to attend and participate in the AGM and any general meetings of the shareholders. Barring any unforeseen circumstances, all Directors have always used their best endeavours to attend general meetings. The Chairman of the Audit, Nomination, Risk Management and Remuneration Committees was also available to provide meaningful response to any question raised by shareholders.

On 26 August 2021, the Company had conducted its first fully virtual 27th AGM. The conduct of the fully virtual 27th AGM is in compliance with the Company's Constitution which allows general meetings to be held using any technology or electronic means. All 7 members of the Board and the Company Secretaries together with external auditors were present and attended the 27th AGM via video conferencing.

In line with Practice 12.1 of the Code, Notice of the 27th AGM and a copy of the Company's annual report are sent out to shareholders at least 28 days before the meeting. The shareholders are given the opportunity to seek clarification on the Company's financial statements and other items for adoption at the meeting before putting a resolution to vote. It has always been the practice for the Chairman to provide ample time for the Q&A sessions in the AGMs and for suggestions and comments by shareholders to be noted by management for consideration.

An independent scrutineer was appointed to validate all the votes at the broadcast venue. The poll results were announced by the scrutineer and displayed on the screen before the closure of the AGM. The poll results were also announced by the Company via Bursa LINK on the same day for the benefit of all shareholders.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

STATEMENT ON COMPLIANCE WITH BEST PRACTICES OF THE CODE

This statement is prepared in compliance with Paragraph 15.25 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements and it is to be read together with the Corporate Governance Report 2021 of the Company which can be downloaded from IPB's website at www.innoprise.com.my.

KEY FOCUS AREAS FOR FY2022

Diversity of workforce has been identified as a key area of focus for FY2022. Active measures will be taken to promote diversity across all facets of operations. The management understands that a cohesive and competitive workforce is borne from individuals of varying backgrounds, age, gender, race and even religion. Efforts to inculcate within all members of the Organisation a sense of inclusivity and the creation of a non-discriminatory environment will be at the forefront.

The future of the organisation will be built upon the shoulders of talents groomed and nurtured today. As such, Management will stress upon the identification of new talents as well as their subsequent development to ensure that a talent pipeline is present at every level within the organisation.

COVID-19 has shaken up norms within the organisation. It has highlighted the capability for many aspects of operations to be done remotely, and also the importance of workforce health and living conditions. New measures and policy should be developed to optimise workforce productivity with these new revelations, as well as bolstering everyone's resilience and adaptability in a world where COVID-19 is endemic.

ADDITIONAL COMPLIANCE INFORMATION

1. Utilisation of Proceeds

No proceeds were raised by the Company from any corporate proposal during the financial year.

2. Audit and Non-Audit Fees

Fees Paid	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
Audit	160,000	131,000	88,000	68,000
Non-audit	25,000	34,500	10,000	22,000

3. Material Contracts

During the financial year under review, save as disclosed in the sections under Recurrent Related Party Transactions set out in the ensuing pages of this Annual Report, there were no material contracts entered into by the Company and/or its subsidiaries involving Directors' and major shareholders' interests which were still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

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

ADDITIONAL COMPLIANCE INFORMATION (CONTINUED)

4. Recurrent Related Party Transactions of a revenue or trading nature

At the last AGM of the Company held on 26 August 2021, the Company had obtained a mandate from its shareholders ("Shareholders' Mandate") to allow the Company and/or its subsidiaries to enter into Recurrent Related Party Transactions of a Revenue or Trading Nature ("Recurrent Transactions"). In accordance with Paragraph 10.09(2)(b) of the Listing Requirements, details of the Recurrent Transactions conducted during the financial year ended 31 December 2021 pursuant to the Shareholders' Mandate are as follows:

Name of Companies	Related parties	Class of related party	Nature of Recurrent Transactions	Aggregate value of transactions made during the financial year (RM)
Serijaya Industri Sdn. Bhd. (Seller)	TSH Plantation Management Sdn. Bhd. ("TSHPM") (Buyer)	TSHPM is 24% owned by TSH Resources Berhad ("TSHR") and 76% owned by TSH Plantation Sdn. Bhd. ("TSHP") which in turn is a wholly-owned subsidiary of TSHR, a major shareholder of the Company.	Sale of oil palm fresh fruit bunches.	1,053,875
Serijaya Industri Sdn. Bhd. (Seller)	TSHPM (Buyer)	Same as disclosed above.	Sale of Empty Fruit Bunches, Fibre and Shell.	Nil
Serijaya Industri Sdn. Bhd. (Seller)	Benta Wawasan Sdn. Bhd. ("BWSB") (Buyer)	BWSB is a wholly owned subsidiary of ICSB, a major shareholder of the Company.	Sale of oil palm fresh fruit bunches.	Nil
Serijaya Industri Sdn. Bhd. (Buyer)	BWSB (Seller)	BWSB is a wholly owned subsidiary of ICSB, a major shareholder of the Company.	Purchase of oil palm fresh fruit bunches.	3,832,927
Serijaya Industri Sdn. Bhd. (Seller)	TSH Plantation Sdn. Bhd. ("TSHP") (Buyer)	TSHP is a wholly owned subsidiary of TSHR, a major shareholder of the Company.	Sale of oil palm fresh fruit bunches.	Nil
Serijaya Industri Sdn. Bhd. (Seller)	TSH-Wilmar Sdn. Bhd. ("TSHW") (Buyer)	TSHW is 50% owned by TSHR, a major shareholder of the Company.	Sale of crude palm oil.	208,333,613

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

ADDITIONAL COMPLIANCE INFORMATION (CONTINUED)

4. Recurrent Related Party Transactions of a revenue or trading nature (continued)

Name of Companies	Related parties	Class of related party	Nature of Recurrent Transactions	Aggregate value of transactions made during the financial year (RM)
Serijaya Industri Sdn. Bhd. (Seller)	TSHW (Buyer)	Same as disclosed above.	Sale of palm kernel.	20,950,389
Serijaya Industri Sdn. Bhd. (Buyer)	TSH Biotech Sdn Bhd ("TSHB") (Seller)	TSHB is a wholly owned subsidiary of TSHP which is in turn wholly own by TSHR.	Purchase of oil palm seedlings.	-
Serijaya Industri Sdn. Bhd. (Buyer)	TSHB (Seller)	Same as disclosed above.	Purchase of tree seedlings.	860,035
Serijaya Industri Sdn. Bhd. (Seller)	RT Plantations Sdn Bhd ("RTPSB") (Buyer)	RTPSB is 60% owned by Rinukut Sdn. Bhd. ("RSB") and 40% owned by RBJ. RSB is 70% owned by TSH Ventures Sdn. Bhd. which is in turn 100% Owned by TSHR.	Sale of seedlings.	Nil

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board is pleased to provide the following Statement on Risk Management and Internal Control pursuant to paragraph 15.26(b) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Main Market Listing Requirements").

Set out below is the Board's Statement on Risk Management and Internal Control which outlines the nature and scope on risk management and internal control of the Group during the year.

BOARD RESPONSIBILITIES

The Board acknowledges its responsibility to ensure that the Group has a sound system of internal control and risk management practices for good corporate governance as well as periodically reviewing its adequacy and integrity to safeguard shareholders' investments, customers' interests and Group assets. A good control system will assist the Company to achieve its corporate objectives. As there are limitations inherent in any system of internal control, the Group's internal control is designed to manage, rather than eliminate the risk of failure to achieve the business objectives. The system can only be relied on to provide reasonable but not absolute assurance against material misstatement of financial information and against any mismanagement or fraud resulting financial losses. The concept of reasonable assurance also recognises that the cost of control procedures should not exceed the expected benefits.

CONTROL ENVIRONMENT AND ACTIVITIES

1. Risk Management Framework

The Board recognises risk management as an integral part of business operation. It is vital to have risk management and control system in place which will identify and analyse the significant risks of the Group. Appropriate controls can then be implemented to analyse and mitigate such risks or other risk facing the Group.

The Board confirms that there is a process for identifying, evaluating and managing significant risks faced by the Group, and the same has been in place for the financial year under review and up to the date of this Annual Report and financial statements.

Consequently, the Group has also undertaken the following to enhance its risk management practices:

(a) Set up a Risk Management Committee which evaluates business risk profile and formulates action plans.

(b) Formalisation of the Group's risk management policy and procedures and adopted a structured approach towards identifying, measuring and managing significant risks faced by the Group.

(c) Each operating business unit within the Group will evaluate the risks facing them. Specifically, to adopt a risk management process that identifies key risks of each operating unit, assessing the likelihood and impact of material exposures and puts in place adequate controls to mitigate the risks identified.

(d) Regular monitoring reports will be given by operating units to Risk Management Committee who will review and submit recommendations to the Board for action to ensure adequacy of the system of control.

(e) Standard operating procedures that cover key aspects of the Group's various processes are formalised These procedures are subject to review on a periodic basis to cater for changes in process and risk.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

CONTROL ENVIRONMENT AND ACTIVITIES (CONTINUED)

2. Board Meeting

The Board meets at least quarterly and has formal agenda on matters for discussion. The Managing Director leads the presentation of board papers and provides explanations on pertinent issues. In arriving at any decision, on recommendation by the Management, a thorough deliberation and discussion by the Board is a prerequisite. In addition, the Board is kept updated on the Group's activities and operations on a timely basis.

3. Performance Management Framework

Management reports are generated on a regular and consistent basis to facilitate the Board and the Group's Management in performing financial and operating reviews on the various operating units. These encompass areas such as financial and non-financial key performance indicators, variances between budget and operating results as well as compliance with laws and regulations.

The Group has in place a well-defined budgeting process that provides a responsible accounting framework.

4. Operational Policies and Procedures

Documented policies and procedures form an integral part of the internal control systems to safeguard shareholders' investment and the Group's assets against material losses to ensure complete and accurate financial information. The documents consist of circulars and Standard Operating Procedures that are continuously being revised and updated to meet operational needs.

5. Internal Control System

The Audit Committee was established to review and monitor the effectiveness of the entire Group's system of internal control. The Audit Committee reviews and approves the Annual Internal Audit Plan which outlines the scope of audit activities on area of concerns. The Audit Committee reports to the Board on the findings and makes recommendations on possible action plans to improve and tighten internal controls of the Group. Necessary measures are taken to strengthen the control environment after evaluating the changes of the external and internal environment. There were no material losses incurred during the financial year under review as a result of any weaknesses in the internal control.

A Group Internal Audit function is established to assist in providing assurance on the effectiveness of the internal control system within the Group. Internal auditors conduct regular visits to the operating units to provide independent assessment on the adequacy, efficiency and effectiveness of the internal control. The internal audit report prepared will include suggestions and recommendations on improving the internal control system. The findings and recommendations are discussed with Management and the Audit Committee for remedial actions.

The internal audit function adopts a risk-based approach and prepares its audit plan based on the risk profiles of the key business units of the Group after taking into consideration input of Senior Management and the Audit Committee. The Internal audit department also conducts subsequent followup review to ensure Management has dealt with audit recommendations and taken appropriate actions satisfactorily.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROl

CONTROL ENVIRONMENT AND ACTIVITIES (CONTINUED)

6. Other Key Elements of Internal Control

Apart from the above, the other key elements of the Group's system of internal control include the following:

- Organisational structure with defined reporting line;
- Formally defined lines of Authority Limits in management and organisation structure;
- Documented Tender and Purchasing Procedures;
- Guidelines for General Terms and Conditions of Services for employees;
- Annual Budget and results are compared, monitored and reviewed;
- Meetings to discuss/deliberate on findings and recommendation for improvement; and
- Strategic planning on business operation.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have performed limited assurance procedure on the Statement pursuant to the scope set out in Audit Assurance Practice Guide 3 ("AAPG 3"), Guidance for Auditors on Engagements to report on the Statement included in the Annual Report issued by the Malaysia Institute of Accountants ("MIA") for inclusion in the Annual Report of the Group for the year ended 31 December 2021, and reported to the Board that nothing has come to their attention that causes them to believe the Statement intended to be included in the Annual Report is not prepared, in all material aspects, in accordance with the disclosures required by paragraphs 41 and 42 of the Guidelines, nor is the Statement factually inaccurate.

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

CONCLUSION

The Board has reviewed the adequacy and effectiveness of the risk management and internal control system through the above activities and is not aware of any significant weaknesses or deficiencies in the Group's risk management and internal control practices for the year under review and to the date of this report. The Board has also obtained assurance from the Executive Director and the Head of Finance that the risk management and internal control system is in place and operating effectively.

This statement has been reviewed and approved by the Board of Directors on 13 April 2022.

AUDIT COMMITTEE REPORT

The Board is pleased to present the following report on the Audit Committee and its activities for the financial year ended 31 December 2021.

AUDIT COMMITTEE COMPOSITION AND MEETINGS

As at the date of this report, the Audit Committee comprises the following Non-Executive Directors, a majority of whom are Independent Directors and is chaired by an Independent Non-Executive Director;

Lim Ted Hing
Chairman, Independent Non-Executive Director
(Member of the Malaysian Institute of Accountants)

Datuk Haji Mohd Hattah Bin Ja'afar
Member, Non-Independent Non-Executive Director

Asgari Bin Mohd Fuad Stephens
Member, Independent Non-Executive Director

On 29 December 2021, Asgari Bin Mohd Fuad Stephens was appointed as a member of the Audit Committee to replace Datuk Hj. Majin Bin Hj. Ajing who had stepped down as a member of the Audit Committee.

The Audit Committee met five (5) times during the year to discharge its duties and responsibilities. Attendance of members of the Audit Committee during 2021 is shown in the table below.

Name	20/02/21	05/04/21	24/05/21	26/08/21	25/11/21	Total
Lim Ted Hing	√	√	√	√	√	5/5
Datuk Hj. Majin Bin Hj. Ajing (Appointed on 1 January 2021 and Resigned on 29 December 2021)	√	√	√	√	√	5/5
Datuk Hj. Mohd Hattah Bin Ja'afar	√	√	-	√	√	4/5
Asgari Bin Mohd Fuad Stephens (Appointed on 29 December 2021)	-	-	-	-	-	-

During the financial year, the Audit Committee had engaged on a continuous basis with senior management, Internal Auditors and the external auditors in order to keep abreast of matters and issues affecting the Group. The Audit Committee Chairman will report to the Board matters of significant concern as and when raised by the internal and external auditors and present the Audit Committee's recommendations to the Board for approval. The Company Secretary acts as the secretary to the Audit Committee. Minutes of meeting are distributed electronically to each Board member.

