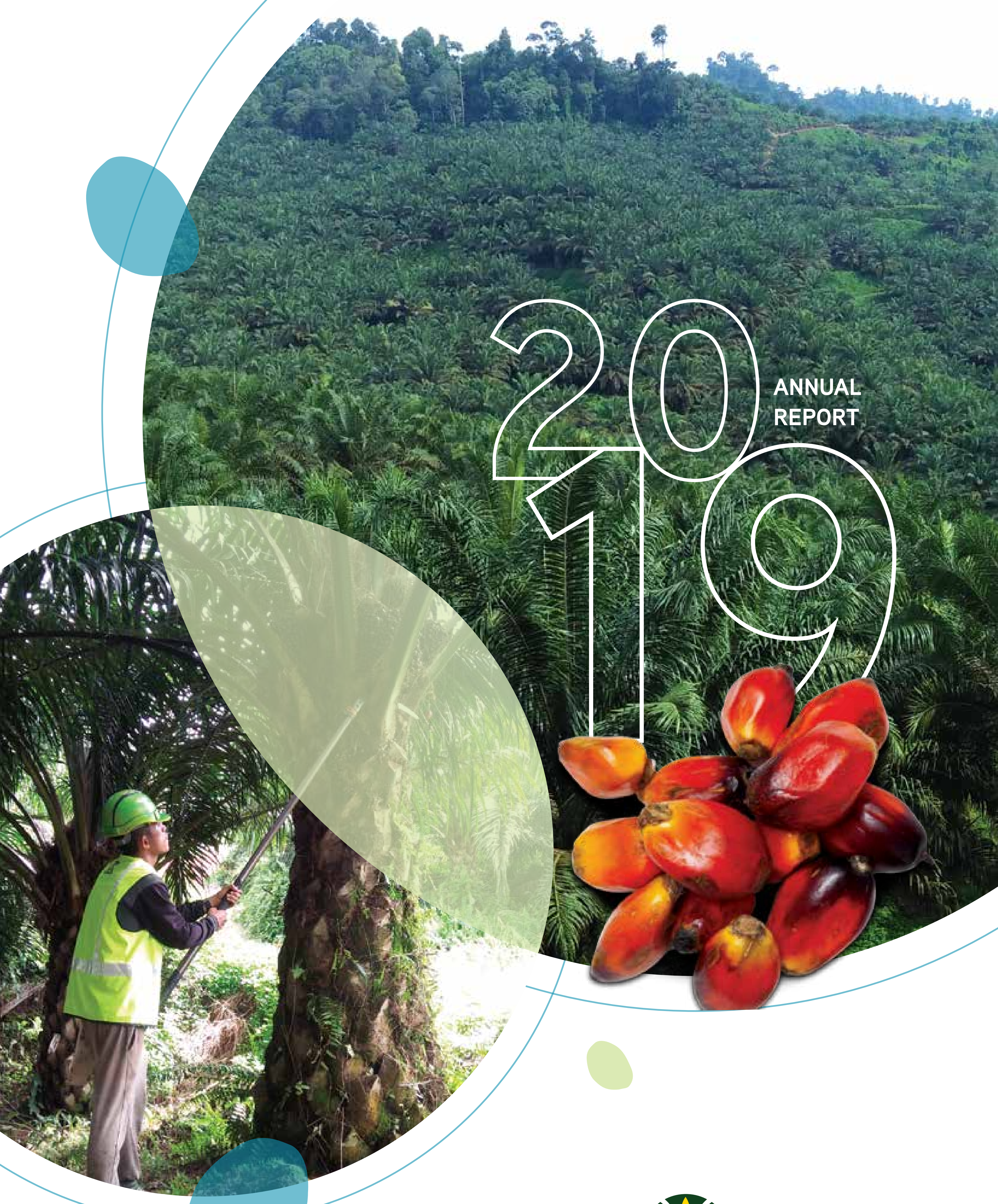

2019 ANNUAL REPORT

Innoprise Plantations

Innoprise Plantations Berhad

Registration No.: 199301030333 (285072-M)

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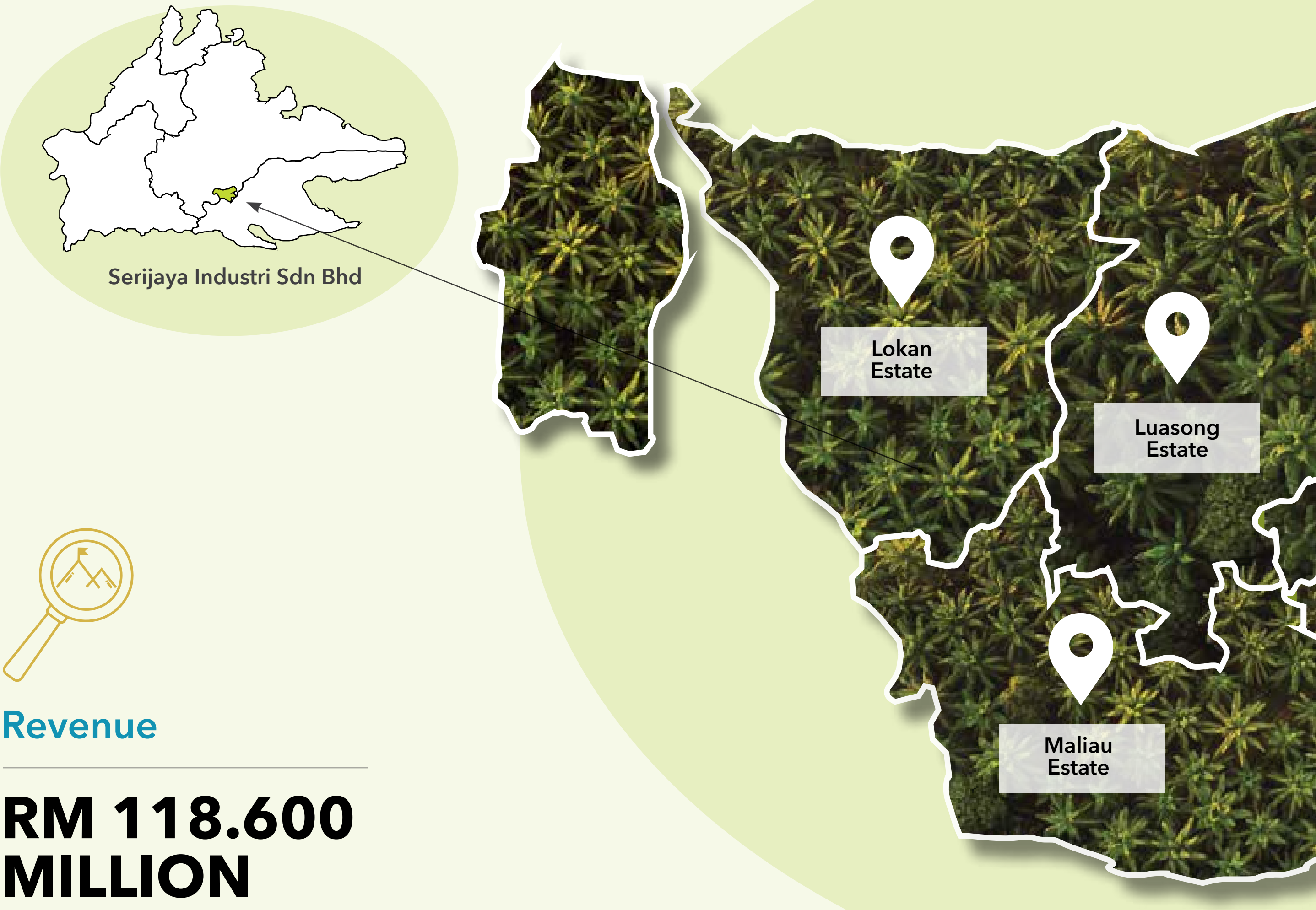
INNOPRISE AT A GLANCE



Revenue

RM 118.600 MILLION

2018: RM 114.222 million

Pre-tax Profit

RM 18.308 MILLION

2018: RM 12.485 million

Operating Profit

RM 18.321 MILLION

2018: RM 14.276 million

MAP OF IPB ESTATES AND MILL

Total Mature Area

11,260 Ha
as of 31 December 2019

Net Assets

RM 318.457 MILLION
2018: RM 308.526 million

Shareholders' Equity

RM 318.457 MILLION
2018: RM 308.526 million

CORPORATE INFORMATION

Directors

Datu Rafee Bin Datu Makling
Independent Non-Executive Chairman

Tan Aik Kiong
Managing Director

Lim Ted Hing
Independent Non-Executive Director

Mohd Hattah Bin Ja'afar
Non-Independent Non-Executive Director

Datuk Hj. Othman Bin Walat
Non-Independent Non-Executive Director

Asgari Bin Mohd Fuad Stephens
Independent Non-Executive Director

Ng Chee Fen
Executive Director

Secretaries

Dorothy Luk Wei Kam
(MAICSA 7000414)
Chan Ai Hoon
(LS 0000393)

Audit Committee

Lim Ted Hing
Datu Rafee Bin Datu Makling
Mohd Hattah Bin Ja'afar

Nomination Committee

Datu Rafee Bin Datu Makling
Lim Ted Hing

Remuneration Committee

Datu Rafee Bin Datu Makling
Tan Aik Kiong
Lim Ted Hing

Executives' Share Option Scheme ("ESOS") Committee

Datu Rafee Bin Datu Makling
Tan Aik Kiong
Lim Ted Hing

Risk Management Committee

Tan Aik Kiong
Mohd Hattah Bin Ja'afar
Ng Chee Fen

Auditors

Ernst & Young PLT
MPT 4604, Lot 17-28, 3rd Floor, Block B,
Bandaran Baru, Jalan Baru,
91000 Tawau, Sabah.
Tel : 089-736700
Fax : 089-762950

Principal Bankers

AmBank (M) Berhad
Malayan Banking Berhad
United Overseas Bank (M) Berhad

Registered Office

6th Floor, Menara Tun Mustapha,
Likas Bay, 88400 Kota Kinabalu, Sabah.
Tel : 088-326415
Fax : 088-432104

Registrar

Boardroom Share Registrars Sdn. Bhd.
11 Floor, Menara Symphony,
No.5, Jalan Prof. Khoo Kay Kim,
Seksyen 13, 46200 Petaling Jaya,
Selangor, Malaysia.
Tel : 03-78904700
Fax : 03-78904670

Stock Exchange Listing

Bursa Malaysia Securities Berhad
(Main Market)

Website

www.innoprise.com.my

DIRECTORS' PROFILE

Datu Rafee Bin Datu Makling

Chairman, Independent Non-Executive Director

AGE : **67**
GENDER : **MALE**
NATIONALITY : **MALAYSIAN**

Datu Rafee Bin Datu Makling was appointed as an Independent Non-Executive Director on 22 May 2019. He serves as a Chairman of the Nomination Committee, Remuneration Committee and ESOS Committee and serves as a member of the Audit Committee. He graduated with Bachelor of Science in Business Administration from Indiana Institute of Technology in Year 1985. He served with the Sabah State Government from 1991 to 2010 before starting his own business. During his tenure in the State civil service, he held various senior posts amongst others Senior Executive Officer (1991 – 1994), Deputy General Manager of Ko-Nelayan (1994 – 1996), Deputy Secretary Administration of Majlis Perbandaran Kota Kinabalu (MPKK) (1997 – 1998) and Deputy Secretary Administration & Finance in Majlis Perbandaran Tawau (1998 - 2010). He was Assistant Managing Director of Cathay Organization and Borneo Film Sdn Bhd (1986 - 1990).

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

AGE : **60**
GENDER : **MALE**
NATIONALITY : **MALAYSIAN**

Tan Aik Kiong is Managing Director of Innoprise Plantations Berhad. He serves as Chairman of the Risk Management Committee and serves as a member of the Remuneration Committee and ESOS 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

Lim Ted Hing

Independent Non-Executive Director

AGE : **64**
GENDER : **MALE**
NATIONALITY : **MALAYSIAN**

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 and serves as a member of the Nomination Committee, Remuneration Committee and ESOS 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 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.

Mohd Hattah Bin Ja'afar

Non-Independent Non-Executive Director

AGE : **63**
GENDER : **MALE**
NATIONALITY : **MALAYSIAN**

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 Risk Management Committee and Audit 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 is now the Chief Executive Officer of Sabah Softwoods Berhad since 2008.

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.

Datuk Hj. Othman Bin Walat

Non-Independent Non-Executive Director

AGE : **70**
GENDER : **MALE**
NATIONALITY : **MALAYSIAN**

Datuk Hj. Othman Bin Walat was appointed as a Non-Independent Non-Executive Director on 7 December 2006. He graduated with a Diploma in Agriculture from University Pertanian Malaysia in 1970. He started with Federal Land Development Authority (FELDA) in 1972 as Assistant Manager and was promoted to Project Manager in 1973.

He joined Kumpulan Guthrie Berhad as Estate Manager in 1974, and held various senior positions of the Group (1983-2004), and as Group Controller in 1996. He became Group Director Plantation (2003-2004). He served as Chief Executive Officer of Sabah Softwoods Berhad from 2004 to 2008 and as Group Managing Director of Sawit Kinabalu Group from 2008 to 2019.

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.

Asgari Bin Mohd Fuad Stephens

Independent Non-Executive Director

AGE : **59**
GENDER : **MALE**
NATIONALITY : **MALAYSIAN**

Asgari Bin Mohd Fuad Stephens was appointed as an Independent Non-Executive Director on 1 January 2019.

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 is currently a director of Jaycorp Berhad. 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 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

AGE : **50**
GENDER : **MALE**
NATIONALITY : **MALAYSIAN**

Ng Chee Fen was appointed as an Executive Director of Innoprise Plantations Berhad on 14 August 2019. He also serves as a member of the Risk Management Committee. 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 other Director and/or other major 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.

KEY SENIOR MANAGEMENT PROFILE

John Bin Sindin

General Manager

AGE : **53**
GENDER : **MALE**
NATIONALITY : **MALAYSIAN**

Date Appointed as General Manager
2015

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
- **Kamabong 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 cultivation of oil palm, processing of Fresh Fruits 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 12,500 hectares are suitable for oil palm planting. 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 located in the locality of Gunung Rara/Kalabakan, Sabah.

The Group has obtained its Malaysian Sustainable Palm Oil ("MSPO") certification on 21 June 2019. The Group is also a member of the Roundtable for Sustainable Palm Oil ("RSPO") and is committed to becoming an environmental and community friendly organisation.

FINANCIAL RESULTS

Key Financial Performance

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

	2019	2018
Revenue (RM '000)	RM 118,600	RM 114,222
Profit before interest & taxation (RM '000)	RM 18,321	RM 14,276
Profit before tax (RM '000)	RM 18,308	RM 12,485
Profit net of tax (RM '000)	RM 14,720	RM 9,465
Return on average equity (ROE)	4.62%	3.07 %
Net cash generated from operating activities (RM '000)	RM 33,467	RM 35,078
Net gearing ratio	7%	11%
Total Shareholder's fund (RM '000)	RM 318,457	RM 308,526

The Group's revenue for FY2019 increased by 4% to RM118.600 million, due to higher sales volume of CPO and PK despite lower average selling prices compared to preceding year.

The pre-tax profit increased by 47% to RM18.308 million compared to the previous financial year due to higher sales volume of CPO and PK.

Financial Assets and Financial Liabilities

For the financial year 2019, the Group spent RM6.998 million for the acquisition of vehicles and field/mill equipment as well as the construction of housing, staff and workers' quarters and stores for fertiliser and chemicals. The Group also spent RM3.646 million on oil palm plantation development.