TERMS OF REFERENCE

The Audit Committee is responsible amongst others, to review and monitor the system of internal control and audit process and to ensure that the Company's financial statements comply with applicable financial reporting standards as this is integral to the reliability of financial statements.

The Audit Committee is governed by its terms of reference which will be periodically reviewed and updated. The terms of reference are made available on the Company's website at www.innoprise.com.my.

AUDIT COMMITTEE REPORT

REVIEW OF THE AUDIT COMMITTEE

An annual assessment and evaluation on the performance and effectiveness of the Audit Committee was undertaken by the Board of Directors through its Nomination Committee for the financial year ended 31 December 2021. The Audit Committee was assessed based on the following six key areas and the Board was satisfied that the Audit Committee had carried out its duties and functions in accordance with its terms of reference.

- Composition and quality
- Process and procedures
- Communications and information
- Oversight of the financial reporting process including internal controls
- Oversight audit functions
- Financial literacy

TRAINING

For the year under review, all members of the Audit Committee had attended various webinar, seminars, talk, briefing and/or workshop either collectively or individually, details of which are set out in the CG Report.

SUMMARY OF ACTIVITIES

During the financial year, the Audit Committee discharged its functions and carried out its duties as set out in its terms of reference. Summary of work undertaken by the Audit Committee during the financial year encompassed the following:

1. Financial Reporting and Compliance

The Audit Committee reviewed the unaudited quarterly financial statements and annual audited consolidated financial statements to ensure compliance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards, the requirements of the Companies Act, 2016 and Paragraph 9.22, including Appendix 9B of the Listing Requirements, focusing particularly on changes in or implementation of major accounting policy changes, significant and unusual events and significant adjustments resulting from the audit.

The Audit Committee's recommendations were presented at the respective Board meetings held subsequently for approval.

To safeguard the integrity of financial statements of IPB, the Executive Director had given assurance to the Audit Committee that:

(a) adequate processes and controls were in place for an effective and efficient financial statement close process;

(b) appropriate accounting policies had been adopted and applied consistently;

(c) the relevant financial statements gave a true and fair view of the state of affairs of the IPB Group;

(d) the going concern basis applied in the annual financial statements and condensed consolidated financial statements was appropriate; and

(e) prudent judgements and reasonable estimates had been made in accordance with the requirements set out in the MFRSs and Listing Requirements.

AUDIT COMMITTEE REPORT

SUMMARY OF ACTIVITIES (CONTINUED)

2. External Audit

During the year under review, the Audit Committee had two (2) meetings and one (1) private session with Messrs Ernst & Young PLT. The private sessions were held without the presence of the Executive Directors, management or internal auditors. The Audit Committee reviewed with Messrs Ernst & Young PLT on matters relating to the audit of the statutory accounts, audit report and recommendations made by them in their management letter and the adequacy of management's responses thereto. The Audit Committee also reviewed the non-audit services provided by Messrs Ernst & Young PLT and the aggregate amount of fees paid to them taking into consideration the process and requirements including fee threshold established under the policy and was satisfied that they were not likely to create any conflicts of interest nor impair the independence and objectivity of the external auditors. As acknowledged by the external auditors, the Audit Committee was satisfied with the cooperation extended by management during the course of audit.

In the private sessions held with Messrs Ernst & Young PLT, the Audit Committee discussed the audit findings and other observations the external auditors may have during their audit process. There were no major concerns raised by the external auditors at the meetings.

In April 2021, the Audit Committee evaluated the performance of the external auditors based on four (4) key areas, namely quality of service, sufficiency of resources, communication with management and independence, objectivity and professionalism. The Audit Committee assessed the performance of the lead engagement partner and the engagement team based on the private sessions held between the Audit Committee and the external auditors. The Audit Committee had also invited management to join the assessment as they had substantial contact with the external audit team throughout the year. Being satisfied with the external auditors' performance, technical competency, audit independence, adequacy of experience and resources of the firm as well as active engagement during the audit process, the Audit Committee recommended to the Board for approval of the re-appointment of Messrs Ernst & Young PLT as external auditors of the Company. At the last Annual General Meeting held on 26 August 2021, the shareholders had approved the re-appointment of Messrs Ernst & Young PLT as auditors of the Company.

In November 2021, the Audit Committee reviewed the 2021 audit planning memorandum prepared by Messrs Ernst & Young PLT outlining their scope of work, approach which includes the procedures to be performed by the external auditors during their annual visits to the Group's estates and mills, deliverables and proposed fees for the statutory audit and non-statutory audit. The Audit Committee had also reviewed and discussed the key audit matters ("KAMs"), details are reflected in the financial statements of this Annual Report.

The external auditors had provided written confirmations of their independence to the Audit Committee 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.

In April 2022, similar evaluation on the performance of Messrs Ernst & Young PLT had been carried out and the Audit Committee recommended the re-appointment of Messrs Ernst & Young PLT as external auditors of the Company for the financial year ending 31 December 2022.

The Audit Committee shall continue to review KAMs raised by the external auditors as part of its focus areas for 2022 in addition to its routine business.

AUDIT COMMITTEE REPORT

SUMMARY OF ACTIVITIES (CONTINUED)

3. Internal Audit

The Audit Committee reviewed and approved the annual audit plan for 2021 having regard to the adequacy of scope and coverage of the activities of the Group. The internal audit team conducted the audit activities based on the audit plan approved by the Audit Committee.

The Internal Auditor attended the Audit Committee meetings and presented on inter-alia, summaries of the audit reports issued, audit recommendations provided by the internal auditors and management's response thereto and corrective actions taken by management on audit issues raised by the internal auditors.

The Audit Committee also reviewed the performance appraisal of the internal audit members and was generally satisfied with the performance of the internal audit function.

4. Recurrent Related Party Transactions

All recurrent related party transactions entered into by the Group were reviewed by the Audit Committee to ensure that they were conducted on an arm's length commercial term and rate. Reporting system and procedures were also reviewed to ascertain that the established guidelines and procedures have been complied with.

5. Other matters

The Audit Committee reviewed and evaluated the questionnaires completed by the Executive Director on information relating to risk and control environment of the Group. With the assistance of the internal audit department which reports directly to the Audit Committee, the Audit Committee completed its review of the adequacy and effectiveness of the Group's systems of internal control and reported its findings and recommendations to the Board. The Audit Committee was satisfied that controls in place are adequate and functioning properly to address the risks. The Audit Committee was also satisfied with the assurance provided by the Internal Auditor that no material issue or major deficiency had been noted which posed a high risk to the overall system of internal control under review.

The Audit Committee also reviewed the dividends proposed by management to ensure consistency with the Company's long term dividend payout policy, taking into account the Company's profits, cash flow and capital investment requirements before recommending the same to the Board for approval.

The Statement on Risk Management and Internal Control and the Audit Committee Report for inclusion in this Annual Report were reviewed by the Audit Committee prior to Board's approval.

INTERNAL AUDIT FUNCTION

The Company established an Internal Audit Department which reports directly to the Audit Committee on a quarterly basis. The Internal Audit Department assists the Audit Committee in the discharge of its duties and responsibilities. Its key role is to provide independent and objective assurance designed to add value and assist the Group in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The internal audit activities, all of which are risk-based were established after taken into consideration of the key business units of the Group and input from senior management and the Audit Committee members.

AUDIT COMMITTEE REPORT

INTERNAL AUDIT FUNCTION (CONTINUED)

Every quarter, the Internal Audit Department submits a report on their audit findings and recommendations to the Audit Committee for its review and deliberation. The Internal Auditor attends these meetings to present the internal audit findings and makes appropriate recommendations on areas of concern within the Company and the Group.

For the year under review, the activities undertaken by internal audit are as follows:

(a) Developed an annual audit plan using a risk-based approach, taking into consideration of the key business units of the Group and input from senior management and the Audit Committee members.

(b) Provided independent assessment and objective assurance over the adequacy and effectiveness of risk management and internal control processes via structured reviews of units and operations identified in the annual audit plan.

(c) Provided independent and objective reviews of the adequacy and relevance of internal controls enforced to mitigate the risk exposures.

(d) Ascertained the level of compliance with established policies and procedures of the Company.

(e) Recommended improvements and enhancements to the existing system of internal controls and work procedures/ processes.

In addition, the Internal Audit Team of the Company's holding company undertook an internal audit of the main operating subsidiary of the Company. The audit report and management's response were tabled and discussed at Audit Committee Meeting.

The total cost incurred in managing the Internal Audit Department in 2021 was about RM189,887.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

The Board of Directors is required under Paragraph 15.26 (a) of the Listing Requirements of Bursa Securities to issue a statement explaining its responsibility for preparing the annual audited financial statements.

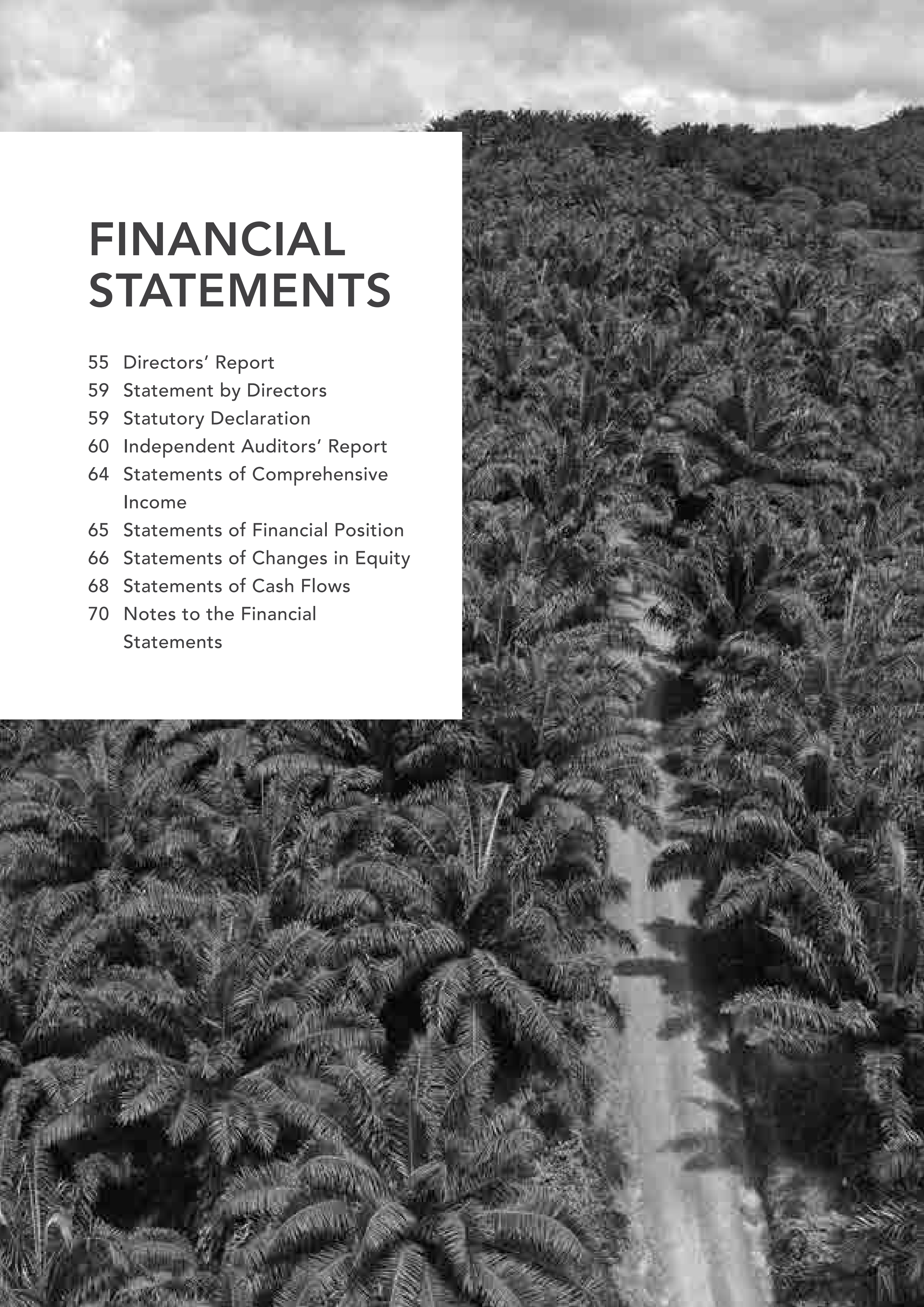
The Directors are required by the Companies Act, 2016 ("the Act") to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and the results and cash flows of the Group and of the Company for that financial year.

The Directors consider that, in preparing the financial statements of the Group and of the Company for the financial year ended 31 December 2021 set out on pages 64 to 126 of this Annual Report, the Group and the Company have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates. The Directors also consider that all applicable approved accounting standards in Malaysia have been followed and confirm that the financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that the Company and its subsidiaries keep accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and which enable them to ensure that the financial statements comply with the provision of the Act.

The Directors are also responsible for the assets of the Group and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board has also ensured that the quarterly and annual financial statements of the Group and of the Company are released to the Bursa Malaysia in a timely manner in order to keep our investing public informed of the Group's latest development.



FINANCIAL STATEMENTS

DIRECTORS' REPORT

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services to subsidiaries. The principal activities of the subsidiaries are stated in Note 17 to the financial statements. Other information relating to the subsidiaries are disclosed in Note 17 to the financial statements.

RESULTS

	Group RM	Company RM
Profit net of tax	86,198,375	95,420,814

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

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

DIVIDENDS

The amounts of dividends paid by the Company since 31 December 2020 were as follows:

	RM
In respect of the financial year ended 31 December 2020 as reported in the directors' report of that year:	
Second interim single-tier tax-exempt dividend of RM0.04 per share on 478,857,950 ordinary shares, declared on 22 February 2021 and paid on 26 March 2021	19,154,318
In respect of the financial year ended 31 December 2021:	
First interim single-tier tax-exempt dividend of RM0.02 per share on 478,857,950 ordinary shares, declared on 24 May 2021 and paid on 23 July 2021	9,577,159
Second interim single-tier tax-exempt dividend of RM0.04 per share on 478,857,950 ordinary shares, declared on 26 August 2021 and paid on 30 September 2021	19,154,318
Special single-tier tax-exempt dividend of RM0.04 per share on 478,857,950 ordinary shares, declared on 26 August 2021 and paid on 30 September 2021	19,154,318
Third interim single-tier tax-exempt dividend of RM0.06 per share on 478,857,950 ordinary shares, declared on 25 November 2021 and paid on 30 December 2021	28,731,477
	95,771,590

Subsequent to financial year end, a fourth interim single-tier tax-exempt dividend in respect of the financial year ended 31 December 2021, of RM0.06 per share on 478,857,950 ordinary shares, amounting to RM28,731,477 was declared and paid.

The financial statements for the current financial year do not reflect this dividend. The dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2022.

DIRECTORS' REPORT

DIRECTORS

The names of the directors of the Company in office since the beginning of the financial year to the date of this report are:

Datuk Hj. Majin Bin Hj. Ajing	(Appointed on 1 January 2021)
Tan Aik Kiong*	(Resigned as director of a subsidiary on 22 December 2021)
Dato' Sri Haji Gulamhaidar @ Yusof Bin Khan Bahadar*	(Appointed as director of the Company on 13 January 2021 and director of a subsidiary on 29 March 2021)
Datuk Haji Mohd Hattah Bin Ja'afar	
Asgari Bin Mohd Fuad Stephens*	(Appointed as director of a subsidiary on 21 December 2021)
Lim Ted Hing	
Ng Chee Fen*	(Appointed as director of a subsidiary on 21 December 2021)
Datu Rafee Bin Datu Makling*	(Resigned as director of the Company on 1 January 2021 and director of subsidiaries on 29 March 2021 and 22 December 2021)

* These directors are/were also directors of the Company's subsidiaries.

The name of the director of the subsidiaries of the Company in office since the beginning of the financial year to the date of this report (not including those directors listed above) are:

Mohd Daud Bin Tampokong	(Appointed on 29 March 2021)
Saharuddin Bin Salleh	
Joseph Crispin	
Ong Chu Yaw	(Appointed on 1 December 2021)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown below) by reason of a contract made by the Company or a related corporation with any 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 as disclosed in Note 28 to the financial statements.

The directors' benefits are as follows:

	Group RM	Company RM
Fees	317,993	211,122
Salaries and/or other emoluments	1,574,410	10,500
Benefits-in-kind	6,500	-
	1,898,903	221,622

INDEMNITIES TO DIRECTORS, OFFICERS OR AUDITORS

There were no amount of indemnities given or insurance effected during the financial year, for any person who is or has been the director or officer of the Company.

Indemnify for third party claims was given to the auditors. No amounts have been paid during the year.

DIRECTORS' INTEREST

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company during the financial year were as follows:

	Number of ordinary shares			
	1.1.2021	Acquired	Sold	31.12.2021
Direct interest:				
Datuk Hj. Majin Bin Hj. Ajing	75,000	-	-	75,000
Tan Aik Kiong	750,000	-	-	750,000
Asgari Bin Mohd Fuad Stephens	-	115,000	-	115,000
Indirect interest:				
Asgari Bin Mohd Fuad Stephens^	6,181,000	20,000	-	6,201,000

^ Interest by virtue of shares held by daughter, son and spouse.

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

HOLDING ENTITIES

The Company is a 50.22% owned subsidiary of Innoprise Corporation Sdn. Bhd., a company incorporated and domiciled in Malaysia, which in turn is 97.63% owned by Yayasan Sabah, established under the Sabah Foundation Enactment, 1966.

OTHER STATUTORY INFORMATION

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

  (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and adequate provision had been made for doubtful debts; and

  (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

  (i) the amount write off for bad debts or the amount of the provision for doubtful debts in respect of the financial statements of the Group and of the Company inadequate to any substantial extent; and

  (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

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

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION (CONTINUED)

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

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

(i) any charge on the assets of the Group or 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 or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

SUBSEQUENT EVENTS

Details of subsequent events are disclosed in Note 34 to the financial statements.

AUDITORS

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

Auditors' remunerations are as follows:

	Group RM	Company RM
Ernst & Young PLT	160,000	88,000

Signed on behalf of the Board in accordance with a resolution of the directors dated 13 April 2022.

Tan Aik Kiong

Ng Chee Fen

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act, 2016

We, Tan Aik Kiong and Ng Chee Fen, being two of the directors of Innoprise Plantations Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 64 to 126 give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Signed on behalf of the Board in accordance with a resolution of the directors dated 13 April 2022.

Tan Aik Kiong

Ng Chee Fen

STATUTORY DECLARATION

Pursuant to Section 251(1)(b) of the Companies Act, 2016

I, Ng Chee Fen, being the director primarily responsible for the financial management of Innoprise Plantations Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 64 to 126 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Ng Chee Fen at
Tawau in the State of Sabah
on 13 April 2022
Before me,

Ng Chee Fen

INDEPENDENT AUDITORS' REPORT

to the members of Innoprise Plantations Berhad (Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Innoprise Plantations Berhad, which comprise statements of financial position as at 31 December 2021 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 64 to 126.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. The key audit matter for the audit of the financial statements of the Group is described below. This matter was addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis of our audit opinion on the accompanying financial statements.

Provisions and contingent liability

In Note 27 to the financial statements, the Group disclosed a possible contingent liability that may arise due to a disagreement over the validity of the 3rd supplemental agreement to the Agreement for Oil Palm Plantation ("AOPP") signed between a subsidiary and Benta Wawasan Sdn Bhd ("Benta"), a subsidiary of the holding company. In the said agreement, both parties mutually agreed to revise the lease rental payments to a fixed yearly sum payable of RM41,538 for 53 years. As a result of this agreement, the Group did not accrue for the variable lease rental payments amounting to RM4,261,721, RM3,210,593, RM6,322,110 and RM14,706,925 for the years ended 31 December 2018, 2019, 2020 and 2021 respectively, which would have been payable under the AOPP and the 1st and 2nd supplemental agreements to the AOPP. In January 2019, Benta informed the Group that the 3rd supplemental agreement was not rectified or approved by its board of directors and thereby disputing the validity of the 3rd supplemental agreement to the AOPP.

Key audit matters (continued)

Provisions and contingent liability (continued)

We focused on this area as the determination of these claims as a possible contingent liability requires significant judgement. An unexpected adverse outcome could significantly impact the Group's financial performance and position.

In addressing this area of audit focus, we performed, amongst others, the following procedures:

1) we have inquired with the management on their evaluation of the matter as a possible contingent liability;
2) we have read and understand the terms of AOPP including the three supplemental agreements;
3) we have read the relevant correspondences between Benta and the Group pertaining to this matter;
4) we have obtained and evaluated the response by the Group's counsel and considered his independence, reputation and capability; and
5) we have considered the adequacy of disclosures pertaining to this matter.

The Group's accounting policies and disclosures on provisions and contingent liabilities are disclosed in Notes 2.13, 2.22, 3.2(a) and 27 to the financial statements.

Information other than the financial statements and auditors' report thereon

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

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

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

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

Responsibilities of the directors for the financial statements

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

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

INDEPENDENT AUDITORS' REPORT

to the members of Innoprise Plantations Berhad (Incorporated in Malaysia)

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

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

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.

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Kwan Bitt Jing @ Winnie Kwan
03257/05/2022 J
Chartered Accountant

Kota Kinabalu, Malaysia
13 April 2022

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2021

		Group		Company	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
Revenue	4	230,337,877	154,935,919	96,219,000	17,169,000
Cost of sales	5	(115,809,649)	(104,583,915)	-	-
Gross profit		114,528,228	50,352,004	96,129,000	17,169,000
Other items of income					
Interest income	6	735,556	419,827	-	-
Other income	7	4,761,173	469,459	-	-
Other items of expense					
Administrative expenses		(5,921,049)	(3,976,657)	(798,186)	(660,457)
Other expenses		(225,590)	(1,003,891)	-	-
Finance costs	8	(159,581)	-	-	-
Profit before tax	9	113,718,737	46,260,742	95,420,814	16,508,543
Income tax expense	12	(27,520,362)	(9,885,232)	-	-
Profit net of tax		86,198,375	36,375,510	95,420,814	16,508,543
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		86,198,375	36,375,510	95,420,814	16,508,543
Earnings per share attributable to owners of the Company (sen):					
Basic	13	18.00	7.60		
Diluted	13	18.00	7.60		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2021

	Note	Group		Company	
		2021 RM	2020 RM	2021 RM	2020 RM
Assets					
Non-current assets					
Property, plant and equipment	14	347,726,804	353,519,864	3,757	5,457
Biological assets	15	6,816,374	2,359,895	-	-
Right-of-use assets	16	2,156,678	2,200,692	-	-
Investments in subsidiaries	17	-	-	245,855,384	245,855,384
Other receivables	19	1,077,701	1,301,839	-	-
		357,777,557	359,382,290	245,859,141	245,860,841
Current assets					
Biological assets	15	7,205,863	4,098,935	-	-
Inventories	18	13,465,171	6,182,332	-	-
Trade and other receivables	19	5,232,145	3,833,967	7,074	7,074
Income tax refundable		-	57,511	-	-
Cash and bank balances	20	34,749,086	30,343,001	286,962	87,813
		60,652,265	44,515,746	294,036	94,887
Total assets		418,429,822	403,898,036	246,153,177	245,955,728
Equity and liabilities					
Current liabilities					
Lease liabilities	16	44,778	44,785	-	-
Trade and other payables	22	19,590,608	17,738,653	681,531	133,306
Income tax payable		2,975,425	-	-	-
		22,610,811	17,783,438	681,531	133,306
Net current assets/(liabilities)		38,041,454	26,732,308	(387,495)	(38,419)
Non-current liabilities					
Deferred tax liabilities	23	69,997,888	50,675,482	-	-
Lease liabilities	16	2,109,572	2,154,350	-	-
		72,107,460	52,829,832	-	-
Total liabilities		94,718,271	70,613,270	681,531	133,306
Net assets		323,711,511	333,284,766	245,471,646	245,822,422
Equity attributable to owners of the Company					
Share capital	24	239,675,958	239,675,958	239,675,958	239,675,958
Retained earnings		84,035,593	93,608,808	5,795,688	6,146,464
Total equity		323,711,551	333,284,766	245,471,646	245,822,422
Total equity and liabilities		418,429,822	403,898,036	246,153,177	245,955,728

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2021

	Share capital RM	Other reserve RM	Retained earnings RM	Total equity RM
Group				
At 1 January 2021	239,675,958	-	93,608,808	333,284,766
Profit net of tax	-	-	86,198,375	86,198,375
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	86,198,375	86,198,375
Transactions with owners				
Dividends on ordinary shares	-	-	(95,771,590)	(95,771,590)
Total transactions with owners	-	-	(95,771,590)	(95,771,590)
At 31 December 2021	239,675,958	-	84,035,593	323,711,551
At 1 January 2020	239,675,958	246,738	78,535,168	318,457,864
Profit net of tax	-	-	36,375,510	36,375,510
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	36,375,510	36,375,510
Transactions with owners				
Expiry of employee share options	-	(246,738)	246,738	-
Dividend on ordinary shares	-	-	(21,548,608)	(21,548,608)
Total transactions with owners	-	(246,738)	(21,301,870)	(21,548,608)
At 31 December 2020	239,675,958	-	93,608,808	333,284,766

STATEMENTS OF CHANGES IN EQUITY
For the financial year ended 31 December 2021

	Share capital RM	Other reserve RM	Retained earnings RM	Total equity RM
Company				
At 1 January 2021	239,675,958	-	6,146,464	245,822,422
Profit net of tax	-	-	95,420,814	95,420,814
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	239,675,958	-	95,420,814	95,420,814
Transactions with owners				
Dividends on ordinary shares	-	-	(95,771,590)	(95,771,590)
Total transactions with owners	-	-	(95,771,590)	(95,771,590)
At 31 December 2021	239,675,958	-	5,795,688	245,471,646
At 1 January 2020	239,675,958	246,738	10,939,791	250,862,487
Profit net of tax	-	-	16,508,543	16,508,543
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	239,675,958	246,738	16,508,543	16,508,543
Transactions with owners				
Expiry of employee share options	-	(246,738)	246,738	-
Dividend on ordinary shares	-	-	(21,548,608)	(21,548,608)
Total transactions with owners	-	(246,738)	(21,301,870)	(21,548,608)
At 31 December 2020	239,675,958	-	6,146,464	245,822,422

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2021

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Operating activities				
Profit before tax	113,718,737	46,260,742	95,420,814	16,508,543
Adjustments for:				
Allowance for expected credit loss on other receivable	120,000	-	-	-
Depreciation of property, plant and equipment	22,152,983	21,557,105	1,699	2,161
Depreciation of right-of-use assets	44,014	44,014	-	-
Gain on disposal of plant and equipment	(30,499)	(56,723)	-	-
Reversal of allowance for expected credit losses on other receivable	(92,685)	(138,309)	-	-
Interest income	(735,556)	(419,827)	-	-
Finance costs	159,581	-	-	-
Property, plant and equipment written off	242	7,753	1	9
Fair value changes of biological assets, net	(3,106,928)	(243,270)	-	-
Total adjustments	18,511,152	20,750,743	1,700	2,170
Operating cash flows before changes in working capital	132,229,889	67,011,485	95,422,514	16,510,713
Changes in working capital:				
Increase in biological assets	(4,456,479)	(2,359,895)	-	-
Increase in inventories	(7,282,839)	(426,917)	-	-
(Increase)/decrease in receivables	(1,201,355)	1,571,883	-	1,999
Increase in payables	1,851,955	1,764,204	548,225	32,553
Decrease in amounts due from subsidiaries	-	-	-	4,990,652
Total changes in working capital	(11,088,718)	549,275	548,225	5,025,204

STATEMENTS OF CASH FLOWS

For the financial year ended 31 December 2021

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Cash flow from operations	121,141,171	67,560,760	95,970,739	21,535,917
Interest received	735,556	419,827	-	-
Interest paid	(159,581)	(337,144)	-	-
Income tax refunded	55,000	-	-	-
Income tax paid	(5,220,020)	(69,405)	-	(405)
Net cash flows from operating activities	116,552,126	67,574,038	95,970,739	21,535,512
Investing activities				
Increase in pledged deposits	(13,534)	(17,609)	-	-
Purchase of property, plant and equipment	(16,360,166)	(10,787,487)	-	-
Proceeds from disposal of plant and equipment	30,500	86,500	-	-
Net cash flows used in investing activities	(16,343,200)	(10,718,596)	-	-
Financing activities				
Dividends paid	(95,771,590)	(21,548,608)	(95,771,590)	(21,548,608)
Repayment of revolving credits	-	(15,000,000)	-	-
Payment of principal portion of lease liabilities	(44,785)	(73,845)	-	-
Net cash flows used in financing activities	(95,816,375)	(36,622,453)	(95,771,590)	(21,548,608)
Net increase/(decrease) in cash and cash equivalents	4,392,551	20,232,989	199,149	(13,096)
Cash and cash equivalents at beginning of year	29,783,037	9,550,048	87,813	100,909
Cash and cash equivalents at end of year (Note 20)	34,175,588	29,783,037	286,962	87,813

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of the Bursa Malaysia Securities Berhad. The registered office and principal place of business of the Company is located at 6th Floor, Menara Tun Mustapha, Likas Bay, 88000 Kota Kinabalu, Sabah.