Biological assets recorded a profit on FFB valuation of RM2.519 million compared to preceding year.

The Group's shareholders' equity as at 31 December 2019 stood at RM318.457 million, an increase of RM9.931 million as compared to FY2018. The increase was mainly due to net profit for the year of RM14.720 million off-set by a single-tier dividend of 1 sen amounting to RM4.789 million paid during the year.

As at 31 December 2019, the Group's borrowings mainly comprised of revolving credits which stood at RM15.000 million as compared to RM24.999 million in FY2018, attaining a reduced net gearing ratio of 7% as compared to 11% in the preceding year. The term loan portion has been fully paid off during the financial year under review.

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW

Plantation Operations

Out of a total land bank of 22,763 hectares, it is estimated that 12,607 hectares are plantable. At the end of the financial year, total area planted is 12,208 hectares of which 11,260 hectares are matured. A further 245 hectares will come into maturity during 2020. We expect to complete our planting programme by 2021. The area statement is as shown below:

	2019 Ha	2018 Ha
Matured	11,260	11,074
Immature	948	916
Total Planted	**12,208**	**11,990**
Plantable	399	612
Unplantable	10,156	10,161
Total Area	**22,763**	**22,763**

In FY2019, the Group's plantation operating environment was rendered more challenging by the weak El Nino weather with prolonged dryness coupled with most of the area being undulating to hilly. On the other hand, lower selling prices of CPO and PK also impacted the overall performance. Nonetheless, management is confident that the above average yield can be achieved with hands-on management and dedication to details. Yield achievable is further augmented through planting of TSH's Wakuba high yielding clonal palms. Critically, the Group is able to tap on the management expertise of TSH Resources Berhad on agronomic and agricultural husbandry practices.

During the financial year, the Group is able to produce 224,517 MT of FFB, which represents an increase of 7% against FY2018. The increase is principally due to higher hectarage under harvesting and improving age profile of the plantings. Yield per mature hectare improved to 19.94 MT per hectare in 2019 from 18.96 MT per hectare in 2018.

The Group's oil palm ages are between 1 to 12 years with about 8% being immature palms. About 26% are young mature palms (4-7 years) with an increasing yield trend in coming years and 66% of the total palms are of prime mature (8 years and more). As such there will be no necessity for replanting for the next 13 years.

Details of Oil Palm Maturity Profile are as follow:

	Immature Ha	Young Mature Ha	Prime Mature Ha	Total Ha
Imbak Estate	39	99	1,665	1,803
Labau Estate	88	149	2,042	2,279
Maliau Estate	89	422	1,581	2,092
Lokan Estate	553	617	1,130	2,300
Luasong Estate	179	1,452	640	2,271
Gunung Rara Estate	-	472	991	1,463
Total	**948**	**3,211**	**8,049**	**12,208**

The Group recognises the importance of quality planting materials as the primary building block for long term competitiveness, business continuity and sustainability. Towards this end, any new area and/or supplying will be planted with TSH Wakuba clonal oil palm materials to accelerate higher oil yield per hectare as well as improved oil extraction rate ("OER"), while concurrently observing stringent culling, best nursery upkeep practices and field planting standard.

Many factors, including weather conditions influence yield. Management has to focus on controllable factors, be hands on and pay attention to details in order to achieve high productivity and cost efficiency, which includes the reviewing of contracts and piece-rated rates constantly. Quality Management Team has 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 in 2019. The Group is also a member of the Roundtable on Sustainable Oil Palm (RSPO).

Milling Operations

The Group operates a 60/90 MT FFB per hour palm oil mill which commenced commercial operation on 17 December 2014. In FY2019, total FFB processed was 229,918 MT which is 21,897 MT higher than the preceding financial year. The mill recorded total production of 52,394 MT (2018: 46,542 MT) of CPO and 8,016 MT (2018: 7,317 MT) of PK. The Group achieved OER of 22.79% for CPO (2018: 22.37%). Heavy rainfall especially towards the end of the year affected harvesting and disrupted the FFB evacuation process, consequently impacting OER. Despite this, OER is still much 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.

Mill processing statistics are as shown below:-

	2019	2018	Change (%)
FFB Processed (MT)	**229,918**	208,021	11%
Mill Production (MT)			
• CPO	**52,394**	46,542	13%
• PK	**8,016**	7,317	10%
Extraction Rates (%)			
• CPO	**22.79**	22.37	2%
• PK	**3.49**	3.52	(1%)
Average Selling Price (RM/MT):			
• CPO	**2,086**	2,177	(4%)
• PK	**1,183**	1,714	(30%)
Sales Volume (MT)			
• CPO	**51,940**	46,328	12%
• PK	**7,962**	7,304	9%

OUTLOOK AND PROSPECT

Management is confident of a high percentage growth in FFB production in 2020 with stringent management control. In the case of the Group, production should also be boosted by the better age profile as more areas come into higher yielding age and with additional areas coming into maturity.

On the global front, there will be more economic uncertainties brought about by the assessment made by the World Health Organisation (WHO) that coronavirus (COVID-19) can be characterised as a pandemic and policy changes in India and USA with the latter signing an initial Phase One trade deal with China which could impact palm oil demand from China. CPO price for 2020 will be governed by the extent of increase in CPO production in Indonesia and Malaysia, supply of oilseed crop from USA/South America, movement in crude oil price and demand from India and China. Market remains concerned over COVID-19 pandemic as numbers are escalating fast in Italy, United Kingdom, Russia, USA and certain part of Europe and crashes in crude oil price which could affect the potential increase in demand from bio-diesel mandates by Indonesia and Malaysia. With a general consensus that prices for 2020 might be better than 2019, where CPO price recovered from the unsustainable level of about RM1,900 per MT, the Group is confident of achieving much better profit for 2020.

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, the 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.

MANAGEMENT DISCUSSION & ANALYSIS

DIVIDEND

The Board has recommended a Final Dividend of 2 sen per share for the year ended 2019 subject to shareholder's approval at the forthcoming 26th Annual General Meeting.

With the majority of the Group's plantation already mature and on an ascending yield curve phase and as much of the supporting infrastructural facilities, offices, stores, staff and labour quarters as well as workers' amenities having been completed, future capital expenditure will be substantially reduced.

During the financial year under review, the Group was conferred with an award, which was voted the "Highest Return on Equity over Three Years" in the plantation sector presented by The Edge Malaysia Centurion Club Corporate Awards 2019.

In light of the above, your Board has adopted a dividend policy to distribute up to 70% of profit after tax by way of dividend.

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.

SUSTAINABILITY STATEMENT

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 2019 from our efforts to turn waste into energy to enriching forests to our effort in helping the local community.

Short-Term Goals

1. Monitoring of water usage for palm oil mill.
2. Managing pesticide usage for oil palm estates.
3. Integrated pest management to be undertaken in all estates.
4. Sustainability Standard Operating Procedures (SSOP) and insertion of sustainability requirements inside all the Operational SOP.
5. Maintaining Malaysian Sustainable Palm Oil ("MSPO") certification for all estates and palm oil mill.

Long-Term Goals

RSPO certification for all 6 related estates within 5 years (Time-bound plan).

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 environmental management.

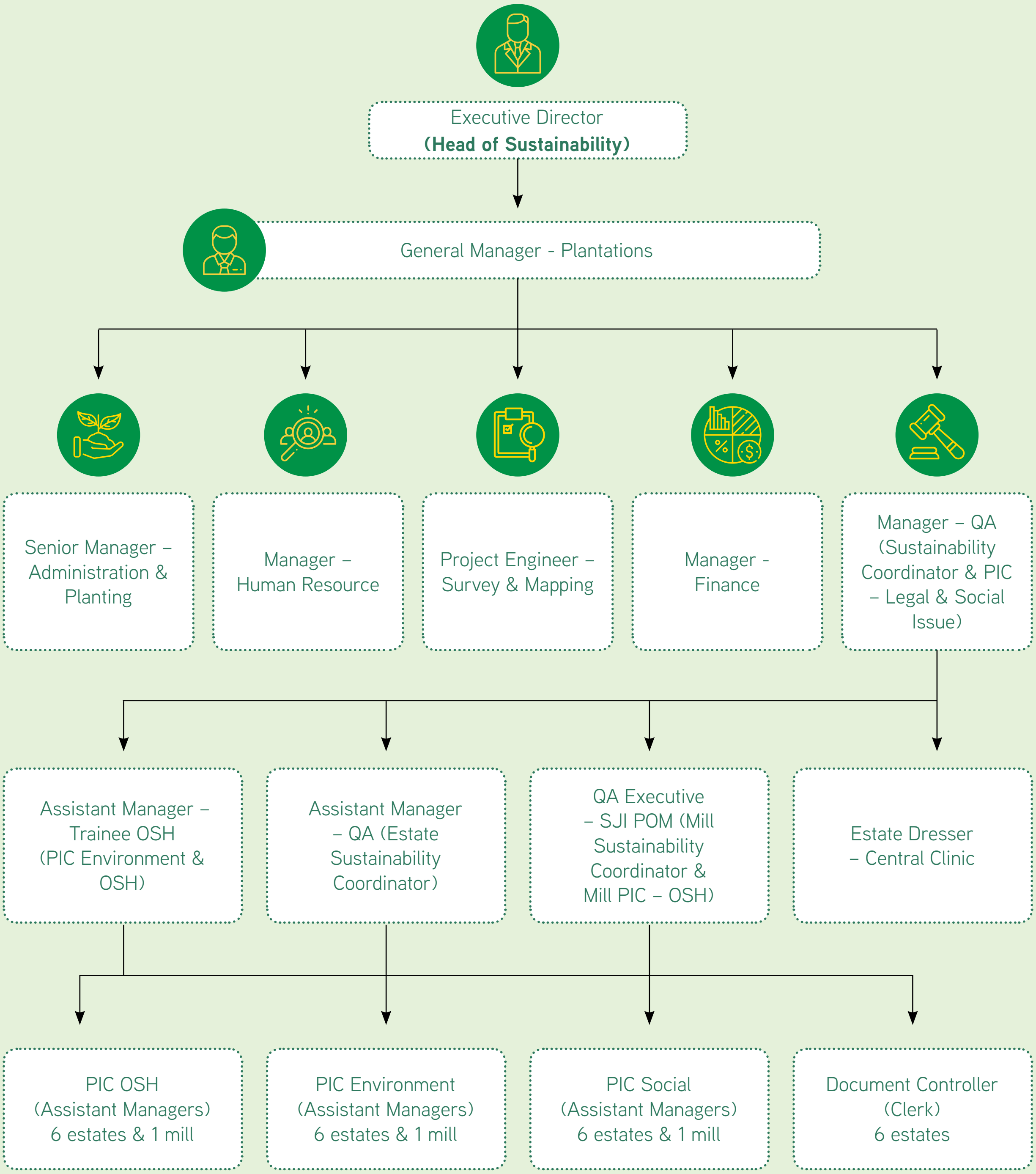
GOVERNANCE

As demonstration 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/RSPO certification regimes, as well as regulations imposed by the Forest Department of Sabah.

In addition, through the Executive Director, the 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.

The Board has set specific sustainability objectives and the timelines in which to achieve them such as the MSPO/RSPO 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.

SUSTAINABILITY STATEMENT

RISK MANAGEMENT

SJI has identified and will focus on managing two types of risk, 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.

KEY RISKS IN 2019

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

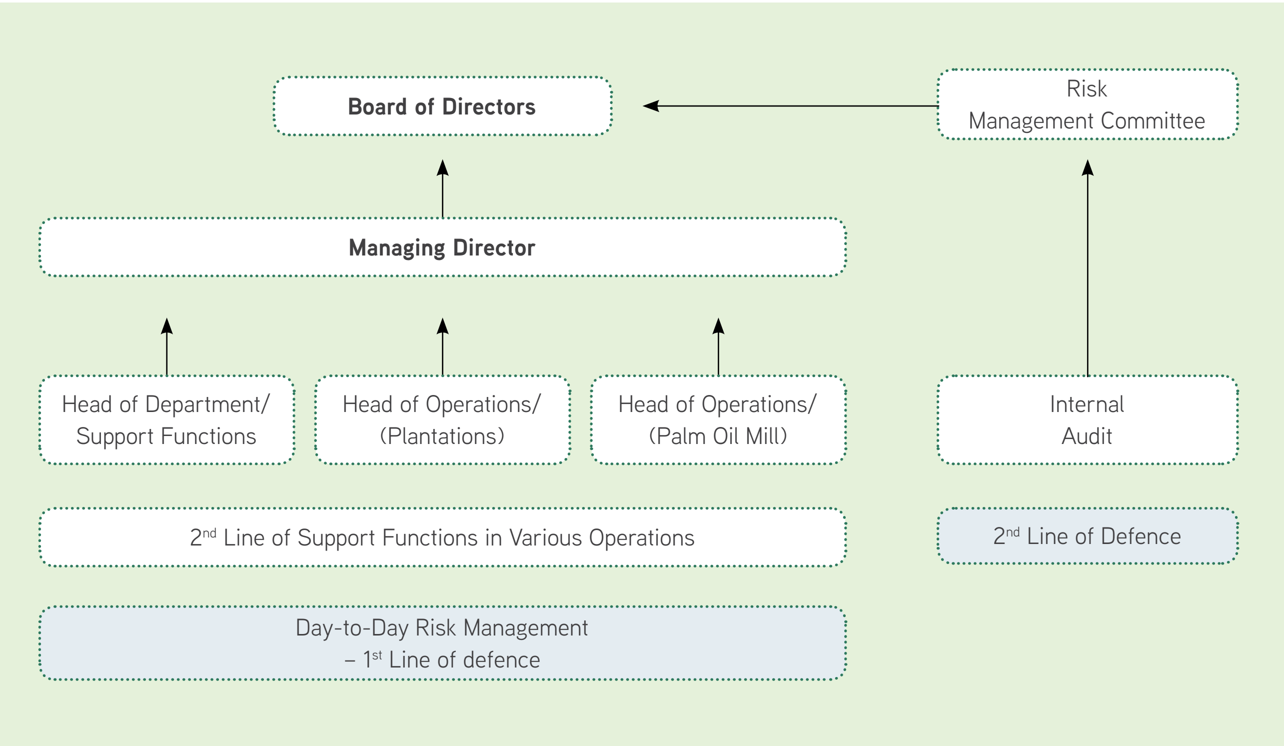
Forestry Department officials regularly visit SJI's estates unannounced. Non-compliance could result in fines being imposed and on a worst case scenario stop operation order. As mitigation measure, a checklist of compliance with Forestry Act and Regulations has been provided to operational staff and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



SUSTAINABILITY IN PRACTICE

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

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.

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.

HUMAN RESOURCES DEVELOPMENT

SJI is committed to treating all employees equally and pays them fairly according to their skills, performance and local market conditions. SJI also provides periodic training and opportunities for professional development. We also have zero tolerance for harassment of any kind in the workplace.

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

Economic

- 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.

Environmental

- Environment Policy Statement.

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.

SUSTAINABILITY STATEMENT

SCOPE

This statement covers SJI's estates and palm oil mill operations.

The statement covers the period from 1 January to 31 December 2019 and follows the Amendments to Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements relating to Sustainability Statement in Annual Reports.

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 FY2019	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 2019, total hectares of mature, immature, planted and unplanted areas, and measures undertaken to ensure data accuracy

STAKEHOLDER GROUP	ENGAGEMENT PLATFORMS	ISSUES RAISED IN FY2019	RESPONSE TO ISSUES AND OUTCOMES
COMMUNITIES	- Town hall meetings - Various other formal and informal engagements	- 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

MATERIALITY

The issues most material to our business were determined from an analysis of internal documents, peer reviews and our risk register. We also used indicators in the Bursa Securities Sustainability Reporting Guide and the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines.