The Company is a 50.22% owned subsidiary of Innoprise Corporation Sdn. Bhd., a company incorporated and domiciled in Malaysia, which in turn is 97.63% owned by Yayasan Sabah, established under the Sabah Foundation Enactment, 1966.

The principal activities of the Company are investment holding and provision of management services to subsidiaries. The principal activities of the subsidiaries are stated in Note 17 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements of the Group and of the Company are presented in Ringgit Malaysia (RM), which is also the functional currency of the Company.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2021, the Group and Company adopted the following amended standards mandatory for annual financial periods beginning on or after 1 January 2021. The Group and the Company early adopted Amendment to MFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021 which is applicable for annual financial periods beginning on or after 1 April 2021.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform-Phase 2	1 January 2021
Amendment to MFRS 16: Covid-19 - Related Rent Concessions beyond 30 June 2021	1 April 2021

The adoption of these amended standards above did not have any impact on the financial statements of the Group and of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (continued)

Amendment to MFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021

The amendment applies to annual reporting periods beginning on or after 1 April 2021. Early application is permitted.

Adoption of this amendment allows the Group and the Company (as lessee) to apply practical expedient to not to assess whether a Covid-19-related rent concession that meets the conditions of the amendment to MFRS 16 is a lease modification.

2.3 Standards issued but not yet effective

The new and amended standards that are issued but not yet effective up to the date of issuance of the Group and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these new and amended standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Annual Improvements to MFRS Standards 2018–2020	1 January 2022
Amendments to MFRS 3: Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116: Property, Plant and Equipment -Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137: Onerous Contracts–Cost of Fulfilling a Contract	1 January 2022
MFRS 17 Insurance Contracts and Amendments to MFRS 17	1 January 2023
Amendment to MFRS 17: Initial Application of MFRS 17 and MFRS 9 - Comparative Information	1 January 2023
Amendments to MFRS 101: Classification of Liabilities as Current or Non-Current	1 January 2023
Amendments to MFRS 101 and MFRS Practice Statement 2: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The directors expect that the adoption of the above new and amended standards will have no material impact on the financial statements of the Group and of the Company in the year of initial application.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (continued)

Amendments to MFRS 101: Classification of Liabilities as Current or Non-current

Amendments to paragraphs 69 to 76 of MFRS 101 specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively.

Amendments to MFRS 3: Reference to the Conceptual Framework

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, with a reference to the Conceptual Framework for Financial Reporting issued in April 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of MFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of MFRS 137 or IC Interpretation 21 Levies, if incurred separately.

At the same time, the amendments clarify existing guidance in MFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Amendments to MFRS 108: Definition of Accounting Estimates

In March 2021, the MASB issued amendments to MFRS 108, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

Amendments to MFRS 101 and MFRS Practice Statement 2: Disclosure of Accounting Policies

In March 2021, the MASB issued amendments to MFRS 101 and MFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (continued)

Amendments to MFRS 101 and MFRS Practice Statement 2: Disclosure of Accounting Policies (continued)

The amendments to MFRS 101 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group and the Company are currently assessing the impact of the amendments to determine the impact they will have on the Group's and the Company's accounting policy disclosures.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. Control is achieved when the Group 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. Specifically, the Group controls an investee if, and only if, the Group has:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
(ii) Exposure, or rights, to variable returns from its involvement with the investee; and
(iii) The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(i) The contractual arrangement(s) with the other vote holders of the investee;
(ii) Rights arising from other contractual arrangements; and
(iii) The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation (continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in profit or loss in accordance with MFRS 9. Other contingent consideration that is not within the scope of MFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group or the Company and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, such parts are recognised as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

-	Buildings	10 - 50 years
-	Bearer plants – oil palm	21 years
-	Plantation infrastructure	50 years
-	Plant and machinery	10 years
-	Motor vehicles	10 years
-	Equipment, furniture and fittings	10 years

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2.6 Biological assets

Biological assets classified as current assets comprised produce growing on bearer plants, i.e. oil palm fresh fruit bunches ("FFB"). FFB are measured at fair value less costs to sell. Any gains or losses arises from changes in the fair value less costs to sell are recognised in profit or loss. Fair value is determined based on the present value of expected net cash flows from the biological assets. The expected net cash flows are estimated using the expected output method and the estimated market price of the biological assets.

Biological assets classified as non-current assets represent standing growing trees to be harvested upon maturity. These plantation trees are measured at fair value less costs to sell. Any gains or losses arises from changes in the fair value less costs to sell are recognised in profit or loss. Young standing trees less than two years old are considered to be at initial growth and limited biological transformation has taken place, and are accounted at cost, as cost approximates fair value.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Impairment of non-financial assets

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group or the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss. Impairment loss on goodwill is not reversed in a subsequent period.

2.8 Current versus non-current classification

The Group and the Company present assets and liabilities in statements of financial position based on current/non-current classification. An asset is current when it is:

- expected to be realised or intended to be sold or consumed in normal operating cycle,
- held primarily for the purpose of trading,
- expected to be realised within twelve months after the reporting period, or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

- it is expected to be settled in normal operating cycle,
- it is held primarily for the purpose of trading,
- it is due to be settled within twelve months after the reporting period, or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group and the Company classify all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("OCI"), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group or the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial instruments – initial recognition and subsequent measurement (continued)

(i) Financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group and the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under *MFRS 132 Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, except when the Group or the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the profit or loss.

This category includes derivative instruments and listed equity investments which the Group and the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial instruments – initial recognition and subsequent measurement (continued)

(i) Financial assets (continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired; or

- The Group or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group or the Company has transferred substantially all the risks and rewards of the asset, or (b) the Group or the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group or the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group or the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, an associated liability is also recognised. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group or the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group or the Company could be required to repay.

Impairment

The Group and the Company recognise an allowance for expected credit losses ("ECLs") for all debt instruments carried at amortised cost and fair value through OCI, contract assets and lease receivables. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows expected to be received, discounted at the original effective interest rate ("EIR"). The expected cash flows will include cash flows from the sale of collaterals held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial instruments – initial recognition and subsequent measurement (continued)

(i) Financial assets (continued)

Impairment (continued)

For trade receivables, a simplified approach is applied in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognised as a loss allowance based on lifetime ECLs at each reporting date, estimated based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's and the Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss.
- Financial liabilities at amortised cost (loans and borrowings).

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group or the Company that are not designated as hedging instruments in hedge relationships as defined by MFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group and the Company have not designated any financial liability as at fair value through profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial instruments – initial recognition and subsequent measurement (continued)

(ii) Financial liabilities (continued)

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

(iii) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.10 Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantees issued are initially measured at fair value, net of transaction costs. Subsequently they are measured at the higher of the amount of the loss allowances; and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with MFRS 15.

2.11 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and demand deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Inventories

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

- Palm oil products: cost of raw materials, direct labour, other direct costs and appropriate proportions of manufacturing overheads based on normal operating capacity.

- Consumable stores and supplies: purchase costs and expenses in bringing them into store on a weighted average cost method.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

2.13 Provisions

Provisions are recognised when the Group or the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.14 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

2.15 Employee benefits

(a) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Employee benefits (continued)

(b) Defined contribution plans

The Group and the Company participate in the national pension schemes as defined by the laws of the countries in which it has operations. The Group and the Company make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(c) Employee share options plans

Employees of the Group and the Company receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised at the beginning and end of that period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. The employee share option reserve is transferred to retained earnings upon expiry of the share options. When the options are exercised, the employee share option reserve is transferred to share capital if new shares are issued, or to treasury shares if the options are satisfied by the reissuance of treasury shares.

2.16 Leases

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

As lessee

The Group and the Company apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group and the Company recognise lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Leases (continued)

As lessee (continued)

(i) Right-of-use-assets

The Group and the Company recognise right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Leasehold land	Remaining lease period of 52 years
Motor vehicles	10 years

If ownership of the leased asset transfers to the Group or the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.7.

(ii) Lease liabilities

At the commencement date of the lease, the Group and the Company recognise lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group or the Company and payments of penalties for terminating the lease, if the lease term reflects the Group or the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expense (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group and the Company use their incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The lease liabilities are disclosed in Note 16.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Leases (continued)

As lessee (continued)

(iii) Short-term leases and leases of low-value assets

The Group and the Company apply the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

As lessor

Lease in which the Group or the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rental are recognised as revenue in the period in which they are earned.

2.17 Fair value measurement

The Group and the Company measure financial instruments, such as, derivatives, and non-financial assets such as investment properties, at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 29.

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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group or by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group or the Company determine whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.18 Revenue

(a) Sale of plantation produce

The Group's revenue is derived mainly from agricultural produce such as crude palm oil ("CPO"), fresh fruit bunches ("FFB") and palm kernel ("PK").

Revenue from sale of agricultural produce is recognised net of discount and taxes at the point in time when control of the goods has transferred to the customer.

The transaction price is allocated to each performance obligation based on the standalone selling price of the goods.

There is no element of financing present as the Group's sale of goods are either on cash terms (immediate payments or advance payment not exceeding 30 days); or on credit terms of up to 30 days.

(b) Management fees

Management fees are recognised over time.

(c) Other revenue

Revenue from other sources are recognised as follows:

(i) Dividend income is recognised when the right to receive payment is established.

(ii) Interest income is recognised on a time proportion basis that reflects the effective yield on the assets.

(iii) Rental income is accounted for on a straight-line basis over the lease terms.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Taxes (continued)

(b) Deferred tax (continued)

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.20 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment manager report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 32, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.21 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received. Incremental transaction costs directly attributable to the issuance of ordinary shares are recognised as a deduction from equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.22 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group or the Company.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and the Company.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's and the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Judgements made in applying accounting policies

There are no critical judgements made by the management in the process of applying the Group's and the Company's accounting policies on the amounts recognised in the financial statements.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Provisions/contingent liabilities

Provisions are recognised in accordance with the accounting policy in Note 2.13. As detailed in Note 27, the Group was served with an invoice claiming for the variable lease payments for 2018 amounting to RM4,261,721 with respect to the land used for the Group's oil palm plantation. Variable lease rental payments for 2018, 2019, 2020 and 2021 amounting to RM4,261,721, RM3,210,593, RM6,322,110 and RM14,706,925 respectively were not accrued in the financial statements on the ground that a valid 3rd supplemental agreement was signed between the parties. Management has assessed the likelihood of the outcome of the matter and concluded that it should be disclosed as a possible contingent liability after counsels from the Group's solicitor. In the event of an adverse outcome resulting from negotiation with Benta, the lease rental obligations may need to be revised and could adversely affect future financial performance and position of the Group.

(b) Biological assets

The Group carries its biological assets at fair value with changes in fair value recognised in profit or loss. The determination of the fair value of the biological assets requires the use of estimates on the projected harvest quantities and market price of FFB as at the reporting date. The carrying amount and key assumptions used to determine the fair value of the biological assets are further disclosed in Note 15.

(c) Provision for expected credit losses of other receivables

The Group applies the simplified approach, which uses a lifetime ECL, to measure ECL for all other receivables on an individual basis.

The Group recognised loss allowance based on lifetime ECLs at each reporting date, estimated based on historical credit loss experience, adjusted for forward looking factors specific to the debtor and the economic environment.

The carrying amount of other receivables as at 31 December 2021 is disclosed in Note 19.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2021

4. REVENUE

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Revenue from contracts with customers:				
Types of goods or services				
Sale of oil palm fresh fruit bunches	1,053,875	151,365	-	-
Sale of crude palm oil	208,333,613	142,984,068	-	-
Sale of palm kernel	20,950,389	11,800,486	-	-
	230,337,877	154,935,919	-	-
Other revenue				
Dividend income	-	-	96,219,000	17,169,000
Timing of revenue recognition				
At a point in time	230,337,877	154,935,919	-	-

5. COST OF SALES

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Cost of inventories sold	115,809,649	104,583,915	-	-

6. INTEREST INCOME

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Interest income from current accounts	474,118	204,741	-	-
Interest income from money market deposits	-	56,116	-	-
Interest income from deposits	261,438	158,970	-	-
	735,556	419,827	-	-

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7. OTHER INCOME

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Rental income	1,800	1,650	-	-
Miscellaneous income	268,856	108,011	-	-
Gain on disposal of plant and equipment	30,499	56,723	-	-
Gain from sale of tree seedlings	-	59,805	-	-
Sale of sludge oil	1,353,090	-	-	-
Fair value changes of biological assets, net	3,106,928	243,270	-	-
	4,761,173	469,459	-	-

8. FINANCE COSTS

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Interest expense on:				
Trade advances	-	126	-	-
Revolving credits	-	170,200	-	-
Lease liabilities	159,581	166,818	-	-
	159,581	337,144	-	-
Less: Interest expense capitalised in property, plant and equipment (Note 14)	-	(337,144)	-	-
	159,581	-	-	-

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For the financial year ended 31 December 2021

9. PROFIT BEFORE TAX

The following items have been included in arriving at profit before tax:

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Employee benefits expense (Note 10)	33,733,777	30,752,793	2,500	2,500
Non-executive directors' remuneration (Note 11)	326,580	307,641	219,122	187,548
Auditors' remuneration:				
- Statutory audits:				
- current year	160,000	131,000	88,000	68,000
- Under/(over) provision in respect of previous year	5,000	(2,000)	11,500	-
- Other service	25,000	34,500	10,000	22,000
Allowance for expected credit loss on other receivable	120,000	-	-	-
Depreciation of property, plant and equipment (Note 14)	22,152,983	21,557,105	1,699	2,161
Depreciation of right-of-use assets (Note 16)	44,014	44,014	-	-
Reversal of allowance for expected credit losses on other receivable (Note 19)	(92,685)	(138,309)	-	-
Management fees payable	-	-	141,629	109,050
Loss on commodity future contracts	318,275	1,142,200	-	-
Property, plant and equipment written off (Note 14)	242	7,753	1	9
Rental expense relating to short-term leases (Note 16)	166,542	165,642	42,750	42,750

10. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Wages, salaries and others	34,919,328	31,963,834	2,500	2,500
Contributions to defined contribution plan	1,155,506	900,807	-	-
Social security contributions	180,283	109,214	-	-
Employment Insurance System contributions	10,818	8,085	-	-
	36,265,935	32,981,940	2,500	2,500
Less: Amount capitalised in property, plant and equipment (Note 14)	(1,145,256)	(1,527,149)	-	-
Amount capitalised in biological assets (Note 15)	(1,386,902)	(701,998)	-	-
	33,733,777	30,752,793	2,500	2,500

Included in employee benefits expense of the Group and the Company are executive directors' remuneration amounting to RM1,565,823 (2020: RM1,435,543) and RM2,500 (2020: RM2,500) respectively.