SUSTAINABILITY STATEMENT

COMMITMENT TO CERTIFICATION

In order to ensure that our operations are benchmarked to global standards, the Group became a RSPO member in August 2014. All our business units have committed to achieving RSPO certification within 5 years (2019-2022).

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	2019
Number of RSPO-Certified estates	pending
Number of RSPO-Certified mills	pending
MSPO Certification for Estates and Mill	Successfully Obtained

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 fertilizers 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 2019, 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 New Planting Procedures under MSPO/RSPO.

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 minimize environmental impact and take into account occupational safety and health of workers.

WASTE-TO-ENERGY

A subsidiary - IPB Bio Energy Sdn. Bhd. operates a 1.7 MW biomass power plant to supply steam to the mill, electricity to the mill, offices and estate housing. This represents our contribution towards reduction of carbon and greenhouse gas emission.

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 recycles the waste we produce and into a material that we use on our own operations. The process is environmentally sound as it enhances soil structure and saves money that would have otherwise been spent on waste disposal and buying chemical fertiliser.

1.5 m^3/metric tonnes of FFB produced

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

WATER

SJI maintains riparian boundaries to prevent freshwater contamination. We maintain an area of natural riverside vegetation – known as a 'riparian reserves' – along both sides of a river that acts as a buffer between our plantations and the water source. To ensure that we stay within environmentally accepted limits, external lab assessments of the river water are done every four months. We also monitor the amount of water used in our mills and estates.

FOREST RESERVE AND RIPARIAN RE-GENERATION

SJI has in liaison with the Sabah Forest Department 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 2019, 995 hectares had been undertaken and todate 3,830 hectares.

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.

WORKPLACE

At IPB, we realize 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 emphasize 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.

FREEDOM OF ASSOCIATION

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.

SUSTAINABILITY STATEMENT

MATERNAL CARE

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.

CHILD LABOR

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.

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 2019

Total Number
2,112

Turnover Rate
4%

Gender

Male
1,512

Female
600

Number of Women In Management

Board of Directors	*Nil*
Management	2
Executive	3

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, fertilizer and who operate the chemical premix station. Besides protective clothing, workers are trained to handle pesticides in a safe manner.

INJURY	NO OF CASES 2019	NO OF CASES 2018
Fatal	Nil	Nil
Major	Nil	Nil
Minor	9	10

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.

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.

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

100%

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.

SUSTAINABILITY STATEMENT

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 celebrations in 2019. These include:

- Annual Dinner.
- Labor Day celebration.
- Harvest Festival Celebration.
- Majlis Berbuka Puasa for mill and estates.
- Hari Raya Celebration for mill and estates.
- Hari Raya Qurban for mill and estates.
- Family Sport Day.
- Christmas and New Year Celebration for estates and mill.

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

Donations to staff and community include:-

1) Donation to Kejohanan Badminton Terbuka Piala Jimmy Wong
2) Donation for Nur Juhar Foundation
3) Sponsorship to Yayasan Sabah Annual Dinner

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 maximizing 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.

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 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 2019, each of the three (3) Independent Non-Executive Directors had provided an annual confirmation of his/her 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 Rafee Bin Datu Makling, 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.

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 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 assessmen 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. t

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

II. BOARD COMPOSITION AND INDEPENDENCE (CONTINUED)

Diversity (continued)

Summary of the gender mix of our workforce is disclosed on page 24 of the Sustainability Report 2019.

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 Directors.

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.

On 21 May 2019, the Board approved the recommendation of the Nomination Committee that Datu Rafee Bin Datu Makling and Mohd Hattah Bin Ja'afar be appointed as Independent Non-Executive Director and Non-Independent Non-Executive Director of the Company respectively.

On 13 August 2019, the Board approved the recommendation of the Nomination Committee that Tan Aik Kiong be appointed as Executive Director of the Company following his cessation as alternate director to Datuk (Dr.) Kelvin Tan Aik Pen on the same day. The Board also approved the recommendation of the Nomination Committee that Lim Ted Hing and Ng Chee Fen be appointed as Independent Non-Executive Director and Executive Director of the Company respectively. All their profiles are set out in this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

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.

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	25/02/19	21/05/19	13/08/19	18/11/19	TOTAL
Datuk Hj. Majin Hj. Ajing (Retired on 21 May 2019)	✓	✓	N/A	N/A	2/2
Datuk (Dr.) Kelvin Tan Aik Pen (Resigned on 14 August 2019)	✓	✓	✓	N/A	3/3
Datuk Jaswant Singh Kler (Resigned on 14 August 2019)	✓	✓	✓	N/A	3/3
Datuk Hj. Othman Bin Walat	✓	✓	✓	✓	4/4
Puan Hajah Ainahwati Binti Abd Sani (Resigned on 22 May 2019)	✓	✓	N/A	N/A	2/2
Lim Fook Hin (Resigned on 14 August 2019)	✓	✓	✓	N/A	3/3
Datu Rafee Bin Datu Makling (Appointed on 22 May 2019)	N/A	N/A	✓	✓	2/2
Tan Aik Kiong (Appointed on 14 August 2019)	N/A	N/A	N/A	✓	1/1
Mohd Hattah Bin Ja'afar (Appointed on 22 May 2019)	N/A	N/A	X	✓	1/2
Asgari Bin Mohd Fuad Stephens (Appointed on 1 January 2019)	✓	✓	✓	✓	4/4
Lim Ted Hing (Appointed on 14 August 2019)	N/A	N/A	N/A	✓	1/1
Ng Chee Fen (Appointed on 14 August 2019)	N/A	N/A	N/A	✓	1/1

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

III. FOSTER COMMITMENT (CONTINUED)

Time Commitment (continued)

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 2019. 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..

IV BOARD COMMITTEES

Nomination Committee

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

- Datu Rafee Bin Datu Makling (Chairperson)
- Lim Ted Hing

The Chair of the Committee is held by the Non-Executive Chairman.

On 22 May 2019, Datu Rafee Bin Datu Makling was appointed as the Chairperson of the Nomination Committee and Independent Director to replace Datuk Hj. Majin Hj. Ajing who had ceased to be the Chairman of the Nomination Committee and Independent Director following his retirement as a Director at the conclusion of the last AGM.

On 14 August 2019, Lim Ted Hing was also appointed as a member of the Nomination Committee to replace Datuk Jaswant Singh Kler who had stepped down as a member of the 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

IV BOARD COMMITTEES (CONTINUED)

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 2019 are disclosed in the CG Report.

At the forthcoming AGM, the Directors who are due for retirement and re-election are as follows:

(a) Pursuant to Clause 100 of the Company's Constitution, Datuk Hj. Othman Bin Walat is due for retirement and re-election; and
(b) Pursuant to Clause 97 of the Company's Constitution, Datu Rafee Bin Datu Makling, Tan Aik Kiong, Mohd Hattah Bin Ja'afar, Lim Ted Hing and Ng Chee Fen are due for retirement and re-election.

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.

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:

- Datu Rafee Bin Datu Makling (Chairman)
- Lim Ted Hing
- Tan Aik Kiong

On 22 May 2019, Datu Rafee Bin Datu Makling was appointed as the Chairman of the Remuneration Committee to replace Datuk Hj. Majin Hj. Ajing who had ceased to be the Chairman of the Remuneration Committee following his retirement as a Director at the conclusion of the last AGM.

On 14 August 2019, Lim Ted Hing and Tan Aik Kiong were also appointed as members of the Nomination Committee to replace Datuk (Dr.) Kelvin Tan Aik Pen and Datuk Jaswant Singh Kler who had stepped down as members of the Nomination committee.

The Remuneration Committee's primary responsibility is to recommend to the Board the remuneration of the Executive Directors and senior management staff at director level 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.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

IV BOARD COMMITTEES (CONTINUED)

Remuneration Committee (continued)

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 2019 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 statement 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.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONTINUED)

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 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.

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 2019.

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 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 Director, Lim Ted Hing. At all times, shareholders may contact the Company Secretary for information on the Company.

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 and Remuneration Committees was also available to provide meaningful response to any question raised by shareholders.

In line with Practice 12.1 of the Code, Notice for the forthcoming 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. Members of the Board as well as the external auditors and representatives from the share registrars of the Company are present to answer questions raised at the meeting.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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 2019 of the Company which can be downloaded from IPB's website at www.innoprise.com.my.

ADDITIONAL COMPLIANCE INFORMATION

1. AUDIT AND NON-AUDIT FEES

	Group		Company	
	2019	2018	2019	2018
Fees Paid	RM	RM	RM	RM
Audit	**121,000**	114,000	**65,000**	60,000
Non-audit	**57,500**	21,500	**40,000**	9,500

2. 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.

3. EMPLOYEE SHARE SCHEME

The Company currently has one (1) Executives' Share Option Scheme ("ESOS") in existence and only directors and executive employees of the Innoprise Group are eligible to participate in the Scheme. The ESOS will be expiring on 25 May 2020. The details of ESOS are as follows:-

Total ESOS outstanding as at 1 January 2019	Total number of ESOS granted during the year	Total number of ESOS exercised/lapsed* during the financial year	Total ESOS outstanding as at 31 December 2019
1,243,000	-	(531,600)	711,400

Aggregate ESOS granted to directors	Aggregate ESOS exercised by directors/lapsed*	Sub-division	Aggregate ESOS outstanding as at 31 December 2019
3,200,000	(3,425,000)	225,000	-

* 1,250,000 Lapsed due to resignation

	Actual percentage granted (%)		
	Aggregate maximum allocation (%)	Since Commencement of the Scheme	During the financial year
Directors and Senior Management	40	13.39	-

ADDITIONAL COMPLIANCE INFORMATION (CONTINUED)

4. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

At the last AGM of the Company held on 21 May 2019, 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 2019 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.	842,193
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.	2,925,158

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)	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.	108,337,968
Serijaya Industri Sdn. Bhd. (Seller)	TSHW (Buyer)	Same as disclosed above	Sale of palm kernel	9,420,193
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 seedlings	621,000
Serijaya Industri Sdn. Bhd. (Seller)	RT Plantations Sdn Bhd ("RTPSB") [formerly known as Rinukut Plantations Sdn. Bhd. ("RPSB")] (Buyer)	RPSB 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. The 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 weakness 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.

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 on the Annual Report of the Group for the year ended 31 December 2019, 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 18 May 2020.

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 2019.

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)

Datu Rafee Bin Datu Makling - Member, Independent Non-Executive Director

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

On 22 May 2019, Datu Rafee Bin Datu Makling and Mohd Hattah Bin Ja'afar were appointed as members of the Audit Committee to replace Datuk Hj. Majin Hj. Ajing and Puan Hajah Ainahwati Binti Abd Sani who had stepped down as members of the Audit Committee.

On 14 August 2019, Datuk Jaswant Singh Kler resigned as a Director and accordingly ceased to be the Chairman of the Audit Committee. Lim Ted Hing took over as the Chairman of the Audit Committee following the resignation of Datuk Jaswant Singh Kler.

The Audit Committee met five (5) times during the year to discharge its duties and responsibilities. Attendance of members of the Audit Committee during 2019 is shown in the table below.

Name	25/02/19	10/04/19	21/05/19	13/08/19	18/11/19	Total
Datuk Jaswant Singh Kler (Resigned on 14 August 2019)	✓	✓	✓	✓	NA	4/4
Datuk Hj. Majin Hj. Ajing (Resigned on 21 May 2019)	✓	✓	✓	NA	NA	3/3
Puan Hajah Ainahwati Binti Abd Sani (Resigned on 22 May 2019)	✓	✓	✓	NA	NA	3/3
Lim Ted Hing (Appointed on 14 August 2019)	NA	NA	NA	NA	✓	1/1
Datu Rafee Bin Datu Makling (Appointed on 22 May 2019)	NA	NA	NA	✓	✓	2/2
Mohd Hattah Bin Ja'afar (Appointed on 22 May 2019)	NA	NA	NA	×	✓	1/2

During the financial year, the Audit Committee had engaged on a continuous basis with senior management, Internal Auditor 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 is made available on the Company's website at www.innoprise.com.my.

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 2019. 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 literary

TRAINING

For the year under review, all members of the Audit Committee had attended various 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.

SUMMARY OF ACTIVITIES (CONTINUED)

2. EXTERNAL AUDIT

During the year under review, the Audit Committee had one (1) meeting 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 2019, 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 for the financial year ending 31 December 2019.

At the last Annual General Meeting held on 21 May 2019, the shareholders had approved the re-appointment of Messrs Ernst & Young PLT as auditors of the Company.

In November 2019, the Audit Committee reviewed the 2019 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 2020, 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 2020.

The Audit Committee shall continue to review KAMs raised by the external auditors as part of its focus areas for 2019 in addition to its routine business.

SUMMARY OF ACTIVITIES (CONTINUED)

3. INTERNAL AUDIT

The Audit Committee reviewed and approved the annual audit plan for 2019 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 final dividend 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.

AUDIT COMMITTEE REPORT

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.

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 Annual Committee Meeting.

The total cost incurred in managing the Internal Audit Department in 2019 was about RM243,490.

STATEMENT BY AUDIT COMMITTEE ON THE COMPANY'S ESOS

The Audit Committee has reviewed and is of the view that the criteria for allocation of the Company's ESOS for the financial year under review:

(a) has been made known to all eligible employees; and

(b) the allocation of the options is made in compliance as set out in the By-Laws of the Company's ESOS.

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 2019 set out on pages 62 to 133 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

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 2019.

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	14,720,365	3,676,699

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 amount of dividend paid by the Company since 31 December 2018 was as follows:

	RM
In respect of the financial year ended 31 December 2018 as reported in the directors' report of that year:	
Final single-tier dividend of RM0.01 per share on 478,857,950 ordinary shares, declared on 21 May 2019 and paid on 16 August 2019	4,788,579

At the forthcoming Annual General Meeting, a final single-tier dividend in respect of the financial year ended 31 December 2019, of RM0.02 per share on ordinary shares, will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2020.

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. Othman Bin Walat*	
Asgari Bin Mohd Fuad Stephens	(Appointed on 1 January 2019)
Mohd Hattah Bin Ja'afar	(Appointed on 22 May 2019)
Datu Rafee Bin Datu Makling*	(Appointed on 22 May 2019, appointed as director of subsidiaries on 1 July 2019)
Tan Aik Kiong*	(Appointed on 14 August 2019, appointed as director of subsidiaries on 13 August 2019 and 14 August 2019)
Ng Chee Fen*	(Appointed on 14 August 2019)
Lim Ted Hing	(Appointed on 14 August 2019)
Datuk Hj. Majin Hj. Ajing*	(Retired on 21 May 2019, resigned as director of subsidiaries on 22 May 2019)
Puan Hajah Ainahwati Binti Abd Sani	(Resigned on 22 May 2019)
Datuk (Dr.) Kelvin Tan Aik Pen*	(Resigned on 14 August 2019)
Datuk Jaswant Singh Kler	(Resigned on 14 August 2019)
Lim Fook Hin*	(Resigned on 14 August 2019)

Alternate director

Tan Aik Kiong** (Alternate to Datuk (Dr.) Kelvin Tan Aik Pen, resigned on 14 August 2019)

* These directors are/were also directors of the Company's subsidiaries.
** This alternate director is also alternate director of the Company's subsidiary.

The names of the directors 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:

Saharuddin Bin Salleh	
Datuk Hj. Jamalul Kiram Bin Mohd Zakaria	(Appointed on 22 May 2019 and resigned on 1 July 2019 and 2 July 2019)

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, other than those arising from the share options granted under the employer share option plan.