11. DIRECTORS' REMUNERATION

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Executive directors' remuneration (Note 10):				
- Salaries and other emoluments	1,565,823	1,435,543	2,500	2,500
Non-executive directors' remuneration (Note 9):				
- Fees	317,993	298,641	211,122	178,548
- Other emoluments	8,587	9,000	8,000	9,000
	326,580	307,641	219,122	187,548
Total directors' remuneration	1,892,403	1,743,184	221,622	190,048
Estimated money value of benefits-in-kind	6,500	-	-	-
Total directors' remuneration including benefits-in-kind	1,898,903	1,743,184	221,622	190,048

11. DIRECTORS' REMUNERATION (CONTINUED)

The total remuneration of the directors of the Company are as follows:

2021	Group: Fees RM	Group: Salaries and/or other emoluments RM	Group: Benefits -in-kind RM	Group: Total RM	Company: Fees RM	Company: Salaries and/or other emoluments RM	Company: Total RM
Executive director:							
Tan Aik Kiong[1]	-	1,110,300	-	1,110,300	-	1,500	1,500
Ng Chee Fen[2]	-	455,523	6,500	462,023	-	1,000	1,000
	-	1,565,823	6,500	1,572,323	-	2,500	2,500
Non-executive directors:							
Datuk Hj Majin Bin Hj Ajing[3]	54,000	3,000	-	57,000	54,000	3,000	57,000
Asgari Bin Mohd Fuad Stephens[2]	39,600	-	-	39,600	39,600	-	39,600
Dato' Sri Haji Gulamhaidar@Yusof Bin Khan Bahadar[4]	47,419	-	-	47,419	38,322	-	38,322
Datuk Haji Mohd Hattah Bin Ja'afar	39,600	2,000	-	41,600	39,600	2,000	41,600
Lim Ted Hing	39,600	3,000	-	42,600	39,600	3,000	42,600
	220,219	8,000	-	228,219	211,122	8,000	219,122
Total directors' remuneration	220,219	1,573,823	6,500	1,800,542	211,122	10,500	221,622

1 Resigned as director of a subsidiary on 22 December 2021.
2 Appointed as director of a subsidiary on 21 December 2021.
3 Appointed on 1 January 2021.
4 Appointed on 13 January 2021 and appointed as director of a subsidiary on 29 March 2021.

11. DIRECTORS' REMUNERATION (CONTINUED)

The total remuneration of the directors of the Company are as follows (continued):

2020	Group Fees RM	Group Salaries and/or other emoluments RM	Group Total RM	Company Fees RM	Company Salaries and/or other emoluments RM	Company Total RM
Executive director:						
Tan Aik Kiong	-	1,010,260	1,010,260	-	1,500	1,500
Ng Chee Fen	-	425,283	425,283	-	1,000	1,000
	-	1,435,543	1,435,543	-	2,500	2,500
Non-executive directors:						
Datuk Hj. Othman Bin Walat[1]	30,064	-	30,064	22,548	-	22,548
Asgari Bin Mohd Fuad Stephens	36,000	-	36,000	36,000	-	36,000
Datuk Haji Mohd Hattah Bin Ja'afar	36,000	3,000	39,000	36,000	3,000	39,000
Datu Rafee Bin Datu Makling[2]	144,000	3,000	147,000	48,000	3,000	51,000
Lim Ted Hing	36,000	3,000	39,000	36,000	3,000	39,000
	282,064	9,000	291,064	178,548	9,000	187,548
Total directors' remuneration	282,064	1,444,543	1,726,607	178,548	11,500	190,048

1 Retired on 17 August 2020.
2 Resigned on 1 January 2021, resigned as director of subsidiaries on 29 March 2021 and 22 December 2021.

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12. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2021 and 2020 are:

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Statements of comprehensive income				
Current income tax:				
Current year	8,197,936	66,489	-	-
Under provision in respect of previous year	20	-	-	-
	8,197,956	66,489	-	-
Deferred tax (Note 23):				
Relating to origination and reversal of temporary differences	19,166,561	10,317,760	-	-
Under/(over) provision in respect of previous year	155,845	(499,017)	-	-
	19,322,406	9,818,743	-	-
Income tax expense recognised in profit or loss	27,520,362	9,885,232	-	-

Reconciliation between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2021 and 2020 are as follows:

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Accounting profit before tax	113,718,737	46,260,742	95,420,814	16,508,543
Tax at Malaysian statutory tax rate of 24% (2020: 24%)	27,292,496	11,102,578	22,900,995	3,962,050
Adjustments:				
Non-deductible expenses	1,742,720	316,957	191,638	158,470
Income not subject to tax	(767,907)	(91,579)	(23,092,560)	(4,120,560)
Effect of tax exemption#	(902,739)	(943,747)	-	-
Effect of deferred tax assets not recognised	(73)	40	(73)	40
Under/(over) provision of deferred tax in respect of previous year	155,845	(499,017)	-	-
Under provision of current income tax in respect of previous year	20	-	-	-
Income tax expense recognised in profit or loss	27,520,362	9,885,232	-	-

12. INCOME TAX EXPENSE (CONTINUED)

Income tax is calculated at the Malaysian statutory tax rate of 24% (2020: 24%) of the estimated assessable profit for the year.

A subsidiary, IPB Bio Energy Sdn. Bhd., has been granted Pioneer Status under Section 127 of the Income Tax Act, 1967, with 100% tax exemption on the subsidiary's statutory income from the operation of biomass plant for a period of 10 years, commencing from 31 December 2014.

At the reporting date, the Group and the Company have unutilised tax losses, unabsorbed capital allowances and agriculture allowances available for offset against future taxable income. Pursuant to Section 44(5F) of the Income Tax Act,1967, the unutilised losses can only be carried forward until the following year of assessment:

	2021 RM	2020 RM
Group		
Unutilised tax losses to be carried forward until:		
- Year of assessment 2025	-	81,469,160
Unabsorbed capital allowances and agriculture allowances	-	2,338,444
	-	83,807,604
Company		
Unutilised tax losses to be carried forward until:		
- Year of assessment 2025	-	2,093,350
- Year of assessment 2028	2,093,350	-
	2,093,350	2,093,350

In prior year, unabsorbed business losses up to the year of assessment 2018 shall be deductible against statutory income until year of assessment 2025 and unabsorbed business losses from year of assessment 2019 onwards shall only be allowed to be carried forward for a maximum period of seven (7) consecutive years of assessment. Any amount which is not utilised at the end of 2025 and the period of seven (7) years of assessment respectively shall be disregarded. However, based on the Finance Act 2021 which was gazetted on 31 December 2021, effective from the year of assessment 2019, the period to carry forward the unabsorbed business losses up to the year of assessment 2018 and unabsorbed business losses from year of assessment 2019 onwards have been extended to 2028 and a maximum period of ten (10) consecutive years of assessment respectively.

13. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing profit for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share amounts are calculated by dividing profit for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

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13. EARNINGS PER SHARE (CONTINUED)

The following reflect the profit and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	Group	
	2021 RM	2020 RM
Profit net of tax attributable to owners of the Company used in the computation of basic earnings per share	86,198,375	36,375,510

	Group	
	2021 Number of shares	2020 Number of shares
Weighted average number of ordinary shares for basic earnings per share computation	478,857,950	478,857,950
Effects of dilution:		
- Share options	-	24,938
Weighted average number of ordinary shares for diluted earnings per share computation	478,857,950	478,882,888

There have been no other transactions involving ordinary shares between the reporting date and the date of authorisation of these financial statements.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RM	Bearer plants RM	Plantation infrastructure RM	Motor vehicles RM	Equipment, furniture and fittings RM	Plant and machinery RM	Capital work-in progress RM	Total RM
At 31 December 2021								
Cost								
At 1 January 2021	89,961,989	256,836,358	52,248,134	29,717,963	3,156,152	54,264,466	4,808,657	490,993,719
Additions	210,225	1,429,399	1,959,885	2,824,732	183,089	1,871,004	8,128,008	16,606,342
Reclassifications	4,291,336	-	-	-	906,725	54,590	(5,252,651)	-
Write off	-	-	-	-	(201,427)	-	-	(201,427)
Disposals	-	-	-	(89,594)	-	-	-	(89,594)
At 31 December 2021	94,463,550	258,265,757	54,208,019	32,453,101	4,044,539	56,190,060	7,684,014	507,309,040
Accumulated depreciation								
At 1 January 2021	12,745,504	71,408,082	6,651,565	15,650,435	1,883,287	29,134,982	-	137,473,855
Depreciation charge for the year	1,840,319	11,670,604	1,035,409	2,203,268	236,828	5,412,731	-	22,399,159
Recognised in profit or loss	1,819,832	11,538,577	1,023,696	2,178,343	234,269	5,358,266	-	22,152,983
Capitalised in bearer plants	20,487	132,027	11,713	24,925	2,559	54,465	-	246,176
Disposals	-	-	-	(89,593)	-	-	-	(89,593)
Write off	-	-	-	-	(201,185)	-	-	(201,185)
At 31 December 2021	14,585,823	83,078,686	7,686,974	17,764,110	1,918,930	34,547,713	-	159,582,236
Net carrying amount								
At 31 December 2021	79,877,727	175,187,071	46,521,045	14,688,991	2,125,609	21,642,347	7,684,014	347,726,804

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group

	Buildings RM	Bearer plants RM	Plantation infrastructure RM	Motor vehicles RM	Equipment, furniture and fittings RM	Plant and machinery RM	Capital work-in-progress RM	Total RM
At 31 December 2020								
Cost								
At 1 January 2020	83,738,358	254,823,857	51,344,345	25,205,163	3,053,139	52,827,255	7,455,711	478,447,828
Additions	378,419	2,012,501	903,789	3,295,350	148,041	1,439,871	3,198,158	11,376,129
Reclassifications	5,845,212	-	-	-	-	-	(5,845,212)	-
Reclassified from right-of-use assets (Note 16)	-	-	-	1,472,941	-	-	-	1,472,941
Disposals	-	-	-	(255,491)	-	-	-	(255,491)
Write off	-	-	-	-	(45,028)	(2,660)	-	(47,688)
At 31 December 2020	89,961,989	256,836,358	52,248,134	29,717,963	3,156,152	54,264,466	4,808,657	490,993,719
Accumulated depreciation								
At 1 January 2020	11,026,172	59,942,442	5,648,913	13,146,765	1,719,786	23,833,960	-	115,318,038
Reclassified from right-of-use assets (Note 16)	-	-	-	612,863	-	-	-	612,863
Depreciation charge for the year	1,719,332	11,465,640	1,002,652	2,116,521	202,360	5,302,098	-	21,808,603
Recognised in profit or loss	1,675,520	11,465,640	976,681	2,061,698	197,405	5,180,161	-	21,557,105
Capitalised in bearer plants	43,812	-	25,971	54,823	4,955	121,937	-	251,498
Disposals	-	-	-	(225,714)	-	-	-	(225,714)
Write off	-	-	-	-	(38,859)	(1,076)	-	(39,935)
At 31 December 2020	12,745,504	71,408,082	6,651,565	15,650,435	1,883,287	29,134,982	-	137,473,855
Net carrying amount								
At 31 December 2020	77,216,485	185,428,276	45,596,569	14,067,528	1,272,865	25,129,484	4,808,657	353,519,864

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Equipment, furniture and fittings RM
Company	
At 31 December 2021	
Cost	
At 1 January 2021	150,979
Write off	(18,960)
At 31 December 2021	132,019
Accumulated depreciation	
At 1 January 2021	145,522
Depreciation charge for the year	1,699
Write off	(18,959)
At 31 December 2021	128,262
Net carrying amount	
At 31 December 2021	3,757
At 31 December 2020	
At 1 January 2020	182,013
Write off	(31,034)
At 31 December 2020	150,979
Accumulated depreciation	
At 1 January 2020	174,386
Depreciation charge for the year	2,161
Write off	(31,025)
At 31 December 2020	145,522
Net carrying amount	
At 31 December 2020	5,457

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14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the financial year, the cash outflow on acquisition of property, plant and equipment of the Group amounted to RM16,360,166 (2020: RM10,787,487).

Bearer plants

Included in costs of bearer plants incurred during the financial year are:

	Group	
	2021 RM	2020 RM
Interest expense (Note 8)	-	337,144
Depreciation (Note 14)	246,176	251,498
Employee benefits expense (Note 10)	1,145,256	1,527,149

The oil palm plantation of the Group is developed on a parcel of land leased from Benta Wawasan Sdn. Bhd. (Note 16 and Note 27).

Rights, titles and interests of the Group on the oil palm plantation land are pledged to bank for borrowings granted to subsidiary as stated in Note 21.

15. BIOLOGICAL ASSETS

	Group	
	2021 RM	2020 RM
Current		
Oil palm FFB		
At 1 January	4,098,935	3,855,665
Transfer to produce stocks	(4,098,935)	(3,855,665)
Changes in fair value	7,205,863	4,098,935
At 31 December	7,205,863	4,098,935
Non-current		
Plantation trees		
At 1 January	2,359,895	-
Additions	4,456,479	2,359,895
At 31 December	6,816,374	2,359,895
Biological assets of the Group comprise:		
Oil palm fresh fruit bunches	7,205,863	4,098,935
Plantation trees	6,816,374	2,359,895
	14,022,237	6,458,830

Biological assets of the Group comprise oil palm FFB prior to harvest and plantation trees.

15. BIOLOGICAL ASSETS (CONTINUED)

Oil palm FFB

The valuation model adopted by the Group considers the present value of the net cash flows expected to be generated from the sale of FFB.

To arrive at the fair value of FFB, the management considered the oil content of the unripe FFB and derived the assumption that the net cash flow to be generated from FFB prior to more than 4 weeks to harvest to be negligible, therefore quantity of unripe FFB on bearer plants of up to 4 weeks prior to harvest was used for valuation purpose. The net present value of cash flows is then determined with reference to the average selling price of FFB determined at the reporting date. Costs to sell, which include harvesting and transportation cost, are deducted in arriving at the net cash flow to be generated.