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 29 to the financial statements.

Directors' benefits (continued)

The directors' benefits are as follows:

	Group RM	Company RM
Fees	311,140	192,000
Salaries and/or other emoluments	1,253,460	15,500
	1,564,600	207,500

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 and options over shares in the Company during the financial year were as follows:

	Number of ordinary shares			
	1.1.2019	Acquired	Sold	31.12.2019
Direct interest:				
Datuk Hj. Othman Bin Walat	434,750	-	-	434,750
Tan Aik Kiong	750,000	-	-	750,000
Indirect interest:				
Asgari Bin Mohd Fuad Stephens^	6,146,000	-	-	6,146,000

^ 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 and options over shares in the Company or its related corporations during the financial year.

DIRECTORS' REPORT

Employee share option scheme

At an Extraordinary General Meeting held on 30 October 2009, shareholders approved the Executive' Share Option Scheme ("ESOS") for the granting of up to five percent (5%) of the issued and paid up share capital, to eligible senior executives.

The salient features and other terms of the ESOS are disclosed in Note 26 to the financial statements.

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 there were no known bad debts 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) it necessary to write off any 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.

(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 event

Details of subsequent event are disclosed in Note 35 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	121,000	65,000

Signed on behalf of the Board in accordance with a resolution of the directors dated 18 May 2020.

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 62 to 133 give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 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 18 May 2020.

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 62 to 133 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 18 May 2020

Ng Chee Fen

Before me,

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 2019 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 62 to 133.

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 2019, 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. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each 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.

Impairment of property, plant and equipment and right-of-use assets

As at 31 December 2019, the carrying value of property, plant and equipment and right-of-use assets of the Group were RM363,129,790 and RM3,104,784 respectively, representing approximately 93% of the total assets of the Group.

The Group assessed that there was an indication of impairment on property, plant and equipment and right-of-use assets as the Malaysian oil palm industry faced a challenging year in 2019 with lower prices for palm oil products. Accordingly, the Group performed an impairment assessment to determine the recoverable amount of the cash generating unit ("CGU") relating to property, plant and equipment and right-of-use assets. This involves comparing the recoverable amount of the related CGU to the carrying amount of property, plant and equipment and right-of-use assets.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF INNOPRISE PLANTATIONS BERHAD (INCORPORATED IN MALAYSIA)

Report on the audit of the financial statements (continued)

Impairment of property, plant and equipment and right-of-use assets (continued)

We identified the impairment assessment as an area of focus as the impairment assessment is complex and highly judgmental and the carrying amount of property, plant and equipment and right-of-use assets are significant to the Group. It involves assessment of possible variations in the amounts and timing of future cash flows based on assumptions affected by future market and economic conditions. Judgement is also applied in determining an appropriate discount rate to determine the present value of future cash flows.

In addressing this area of audit focus, we involved our internal valuation experts and performed, amongst others, the following procedures:

1) we obtained an understanding of the methodology adopted by the management in estimating the value in use and assessed whether such methodology is consistent with those used in the industry;
2) we assessed the key assumptions used, focusing on projected yield and commodity prices, taking into consideration the current and expected future economic conditions. We compared the key assumptions against past actual outcomes;
3) we assessed the discount rate used and whether the rate used reflects the current market assessments of the time value of money and the risks specific to the asset is the return that investors would require if they were to choose an investment that would generate cash flows of amounts, timing and risk profile equivalent to those that the entity expects to derive from the asset; and
4) we assessed the sensitivity of the cash flows to changes in the discount rates and key assumptions.
5) we evaluated the disclosures of the key assumptions on which the Group has based in its cash flow projections. Key assumptions are disclosed in Note 3.2(a) to the financial statements.

The Group's accounting policies and disclosures on impairment assessment of property, plant and equipment are disclosed in Notes 2.7, 2.16 and 3.2(a) respectively to the financial statements.

Impairment of investments in subsidiaries

As at 31 December 2019, the carrying value of investments in subsidiaries of the Company is RM245,855,384, representing approximately 98% of the total assets of the Company.

The Company considered the internal and external indication of impairment in relation to the investments in subsidiaries as at year end. Accordingly, the Company performed an impairment assessment to determine the recoverable amount of its investments in subsidiaries.

We identified the impairment assessment as an area of focus as the impairment assessment is complex and highly judgemental and the carrying amount of investments in subsidiaries is significant to the Company. It involves assessment of possible variations in the amounts and timing of future cash flows based on assumptions affected by future market and economic conditions. Judgement is also applied in determining an appropriate discount rate to determine the present value of future cash flows.

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

1) we obtained an understanding of the methodology adopted by the management in estimating the recoverable amount;
2) we assessed the key assumptions used, focusing on projected yield and commodity prices, taking into consideration the current and expected future economic conditions. We compared the key assumptions against past actual outcomes;
3) we assessed the discount rate used and whether the rate used reflects the current market assessments of the time value of money and the risks specific to the asset is the return that investors would require if they were to choose an investment that would generate cash flows of amounts, timing and risk profile equivalent to those that the entity expects to derive from the asset;

Report on the audit of the financial statements (continued)

Impairment of investments in subsidiaries (continued)

4) we assessed the sensitivity of the cash flows to changes in the discount rates and key assumptions; and
5) we evaluated the disclosures of the key assumptions on which the Company has based in its cash flow projections. Key assumptions are disclosed in Note 3.2(b) to the financial statements.

The accounting policies and disclosures on impairment assessment of investments in subsidiaries are disclosed in Notes 2.7 and 3.2(b) respectively 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 Directors' report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the Annual Report, which is expected to be made available to us after the date of this auditors' report.

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 on the other information that we obtained prior to the date of this auditors' report, 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.

When we read the Annual Report, if we conclude that there is material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action.

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)

Report on the audit of the financial statements (continued)

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

Report on the audit of the financial statements (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

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
03257/05/2020 J
Chartered Accountant

Kota Kinabalu, Malaysia
18 May 2020

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Revenue	4	118,600,354	114,222,418	4,532,000	17,365,000
Cost of sales	5	(98,749,740)	(96,822,949)	-	(203,656)
Gross profit		19,850,614	17,399,469	4,532,000	17,161,344
Other items of income					
Interest income	6	26,971	72,615	-	-
Other income	7	2,747,666	1,891,391	-	3,000
Other items of expense					
Administrative expenses		(3,685,879)	(3,976,614)	(854,878)	(552,468)
Other expenses		(591,475)	(1,038,551)	-	-
Finance costs	8	(39,420)	(1,863,789)	-	-
Profit before tax	9	18,308,477	12,484,521	3,677,122	16,611,876
Income tax expense	12	(3,588,112)	(3,019,215)	(423)	(1,468)
Profit net of tax		14,720,365	9,465,306	3,676,699	16,610,408
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		14,720,365	9,465,306	3,676,699	16,610,408
Earnings per share attributable to owners of the Company (sen):					
Basic	13	3.07	1.98		
Diluted	13	3.07	1.98		

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	Group		Company	
		2019	2018	2019	2018
		RM	RM	RM	RM
Assets					
Non-current assets					
Property, plant and equipment	14	363,129,790	373,325,830	7,627	44,754
Right-of-use assets	16	3,104,784	-	-	-
Investments in subsidiaries	17	-	-	245,855,384	245,855,384
Other receivables	19	1,435,255	2,085,565	-	-
		367,669,829	375,411,395	245,863,011	245,900,138
Current assets					
Biological assets	15	3,855,665	1,336,397	-	-
Inventories	18	5,755,415	4,134,564	-	-
Trade and other receivables	19	5,134,125	3,579,224	4,972,461	6,073,833
Income tax refundable		55,000	192,770	-	-
Cash and bank balances	20	10,092,403	2,050,433	100,909	73,364
		24,892,608	11,293,388	5,073,370	6,147,197
Total assets		392,562,437	386,704,783	250,936,381	252,047,335
Equity and liabilities					
Current liabilities					
Loans and borrowings	21	15,000,000	24,970,336	-	-
Lease liabilities	16	73,845	-	-	-
Trade and other payables	22	15,974,449	15,909,600	73,489	72,266
Income tax payable		405	702	405	702
		31,048,699	40,880,638	73,894	72,968
Net current (liabilities)/assets		(6,156,091)	(29,587,250)	4,999,476	6,074,229
Non-current liabilities					
Deferred tax liabilities	23	40,856,739	37,269,050	-	-
Loans and borrowings	21	-	29,017	-	-
Lease liabilities	16	2,199,135	-	-	-
		43,055,874	37,298,067	-	-
Total liabilities		74,104,573	78,178,705	73,894	72,968
Net assets		318,457,864	308,526,078	250,862,487	251,974,367