The changes in fair value of the biological assets in each accounting period is recognised in profit or loss.

The Group's biological assets were fair valued within Level 3 of the fair value hierarchy. Fair value assessments have been completed consistently using the same valuation techniques.

The key assumptions used to determine the fair value are as follows:

	Group	
	2021	2020
Oil palm FFB:		
FFB production (MT)	20,505	15,726
Average FFB selling price (RM/MT)	845	655

Sensitivity analysis – Oil palm FFB

A 10% increase/decrease in the average oil palm fresh fruit bunches (FFB) selling price (RM/MT) would result in the following to the fair value of the biological assets:

	Group	
	2021 RM	2020 RM
10% increase	878,751	512,610
10% decrease	(878,751)	(512,610)

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15. BIOLOGICAL ASSETS (CONTINUED)

Plantation trees

Included in additions to plantation trees during the financial year is:

	Group	
	2021 RM	2020 RM
Employee benefits expense (Note 10)	1,386,902	701,998

Plantation trees represents standing growing Laran (Neolamarckia cadamba) trees planted as inter-cropping with oil palm at Gunung Rara/Kalabakan, Sabah. Young standing trees less than two years old are considered to be at initial growth and limited biological transformation has taken place, and are accounted at cost, as cost approximates fair value.

16. LEASES

Group as a lessee

The Group has lease contracts for land and motor vehicles with respective lease terms that are used in its operations.

The Group and the Company also have certain leases of office equipment with low value. The Group and the Company apply the lease of low-value assets' recognition exemptions for these leases.

Serijaya Industri Sdn. Bhd., the wholly-owned subsidiary of the Company, entered into the Agreement for Oil Palm Plantation dated 18 November 2005 with Benta Wawasan Sdn. Bhd. (the licensee of the land) to develop a parcel of land measuring approximately 22,763 hectares situated in the locality of Gunung Rara/Kalabakan, Sabah. Pursuant to the agreement, Serijaya Industri Sdn. Bhd. is granted the permission to develop the said land into an oil palm plantation for a period of 30 years. On 29 August 2013, the tenure for the permission to develop the said land into oil palm plantation was extended to 60 years.

On 9 July 2018, both parties entered into a third supplementary agreement of the Agreement for Oil Palm Plantation, whereby the subsidiary should pay rental of RM2,201,502 covering the period from year 2018 to year 2070, in an equal annual rent of RM41,538 and interest on the total outstanding rental sum at the rate of 8% per annum on a reducing balance basis.

16. LEASES (CONTINUED)

Set out below are the carrying amounts of right-of-use assets of the Group recognised and the movements during the period:

	Land RM	Motor vehicles RM	Total RM
Cost			
As at 1 January 2020	2,288,720	1,472,941	3,761,661
Reclassified to property, plant and equipment (Note 14)	-	(1,472,941)	(1,472,941)
As at 31 December 2020 and 31 December 2021	2,288,720	-	2,288,720
Accumulated depreciation			
As at 1 January 2020	44,014	612,863	656,877
Reclassified to property, plant and equipment (Note 14)	-	(612,863)	(612,863)
Depreciation charge for the year	44,014	-	44,014
As at 31 December 2020	88,028	-	88,028
Depreciation charge for the year	44,014	-	44,014
As at 31 December 2021	132,042	-	132,042
Net carrying amount			
As at 31 December 2020	2,200,692	-	2,200,692
As at 31 December 2021	2,156,678	-	2,156,678

Set out below are the carrying amounts of lease liabilities of the Group and the movements during the period:

	Land RM	Motor vehicles RM	Total RM
As at 1 January 2020	2,243,925	29,055	2,272,980
Accretion of interest (Note 8)	162,899	3,919	166,818
Payments	(207,689)	(32,974)	(240,663)
As at 31 December 2020	2,199,135	-	2,199,135
Accretion of interest (Note 8)	159,581	-	159,581
Payments	(204,366)	-	(204,366)
As at 31 December 2021	2,154,350	-	2,154,350

16. LEASES (CONTINUED)

Set out below are the carrying amounts of lease liabilities of the Group and the movements during the period (continued):

	Interest rate %	Maturity	RM
2021			
Current	8.00%	2022	44,778
Non-current	8.00%	2023 - 2070	2,109,572
			2,154,350
2020			
Current	8.00%	2021	44,785
Non-current	8.00%	2022 - 2070	2,154,350
			2,199,135

The following are the amounts recognised in profit or loss:

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Depreciation expense of right-of-use assets	44,014	44,014	-	-
Interest expense on lease liabilities	159,581	166,818	-	-
Rental expense relating to short-term leases	166,542	165,642	42,750	42,750
Total amount recognised in profit or loss	370,137	376,474	42,750	42,750

The Group and the Company had total cash outflows for leases of RM370,908 (2020: RM406,305) and RM42,750 (2020: RM42,750) respectively. As at the reporting date, the Group and the Company have committed to short-term leases and the total commitment at the date was RM166,542 (2020: RM154,583) and RM42,750 (2020: RM21,375) respectively.

17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2021 RM	2020 RM
Unquoted shares, at cost		
- Ordinary shares	2,050,000	2,050,000
- Redeemable convertible non- cumulative preference shares	242,650,000	242,650,000
	244,700,000	244,700,000
ESOS granted to employees of subsidiaries	1,155,384	1,155,384
	245,855,384	245,855,384

17. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation/ principal place of business	Principal activities	Proportion of ownership interest held by the Group* 2021 %	2020 %
Serijaya Industri Sdn. Bhd.	Malaysia	Operation of oil palm plantations and palm oil mill	100	100
IPB Bio Energy Sdn. Bhd.	Malaysia	Producer and supplier of renewable energy	100	100

* Equals to the proportion of voting rights held.

All the subsidiaries are audited by Ernst & Young PLT, Malaysia.

18. INVENTORIES

	Group 2021 RM	2020 RM
Cost		
Fresh fruit bunches	370,898	65,925
Stores and supplies	4,950,413	3,470,763
Crude palm oil	7,505,516	2,304,827
Palm kernel	638,344	340,817
	13,465,171	6,182,332

During the year, the amount of inventories recognised as an expense in cost of sales of the Group was RM115,809,649 (2020: RM104,583,915).

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For the financial year ended 31 December 2021

19. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Current				
Trade receivables				
Company related to a corporate shareholder of the Company	2,115,136	1,137,278	-	-
Other receivables				
Amounts due from companies related to corporate shareholder of the Company	83,128	91,038	-	-
Deposits	1,159,601	906,401	7,074	7,074
Prepayments	50,148	132,207	-	-
Sundry receivables	1,837,021	1,579,932	-	-
	3,129,898	2,709,578	7,074	7,074
Less: Allowance for expected credit losses				
- sundry receivables	(12,889)	(12,889)	-	-
	3,117,009	2,696,689	7,074	7,074
	5,232,145	3,833,967	7,074	7,074
Non-current				
Other receivables				
Sundry receivables	1,303,561	1,620,384	-	-
Less: Allowance for expected credit losses	(225,860)	(318,545)	-	-
	1,077,701	1,301,839	-	-
Total trade and other receivables	6,309,846	5,135,806	7,074	7,074
Add: Cash and bank balances	34,749,086	30,343,001	286,962	87,813
Less: Prepayments	(50,148)	(132,207)	-	-
Total financial assets carried at amortised cost	41,008,784	35,346,600	294,036	94,887

(a) Trade receivables

Trade receivables are non-interest bearing and generally on 30 days terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

(b) Amounts due from subsidiaries

Amounts due from subsidiaries are unsecured, non-interest bearing and are repayable upon demand.

(c) Amounts due from related parties

These amounts are unsecured, non-interest bearing and are repayable upon demand.

19. TRADE AND OTHER RECEIVABLES (CONTINUED)

(d) Other receivable

Expected credit losses

The movement in allowance for expected credit losses of other receivables computed based on lifetime ECL are as follows:

	Group	
	2021 RM	2020 RM
At 1 January	331,434	469,743
Allowance for expected credit loss (Note 9)	120,000	-
Write off	(120,000)	-
Reversal of allowance for expected credit losses (Note 9)	(92,685)	(138,309)
At 31 December	238,749	331,434

20. CASH AND BANK BALANCES

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Cash on hand and at banks	34,175,588	21,641,761	286,962	87,813
Deposits with licensed bank	573,498	8,701,240	-	-
	34,749,086	30,343,001	286,962	87,813
Less: Deposits with maturity more than 3 months	(573,498)	(559,964)	-	-
Cash and cash equivalents	34,175,588	29,783,037	286,962	87,813

Deposits with licensed bank of the Group amounting to RM573,498 (2020: RM559,964) are pledged as securities for banking facilities granted to the Group.

Deposits are placed for a period of 12 months (2020: 3 months and 12 months). The weighted average effective interest rate of deposits with a licensed bank of the Group as at the reporting date was 1.75% (2020: 2.07%).

21. BORROWINGS

The Group had secured banking facilities totalling RM37 million for purpose of working capital requirement of the Group. The banking facilities were not utilized as at the reporting date. These banking facilities of the Group are secured by the following:

(i) Corporate guarantees given by the Company.

(ii) Assignment of rights, title and interest including but not limited to the right to occupy and develop a parcel of land (Note 14).

(iii) Pledge of deposits with licensed bank (Note 20).

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For the financial year ended 31 December 2021

21. BORROWINGS (CONTINUED)

A reconciliation of liabilities arising from financing activities is as follows:

	01.01.2021 RM	Cash flows RM	Non-cash changes Others RM	31.12.2021 RM
Lease liabilities				
- current	44,785	(44,785)	44,778	44,778
- non-current	2,154,350	-	(44,778)	2,109,572
Total	2,199,135	(44,785)	-	2,154,350

	01.01.2020 RM	Cash flows RM	Non-cash changes Others RM	31.12.2020 RM
Revolving credits - current	15,000,000	(15,000,000)	-	-
Lease liabilities				
- current	73,845	(73,845)	44,785	44,785
- non-current	2,199,135	-	(44,785)	2,154,350
Total	17,272,980	(15,073,845)	-	2,199,135

The 'others' column related to reclassification of non-current portion of loans and borrowings due to passage of time.

22. TRADE AND OTHER PAYABLES

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Trade payables				
Third parties	3,304,056	3,687,327	-	-
Subsidiary of holding company	-	600,835	-	-
	3,304,056	4,288,162	-	-

22. TRADE AND OTHER PAYABLES (CONTINUED)

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Other payables				
Amounts due to related parties:				
- Subsidiary	-	-	553,594	27,264
- Immediate holding company	104	-	-	-
- Corporate shareholder of the company	337,055	64,131	-	-
- Subsidiary of holding company	455,400	455,400	-	-
Accruals	8,517,501	7,245,727	48,250	82,250
Retention sum for contract work	400,364	387,532	-	-
Sundry payables	6,576,128	5,297,701	79,687	23,792
	16,286,552	13,450,491	681,531	133,306
Total trade and other payables	19,590,608	17,738,653	681,531	133,306
Add: Lease liabilities (Note 16)	2,154,350	2,199,135	-	-
Total financial liabilities carried at amortised cost	21,744,958	19,937,788	681,531	133,306

(a) Trade payables

Trade payables are non-interest bearing and the normal credit terms granted to the Group range from one month to three months.

(b) Amounts due to related parties

These amounts are unsecured, non-interest bearing and are repayable upon demand.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

23. DEFERRED TAX

	As at 1 January 2020 RM	Recognised in profit or loss RM	As at 31 December 2020 RM	Recognised in profit or loss RM	As at 31 December 2021 RM
Group					
Deferred tax liability:					
Property, plant and equipment	72,724,995	(1,452,424)	71,272,571	(1,086,973)	70,185,598
Right-of-use assets	188	186	374	185	559
Biological assets	-	283,188	283,188	797,773	1,080,961
	72,725,183	(1,169,050)	71,556,133	(289,015)	71,267,118
Deferred tax assets:					
Accrual of land lease rental	(1,269,230)	-	(1,269,230)	-	(1,269,230)
Unutilised tax losses	(21,641,870)	2,591,676	(19,050,194)	19,050,194	-
Unabsorbed capital and agriculture allowances	(8,957,344)	8,396,117	(561,227)	561,227	-
	(31,868,444)	10,987,793	(20,880,651)	19,611,421	(1,269,230)
	40,856,739	9,818,743	50,675,482	19,322,406	69,997,888

Deferred tax assets have not been recognised in respect of the following items:

	Group and Company 2021 RM	2020 RM
Unutilised tax losses	2,093,350	2,093,350
Other temporary differences	4,459	4,762
	2,097,809	2,098,112
At statutory tax rate	24%	24%
	503,474	503,547

Unrecognised tax losses

At the reporting date, the Company has tax losses that is available for offset against future taxable profits of the Company, for which no deferred tax assets are recognised because it is not probable that future taxable profits will be available against which the Company can use the benefits therefrom. The use of these tax losses is subject to the agreement of the tax authority and compliance with certain provisions of the tax legislation. The unrecognised tax losses will expire as follows:

	Group and Company 2021 RM	2020 RM
Unutilised tax losses to be carried forward until:		
- Year of assessment 2025	-	2,093,350
- Year of assessment 2028	2,093,350	-
	2,093,350	2,093,350

23. DEFERRED TAX (CONTINUED)

Unrecognised tax losses (continued)

In prior year, unabsorbed business losses up to the year of assessment 2018 shall be deductible against statutory income until year of assessment 2025 and unabsorbed business losses from year of assessment 2019 onwards shall only be allowed to be carried forward for a maximum period of seven (7) consecutive years of assessment. Any amount which is not utilised at the end of 2025 and the period of seven (7) years of assessment respectively shall be disregarded. However, based on the Finance Act 2021 which was gazetted on 31 December 2021, effective from the year of assessment 2019, the period to carry forward the unabsorbed business losses up to the year of assessment 2018 and unabsorbed business losses from year of assessment 2019 onwards have been extended to 2028 and a maximum period of ten (10) consecutive years of assessment respectively.

24. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2021	2020	2021 RM	2020 RM
Issued and fully paid				
At 1 January/31 December	478,857,950	478,857,950	239,675,958	239,675,958

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 and rank equally with regard to the Company's residual assets.

25. OTHER RESERVE

	Group and Company	
	2021 RM	2020 RM
Employee share option reserve		
At 1 January	-	246,738
Transactions with owners		
Expiry of employee share options	-	(246,738)
At 31 December	-	-

Employee share option reserve represents the equity-settled share options granted to employees. This reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry of exercise of the share options.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

26. CAPITAL COMMITMENTS

	Group	
	2021 RM	2020 RM
Property, plant and equipment:		
Approved and contracted for	9,105,039	2,939,139
Approved but not contracted for	1,878,400	-
	10,983,439	2,939,139

27. CONTINGENT ASSET AND CONTINGENT LIABILITY

Contingent asset

On 3 June 2014, Serijaya Industri Sdn. Bhd. (SJI), a wholly-owned subsidiary of the Company, filed a notice of arbitration against Asiatic Lumber Industries Sdn. Bhd. (ALISB) for a claim approximately RM14,631,516 arising from a shortfall in guaranteed volume of log production under a Logging Sub-Contract agreement between SJI and ALISB.

The Arbitrator had on 6 October 2016 awarded SJI the whole claim amounted to RM11,619,123 for shortfall from 2011 to 2013 with interest at 10% per annum.

ALISB failed to pay the sums under the arbitration award. On 14 August 2017, the High Court of Sabah and Sarawak has ordered that ALISB be wound up and the Director General of Insolvency be appointed as the liquidator of ALISB. On 26 March 2021, SJI was informed by the Insolvency Department that the department was still in the process of identifying assets of ALISB and there was no credit balance in the ledger for any payment.

As at the financial year end, SJI has not received any update from Insolvency Department on the above matter.

Contingent liability

Claim made by Benta Wawasan Sdn. Bhd.

Based on the Agreement for Oil Palm Plantation entered between Benta Wawasan Sdn. Bhd. ("Benta") and SJI dated 18 November 2005 together with the 1st and 2nd supplemental agreements (the "AOPP Agreements"), SJI would need to pay a variable lease payment based on FFB production starting 2017. On 9 July 2018, SJI and Benta entered into a 3rd supplemental agreement (the "3rd Supplemental Agreement"), whereby both parties mutually agreed that SJI should pay rental on the land for oil palm plantation of RM2,201,502 covering the period from year 2018 to year 2070 in an equal annual payment of RM41,538 and interest on the total outstanding rental sum at the rate of 8% per annum on a reducing balance basis.

Via a letter dated 10 January 2019, Benta has informed SJI that the 3rd Supplemental Agreement was not approved by the board of directors of Benta. Subsequently, Benta issued a letter dated 6 March 2019 and an invoice dated 8 March 2019, claiming for the variable lease payments for year 2017 and year 2018 amounted to RM5,288,459 and RM4,261,721 respectively, based on the terms of the AOPP Agreements. The rental for year 2017 of RM5,288,459 has been recognised by the Group. For the financial year ended 31 December 2018, other than the fixed rental amount of RM41,538, no variable lease payment was recognised. The variable lease payments for the financial years ended 31 December 2019, 2020 and 2021 should the terms in AOPP Agreements be applied amounted to approximately RM3,210,593, RM6,322,110 and RM14,706,925 respectively. These amounts were also not recognised in these financial statements as the Group believes that the 3rd Supplemental Agreement is a valid and binding agreement mutually agreed between the parties.

27. CONTINGENT ASSET AND CONTINGENT LIABILITY (CONTINUED)

Contingent liability (continued)

Claim made by Benta Wawasan Sdn. Bhd. (continued)

There were various correspondences between the parties and a meeting has been arranged to discuss the matter. Based on latest correspondences in early 2020, both parties are interested to arrive at a sound and sensible solution to the issue without further delay and expense.

SJI has been advised by its legal counsel that SJI has a strong case to continue and to maintain that the 3rd Supplemental Agreement is valid and binding.

As at the financial year end, no further update on the above matter as discussion was still on-going. Accordingly, no additional provision on variable lease payments for the year 2018 to year 2070 have been made in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

28. RELATED PARTY TRANSACTIONS

(a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	2021 RM	2020 RM
Group		
Companies related to holding company:		
Sale of oil palm fresh fruit bunches	-	151,365
Purchase of oil palm fresh fruit bunches	3,832,927	3,737,847
Rental payable	204,366	207,689
Corporate shareholder of the Company - TSH Resources Berhad:		
Rental payable	112,992	112,992
Companies related to corporate shareholder of the Company:		
Sale of oil palm fresh fruit bunches	1,053,875	-
Management fees payable	-	220,140
Sale of crude palm oil	208,333,613	141,672,023
Sale of palm kernel	20,950,389	10,983,862
Purchase of tree seedlings	860,035	532,923
Sale of oil palm seedlings	140,160	-
Sale of tree seedlings	10,237	30,327
Company		
Subsidiaries:		
Management fees payable	141,629	109,050
Dividends receivable	96,219,000	17,169,000
Companies related to holding company:		
Rental payable	42,750	42,750

Information regarding outstanding balances arising from related party transactions as at reporting date are disclosed in Note 19 and Note 22.

28. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Compensation of key management personnel

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Short-term employee benefits	1,892,403	1,743,184	221,622	190,048

29. FAIR VALUE OF ASSETS AND LIABILITIES

Determination of fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The followings are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables (current and non-current)	19
Trade and other payables	22

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The carrying amounts of the current portion of loans and borrowings are reasonable approximation of fair values due to the insignificant impact of discounting.

Assets measured at fair value

The following table shows an analysis of assets carried at fair value by level of fair value hierarchy:

	Group			
	Quoted prices in active market for identical instruments (Level 1) RM	Significant observable inputs other than quoted prices (Level 2) RM	Significant unobservable inputs (Level 3) RM	Total RM
Recurring fair value measurements				
Non-financial assets				
Biological assets				
- 2021	-	-	14,022,237	14,022,237
- 2020	-	-	6,458,830	6,458,830

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

29. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

Biological assets

The valuation model adopted by the Group considers the present value of net cash flows expected to be generated from the sale of oil palm FFB.

Plantation trees less than two years old are considered to be at initial growth and limited biological transformation has taken place, and cost approximates fair value.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and interest rate risk.

The Board of Directors reviews and agrees on policies and procedures for the management of these risks, which are executed by Executive Committee. The audit committee provides independent oversight to the effectiveness of the risk management process.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities and cash and bank balances), the Group minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

<u>Exposure to credit risk</u>

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the statements of financial position.

- A nominal amount of RM101,000,000 (2020: RM101,000,000) relating to corporate guarantee provided by the Company to bankers on credit facilities granted to a subsidiary.

<u>Credit risk concentration profile</u>

At the reporting date, 100% (2020: 100%) of the Group's trade receivable was due from one major related party.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (continued)

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 19. Deposits with banks that are neither past due nor impaired are placed with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 19.

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 19. The Group does not hold collateral as security.

Set out below is the information about the credit risk exposure on the Group's trade receivable:

	Trade receivables				
	Current RM	31 to 60 days past due RM	61 to 90 days past due RM	More than 91 days past due RM	Total RM
31 December 2021					
Gross carrying amount	2,115,136	-	-	-	2,115,136
Loss allowance provision	-	-	-	-	-
	2,115,136	-	-	-	2,115,136
31 December 2020					
Gross carrying amount	1,137,278	-	-	-	1,137,278
Loss allowance provision	-	-	-	-	-
	1,137,278	-	-	-	1,137,278

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
Group				
2021				
Financial assets				
Trade and other receivables	5,194,886	1,303,561	-	6,498,447
Cash and bank balance	34,749,086	-	-	34,749,086
Total undiscounted financial assets	39,943,972	1,303,561	-	41,247,533
Financial liabilities				
Trade and other payables	19,590,608	-	-	19,590,608
Lease liabilities	201,043	955,369	4,786,787	5,943,199
Total undiscounted financial liabilities	19,791,651	955,369	4,786,787	25,533,807
Total net undiscounted financial assets/(liabilities)	20,152,321	348,192	(4,786,787)	15,713,726
2020				
Financial assets				
Trade and other receivables	3,714,649	1,620,384	-	5,335,033
Cash and bank balance	30,343,001	-	-	30,343,001
Total undiscounted financial assets	34,057,650	1,620,384	-	35,678,034
Financial liabilities				
Trade and other payables	17,738,653	-	-	17,738,653
Lease liabilities	204,366	971,984	4,971,215	6,147,565
Total undiscounted financial liabilities	17,943,019	971,984	4,971,215	23,886,218
Total net undiscounted financial assets/(liabilities)	16,114,631	648,400	(4,971,215)	11,791,816

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

	On demand or within one year	
	2021 RM	2020 RM
Company		
Financial assets:		
Trade and other receivables	7,074	7,074
Cash and bank balances	286,962	87,813
Total undiscounted financial assets	294,036	94,887
Financial liabilities:		
Trade and other payables	681,531	133,306
Total undiscounted financial liabilities	681,531	133,306
Total net undiscounted financial liabilities	(387,495)	(38,419)
Financial guarantee contracts	101,000,000	101,000,000

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings. The investment in financial assets are mainly short term in nature and have been mostly placed in fixed deposits.

The Group's policy is to manage interest cost using a mix of fixed and floating rate debts.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 25 basis points lower/higher, with all other variables held constant there will be no change (2020: no changes) to the Group's profit net of tax. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

31. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2021 and 31 December 2020.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio below 40%. The Group includes within net debts, loans and borrowings, trade and other payables, less cash and cash equivalents.

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31. CAPITAL MANAGEMENT (CONTINUED)

	Note	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
Lease liabilities	16	2,154,350	2,199,135	-	-
Trade and other payables	22	19,590,608	17,738,653	681,531	133,306
Less: Cash and Bank balances	20	(34,749,086)	(30,343,001)	(286,962)	(87,813)
Net (cash) /debt		(13,004,128)	(10,405,213)	394,569	45,493
Capital:					
Equity attributable to owners of the Company		323,711,551	333,284,766	245,471,646	245,822,422
Capital and net debt		310,707,423	322,879,553	245,866,215	245,867,915
Gearing ratio		-	-	-	-

32. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their product and services, and has two reportable operating segments as follows:

(i) Palm and bio-integration - Cultivation of oil palm and plantation trees, manufacture and sale of crude palm oil and palm kernel, and generation and supply of electricity from a biomass plant;

(ii) Corporate - Group level corporate services and treasury functions

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

32. SEGMENT INFORMATION (CONTINUED)

	Palm and bio-integration		Corporate		Adjustment and elimination		Note	Per consolidated financial statements	
	2021 RM	2020 RM	2021 RM	2020 RM	2021 RM	2020 RM		2021 RM	2020 RM
Revenue:									
External customers	230,337,877	154,935,919	-	-	-	-		230,337,877	154,935,919
Inter segment	-	-	96,219,000	17,169,000	(96,219,000)	(17,169,000)		-	-
	230,337,877	154,935,919	96,219,000	17,169,000	(96,219,000)	(17,169,000)		230,337,877	154,935,919
Results:									
Depreciation	22,195,298	21,598,958	1,699	2,161	-	-		22,196,997	21,601,119
Dividend income	-	-	96,219,000	17,169,000	(96,219,000)	(17,169,000)		-	-
Interest income	735,556	419,827	-	-	-	-		735,556	419,827
Fair value gain on biological assets, net	3,106,928	243,270	-	-	-	-		3,106,928	243,270
Other non-cash expenses	27,557	(130,556)	-	-	-	-	A	27,557	(130,556)
Segment profit	114,809,983	47,127,703	95,420,814	16,508,543	(96,512,060)	(17,375,504)	B	113,718,737	46,260,742
Assets:									
Additions to non-current assets	21,062,821	13,736,024	-	-	-	-	C	21,062,821	13,736,024
Segment assets	383,673,662	373,490,450	34,756,160	30,350,075	-	57,511	D	418,429,822	403,898,036
Segment liabilities	19,462,671	17,632,611	127,937	106,042	75,127,663	52,874,617	E	94,718,271	70,613,270

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2021

32. SEGMENT INFORMATION (CONTINUED)

Note Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A Other material non-cash expenses consist of the following items as presented in the respective notes to the financial statements:

	2021 RM	2020 RM
Allowance for expected credit loss on other receivable	120,000	-
Property, plant and equipment written off	242	7,753
Reversal of allowance for expected credit losses on other receivable	(92,685)	(138,309)
	27,557	(130,556)

B The following items are deducted from segment profit to arrive at profit before tax presented in the consolidated statement of comprehensive income:

	2021 RM	2020 RM
Dividend income from subsidiaries	(96,219,000)	(17,169,000)
Unallocated corporate expenses	(293,060)	(206,504)
	(96,512,060)	(17,375,504)

C Additions to non-current assets consist of:

	2021 RM	2020 RM
Property, plant and equipment	16,606,342	11,376,129
Biological assets	4,456,479	2,359,895
	21,062,821	13,736,024

D The following item is added to segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2021 RM	2020 RM
Income tax refundable	-	57,511

32. SEGMENT INFORMATION (CONTINUED)

E The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2021 RM	2020 RM
Income tax payable	2,975,425	-
Deferred tax liabilities	69,997,888	50,675,482
Lease liabilities	2,154,350	2,199,135
	75,127,663	52,874,617

33. DIVIDENDS

Recognised during the financial year	2021 RM	2020 RM
Dividends on ordinary shares:		
- Final single-tier tax-exempt dividend of RM0.02 per share on 478,857,950 ordinary shares	-	9,577,159
- Interim single-tier tax-exempt dividend of RM0.025 per share on 478,857,950 ordinary shares	-	11,971,449
- Second interim single-tier tax-exempt dividend of RM0.04 per share on 478,857,950 ordinary shares	19,154,318	-
- First interim single-tier tax-exempt dividend of RM0.02 per share on 478,857,950 ordinary shares	9,577,159	-
- Second interim single-tier tax-exempt dividend of RM0.04 per share on 478,857,950 ordinary shares	19,154,318	-
- Special single-tier tax-exempt dividend of RM0.04 per share on 478,857,950 ordinary shares	19,154,318	-
- Third interim single-tier tax-exempt dividend of RM0.06 per share on 478,857,950 ordinary shares	28,731,477	-
	95,771,590	21,548,608

Subsequent to financial year end, a fourth interim single-tier tax-exempt dividend in respect of the financial year ended 31 December 2021, of RM0.06 per share on 478,857,950 ordinary shares, amounting to RM28,731,477 was declared and paid.

The financial statements for the current financial year do not reflect this dividend. The dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2022.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2021

34. EVENTS AFTER THE REPORTING PERIOD

COVID-19 pandemic

The operational and financial impact of the COVID-19 pandemic up till the reporting date has been reflected in the financial statements. To the extent that ongoing impact has been estimated, the Group and the Company have considered the uncertainties arising from the COVID-19 pandemic in preparation of the financial statements. However, the expected duration and extent of the pandemic and related financial, social and public health impact of the COVID-19 on the Group and the Company are uncertain. The financial impact going forward for the Group and the Company will depend on evolving changes in government policy and business and customer reactions.

The Group and the Company have managed, and continues to manage, the risks arising from COVID-19.

35. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 December 2021 were authorised for issue in accordance with a resolution of the directors on 13 April 2022.

SHAREHOLDINGS STRUCTURE

As at 31 March 2022

Issued & Paid-up Capital	:	RM239,675,958
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per ordinary share

Distribution of Shareholdings

Size of Shareholdings			No. of holders	%	No. of shares	%
1	-	99	26	0.46	739	0.00
100	-	1,000	1,832	32.38	1,660,451	0.35
1,001	-	10,000	2,860	50.56	12,543,094	2.62
10,001	-	100,000	806	14.25	24,297,877	5.07
100,001	-	23,942,896 (*)	131	2.32	94,825,790	19.80
23,942,897	-	and above (**)	2	0.03	345,529,999	72.16
TOTAL			5,657	100.00	478,857,950	100.00

* - Less than 5% of issued holdings
** - 5% and above of issued holdings

List of Top 30 Securities Account Holders

No.	Name	No. of shares held	%
1.	Innoprise Corporation Sdn. Bhd.	240,469,407	50.22
2.	TSH Resources Berhad	105,060,592	21.94
3.	UOB Kay Hian Nominees (Asing) Sdn. Bhd. Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients)	18,873,750	3.94
4.	Alliance Group Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Mutual Corridor Sdn. Bhd. (7005036)	10,104,000	2.11
5.	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Fong Siling (CEB)	4,500,000	0.94
6.	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Salbiah Binti Shuib (CEB)	4,150,000	0.87
7.	Cartaban Nominees (Asing) Sdn. Bhd. Exempt An For LGT Bank AG (Foreign)	3,973,900	0.83
8.	Citigroup Nominees (Asing) Sdn. Bhd. UBS AG	3,472,500	0.73
9.	Suresh A/L Thirugnanam	2,373,750	0.50
10.	AMSEC Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account – AmBank (M) Berhad for Tan Aik Pen (SMART)	2,300,000	0.48
11.	Ronie Tan Choo Seng	2,000,000	0.42

SHAREHOLDINGS STRUCTURE
As at 31 March 2022

No.	Name	No. of shares held	%
12.	CGS-CIMB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Salbiah Binti Shuib (MM0641)	1,971,000	0.41
13.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Mohan A/L Ramalingam (8059306)	1,595,000	0.33
14.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ngai Chee Ping (8053275)	1,521,450	0.32
15.	Foong Hong Meng @ Foong Lai Choong	1,321,500	0.28
16.	CGS-CIMB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Gan Chee Peng (Connaught-CL)	1,200,000	0.25
17.	Ronie Tan Choo Seng	1,200,000	0.25
18.	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Loke See Ooi (CEB)	1,185,000	0.25
19.	CGS-CIMB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ronie Tan Choo Seng	1,059,000	0.22
20.	Ronie Tan Choo Seng	1,000,000	0.21
21.	Choo Min Chyau	923,000	0.19
22.	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Aik Pen	875,000	0.18
23.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. The Bank Of New York Mellon For Acadian Emerging Markets Micro-Cap Equity Master Fund	777,501	0.16
24.	Kenanga Nominees (Tempatan) Sdn. Bhd. Rakuten Trade Sdn Bhd for Wong Ah Kum	765,000	0.16
25.	Tan Aik Kiong	750,000	0.16
26.	Cartaban Nominees (Asing) Sdn. Bhd. SSBT Fund 0mua for Teachers' Retirement System of the State of Illinois	719,300	0.15
27.	HLIB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Yap Qwee Beng	700,000	0.15
28.	HLIB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Heng Choon Chiat	666,000	0.14
29.	Maybank Nominees (Tempatan) Sdn. Bhd. Etiqa Life Insurance Berhad (Life Non Par)	654,000	0.14
30.	Cheong Sau Kum	642,500	0.13
	TOTAL	**416,803,150**	**87.06**

SHAREHOLDINGS STRUCTURE
As at 31 March 2022

Substantial Shareholdings

According to the register to be kept under Section144 of the Companies Act 2016, the following is the substantial shareholder of the Company having an interest of five percent (5%) or more of the aggregate of the amounts of all the voting shares of the Company:

No.	Name	No. of shares held	%
1.	Innoprise Corporation Sdn. Bhd.	240,479,407	50.22
2.	TSH Resources Berhad	105,060,592	21.94

Directors' Shareholdings

According to the register to be kept under Section 59 of the Companies Act, 2016, the directors' shareholdings in the Company are as follows:

		No. of shares held			
No.	**Name**	**Direct**	**%**	**Indirect**	**%**
1.	Datuk Hj. Majin Bin Hj. Ajing	75,000	0.02	-	-
2.	Tan Aik Kiong	750,000	0.16	-	-
3.	Asgari Bin Mohd Fuad Stephens ^	-	-	6,201,000	1.30

^ Interest by virtue of shares held by daughter and spouse.

Except for Datuk Hj. Majin Bin Hj. Ajing, Tan Aik Kiong and Asgari Bin Mohd Fuad Stephens, none of the other directors of the Company has any interest, direct or indirect, in the shares of the Company.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 28th Annual General Meeting of the Company will be held at Belian Room, 7th Floor, Borneo Royale Hotel, Eastern Plaza, Mile 1, Jalan Kuhara, 91000 Tawau, Sabah on Monday, 23 May 2022 at 11:30 a.m. to transact the following business:

AGENDA

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2021 and the Reports of the Directors and Auditors thereon. **Please refer to Explanatory Notes (a)**

2. To approve the payment of Directors' fees for the Group of an amount up to but not exceeding RM600,000 from 24 May 2022 until the next Annual General Meeting of the Company; **Resolution 1**

3. To approve the payment of Directors' allowances and benefits for the Group of an amount up to but not exceeding RM80,000 from 24 May 2022 until the next Annual General Meeting of the Company; **Resolution 2**

4. To re-elect the following directors retiring pursuant to Clause 100 of the Company's Constitution:

   (a) Encik Tan Aik Kiong **Resolution 3**
   (b) Encik Ng Chee Fen **Resolution 4**

5. To re-appoint Messrs Ernst & Young PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 5**

SPECIAL BUSINESS

6. To consider and if thought fit, to pass the following resolution:

   ORDINARY RESOLUTION
   Authority to Issue Shares Pursuant to Section 76 of the Companies Act 2016 **Resolution 6**

   "THAT subject always to the Companies Act 2016, Constitution of the Company and approvals from the relevant statutory and regulatory authorities, where such approvals are necessary, full authority be and is hereby given to the Directors pursuant to Section 76 of the Companies Act 2016, to issue shares in the Company from time to time at such price upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed 10% of the total number of issued shares in the Ordinary Share Capital of the Company for the time being and that the Directors be and are empowered to obtain the approvals from Bursa Malaysia Securities Berhad for the listing and quotation of the additional new ordinary shares to be issued and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

7. To consider and if thought fit, to pass the following resolution:

   ORDINARY RESOLUTION

   Proposed Renewal of the Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature **Resolution 7**

NOTICE OF ANNUAL GENERAL MEETING

"THAT, approval be and is hereby given, for the Renewal of the Existing Shareholders' Mandate for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.4.2(a) of the Circular to Shareholders dated 26 April 2022 with the related parties described therein provided such transactions are necessary for the Group's day to day operations, carried out in the normal course of business, at arm's length, on normal commercial terms, not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders;

AND THAT, such approval shall continue to be in force until:

(a) the conclusion of the next annual general meeting of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or

(b) the expiration of the period within which the next annual general meeting of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(c) revoked or varied by a resolution passed by the shareholders in general meeting,

whichever is the earlier.

AND FURTHER THAT the Directors be and are hereby authorised to complete and do such acts and things as may be required by the relevant authorities (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

8. To transact any other business of the Company of which due notice shall have been given to the Company in accordance with the Company's Constitution and the Act.

By Order of the Board

Dorothy Luk Wei Kam (SSM PC No. 202008001484) (MAICSA7000414)
Chan Ai Hoon (SSM PC No. 202008003338) (LS0000393)
Company Secretaries

Kota Kinabalu, Sabah
Dated: 26 April 2022

NOTES

(a) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him and that a proxy need not be a member of the Company.

(b) For the purpose of determining member's eligibility to attend this meeting, only member whose name appears in the Record of Depositors as at 13 May 2022 shall be entitled to attend this meeting or appoint proxy to attend and/or vote on his behalf.

NOTICE OF ANNUAL GENERAL MEETING

(c) A member of the Company entitled to attend and vote at a meeting of the Company, shall be entitled to appoint not more than two (2) proxies to attend and vote in his stead at the meeting. There shall be no restriction as to the qualification of the proxy. Where a member appoints two (2) proxies, he shall specify the proportion of his shareholdings to be represented by each proxy, failing which the appointment shall be invalid.

(d) 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.

(e) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney or if the appointor is a corporation under the seal, and the person so appointed may attend and vote at any meeting at which the appointor is entitled to vote.

(f) The instrument appointing a proxy shall be deposited at the Registered Office of the Company at 6th Floor, Menara Tun Mustapha, Likas Bay, 88400 Kota Kinabalu, Sabah, at least forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting.

(g) Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote on a poll.

EXPLANATORY NOTES

(a) Audited Financial Statements for Financial Year Ended 31 December 2021

Agenda 1 is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, it will not be put forward for voting.

(b) Authority to Issue Shares pursuant to Section 76 of the Companies Act 2016

The proposed Resolution 6, if passed, shall give power to the Directors to issue ordinary shares in the capital of the Company up to an aggregate amount not exceeding 10% of the total number of issued share in the Share Capital of the Company for the time being. This authority unless revoked or varied at a general meeting will expire at the next Annual General Meeting.

The general mandate sought for issue of shares is a renewal of the mandate that was approved by the shareholders on 26 August 2021. The Company did not utilise the mandate that was approved last year. The renewal of the general mandate is to provide flexibility to the Company to issue new shares without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time. 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 and/or acquisitions.

(c) Proposed Renewal of the Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The proposed Resolution 7, if passed, will allow the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the mandated related parties provided that such transactions are necessary for the Group's day to day operations, carried out in the normal course of business, at arm's length, on commercial terms which are not more favourable to the related parties than those generally available to the public and not detrimental to the minority shareholders. Shareholders are directed to refer to the Circular to Shareholders dated 26 April 2022 for more information.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. Details of persons who are standing for election as Directors

   No individual is seeking election as a Director at the 28th Annual General Meeting of the Company.

2. Statement relating to general mandate for issue of securities

   Please refer to item (b) of the Explanatory Notes to the Notice of the 28th Annual General Meeting for information relating to general mandate for issue of securities.

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INNOPRISE PLANTATIONS BERHAD
Registration No. 199301030333 (285072-M)
(Incorporated in Malaysia)

PROXY FORM

CDS Account No.	

I/We, ________________________ NRIC No./Company No. ________________________

of ____

being a *member/members of INNOPRISE PLANTATIONS BERHAD hereby appoint ________________

NRIC No./Passport No. ________________ of ________________________

____

or failing him/her ________________ NRIC No./Passport No. ________________

of ____

or failing him/her, the Chairman of the Meeting as my/our proxy to attend, speak and vote for me/us on my/our behalf at the 28th Annual General Meeting of the Company, to be held at Belian Room, 7th Floor, Borneo Royale Hotel, Eastern Plaza, Mile 1, Jalan Kuhara, 91000 Tawau, Sabah, on Monday, 23 May 2022 at 11:30 a.m. and any adjournment thereof.

I/We direct my/our proxy to vote for or against the Resolutions to be proposed at the Meeting as hereinunder indicated.

No.	Resolutions	FOR	AGAINST
1.	To approve the payment of Directors' fees for the Group from 24 May 2022 until the next Annual General Meeting.		
2.	To approve the payment of Directors' allowances and benefits for the Group from 24 May 2022 until the next Annual General Meeting.		
3.	To re-elect Encik Tan Aik Kiong as Director.		
4.	To re-elect Encik Ng Chee Fen as Director.		
5.	To re-appoint Messrs Ernst & Young PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.		
6.	Authority to issue shares pursuant to Section 76 of the Companies Act 2016.		
7.	Proposed Renewal of the Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		

(Please indicate with an "X" in the space provided for each resolution. Unless voting instructions are indicated in the space above, the proxy will vote or abstain as he/she thinks fit and if no name is inserted in the space for the name of proxy, the Chairman of the Meeting will act as proxy).

Dated this ____________ day of ____________ 2022

No. of Shares held	

Percentage of shareholdings to be represented by proxies:		
	No. of Shares	**Percentage**
Proxy 1		
Proxy 2		
Total		100%

____
Signature/Common Seal of Member(s)

Fold this for sealing

NOTES

(a) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him and that a proxy need not be a member of the Company.

(b) For the purpose of determining member's eligibility to attend this meeting, only member whose name appears in the Record of Depositors as at 13 May 2022 shall be entitled to attend this meeting or appoint proxy to attend and/or vote on his behalf.

(c) A member of the Company entitled to attend and vote at a meeting of the Company, shall be entitled to appoint not more than two (2) proxies to attend and vote in his stead at the meeting. There shall be no restriction as to the qualification of the proxy. Where a member appoints two (2) proxies, he shall specify the proportion of his shareholdings to be represented by each proxy, failing which the appointment shall be invalid.

(d) 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.

(e) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney or if the appointor is a corporation under the seal, and the person so appointed may attend and vote at any meeting at which the appointor is entitled to vote.

(f) The instrument appointing a proxy shall be deposited at the Registered Office of the Company at 6th Floor, Menara Tun Mustapha, Likas Bay, 88400 Kota Kinabalu, Sabah, at least forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting.

(g) Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote on a poll.

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Affix
Stamp

The Company Secretary
INNOPRISE PLANTATIONS BERHAD
Registration No. 199301030333 (285072-M)
6th Floor, Menara Tun Mustapha,
Likas Bay, 88400 Kota Kinabalu, Sabah.
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Innoprise Plantations Berhad
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