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Equity attributable to owners of the Company					
Share capital	24	239,675,958	239,675,958	239,675,958	239,675,958
Other reserve	25	246,738	391,103	246,738	391,103
Retained earnings		78,535,168	68,459,017	10,939,791	11,907,306
Total equity		318,457,864	308,526,078	250,862,487	251,974,367
Total equity and liabilities		392,562,437	386,704,783	250,936,381	252,047,335

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 2019

	Share capital RM	Other reserve RM	Retained earnings RM	Total equity RM
Group				
At 1 January 2019	239,675,958	391,103	68,459,017	308,526,078
Profit net of tax	-	-	14,720,365	14,720,365
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	14,720,365	14,720,365
Transactions with owners				
Lapse of employee share options	-	(144,365)	144,365	-
Dividend on ordinary shares	-	-	(4,788,579)	(4,788,579)
Total transactions with owners	-	(144,365)	(4,644,214)	(4,788,579)
At 31 December 2019	239,675,958	246,738	78,535,168	318,457,864
At 1 January 2018	239,675,958	382,384	73,359,450	313,417,792
Profit net of tax	-	-	9,465,306	9,465,306
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	9,465,306	9,465,306
Transactions with owners				
Share options granted under ESOS:				
- Recognised in profit or loss	-	8,719	-	8,719
Dividend on ordinary shares	-	-	(14,365,739)	(14,365,739)
Total transactions with owners	-	8,719	(14,365,739)	(14,357,020)
At 31 December 2018	239,675,958	391,103	68,459,017	308,526,078

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Share capital RM	Other reserve RM	Retained earnings RM	Total equity RM
Company				
At 1 January 2019	239,675,958	391,103	11,907,306	251,974,367
Profit net of tax	-	-	3,676,699	3,676,699
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	3,676,699	3,676,699
Transactions with owners				
Lapse of employee share options	-	(144,365)	144,365	-
Dividend on ordinary shares	-	-	(4,788,579)	(4,788,579)
Total transactions with owners	-	(144,365)	(4,644,214)	(4,788,579)
At 31 December 2019	239,675,958	246,738	10,939,791	250,862,487
At 1 January 2018	239,675,958	382,384	9,662,637	249,720,979
Profit net of tax	-	-	16,610,408	16,610,408
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	16,610,408	16,610,408
Transactions with owners				
Share options granted under ESOS:				
- Recognised in profit or loss	-	3,156	-	3,156
- Included in investment in subsidiary	-	5,563	-	5,563
Dividend on ordinary shares	-	-	(14,365,739)	(14,365,739)
Total transactions with owners	-	8,719	(14,365,739)	(14,357,020)
At 31 December 2018	239,675,958	391,103	11,907,306	251,974,367

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 2019

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Operating activities				
Profit before tax	18,308,477	12,484,521	3,677,122	16,611,876
Adjustments for:				
Depreciation of property, plant and equipment	21,032,651	20,191,361	8,025	19,351
Depreciation of right-of-use assets	200,913	-	-	-
Loss/(gain) on disposal of plant and equipment	7,102	(1,162,156)	7,102	-
Impairment loss on other receivable	469,743	-	-	-
Interest income	(26,971)	(72,615)	-	-
Finance costs	39,420	1,863,789	-	-
Property, plant and equipment written off	-	13,802	-	-
Share options granted under ESOS	-	3,156	-	3,156
Fair value changes of biological assets, net	(2,519,268)	775,439	-	-
Total adjustments	19,203,590	21,612,776	15,127	22,507
Operating cash flows before changes in working capital	37,512,067	34,097,297	3,692,249	16,634,383
Changes in working capital:				
(Increase)/decrease in inventories	(1,620,851)	216,194	-	-
(Increase)/decrease in receivables	(1,374,334)	5,008,225	20,950	(4,344)
Increase/(decrease) in payables	64,849	(2,293,283)	1,223	(67,761)
Increase/(decrease) in amounts due from subsidiaries	-	-	1,080,422	(2,241,980)
Total changes in working capital	(2,930,336)	2,931,136	1,102,595	(2,314,085)

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

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Cash flow from operations	34,581,731	37,028,433	4,794,844	14,320,298
Interest received	26,971	72,615	-	-
Interest paid	(1,278,341)	(1,920,273)	-	-
Income tax refunded	197,770	-	-	-
Income tax paid	(60,720)	(103,144)	(720)	(35,644)
Net cash flows from operating activities	33,467,411	35,077,631	4,794,124	14,284,654
Investing activities				
Increase in pledged deposits	(17,067)	(15,309)	-	-
Purchase of property, plant and equipment	(10,643,769)	(22,167,215)	-	(4,142)
Proceeds from disposal of plant and equipment	22,000	2,164,953	22,000	-
Net cash flows (used in)/from investing activities	(10,638,836)	(20,017,571)	22,000	(4,142)
Financing activities				
Dividends paid	(4,788,579)	(14,365,739)	(4,788,579)	(14,365,739)
Drawdown of revolving credits	3,000,000	12,000,000	-	-
Drawdown of invoice financing	5,697,747	1,678,035	-	-
Repayment of invoice financing	(5,697,747)	(1,678,035)	-	-
Repayment of term loans	(12,500,010)	(21,500,000)	-	-
Repayment of hire purchase payables	-	(1,361,410)	-	-
Payment of principal portion of lease liabilities	(515,083)	-	-	-
Net cash flows used in financing activities	(14,803,672)	(25,227,149)	(4,788,579)	(14,365,739)
Net increase/(decrease) in cash and cash equivalents	8,024,903	(10,167,089)	27,545	(85,227)
Cash and cash equivalents at beginning of year	1,525,145	11,692,234	73,364	158,591
Cash and cash equivalents at end of year (Note 20)	9,550,048	1,525,145	100,909	73,364

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 2019

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 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 discussed below.

On 1 January 2019, the Group and the Company adopted the following new and amended MFRSs and interpretation mandatory for annual financial periods beginning on or after 1 January 2019.

Description	**Effective for annual periods beginning or after**
MFRS 16 Leases	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to MFRS Standards 2015 - 2017 Cycle	1 January 2019

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

The adoption of these new and amended standards and interpretation did not have any effect on the financial performance or position of the Group and of the Company, except as discussed below.

MFRS 16 Leases

MFRS 16 supersedes MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statements of financial position.

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 did not have an impact for leases where the Group or the Company is the lessor.

The Group and the Company adopted MFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. Comparative are not restated. The Group and the Company elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group and the Company applied the standard only to contracts that were previously identified as leases applying MFRS 117 and IC Interpretation 4 at the date of initial application.

The effects of adoption of MFRS 16 on the Group as at 1 January 2019 (increase/(decrease)) are as follows. There are no effects arising from the adoption of MFRS 16 on the Company.

	Group RM
Assets	
Right-of-use assets	4,200,592
Property, plant and equipment	(1,911,872)
	2,288,720
Liabilities	
Lease liabilities	2,788,063
Loans and borrowings	(499,343)
	2,288,720
Total adjustment on equity	-

The Group has lease contracts for land and motor vehicles. The Group and the Company also have certain leases of office equipment. Before the adoption of MFRS 16, the Group and the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer Note 2.16 Leases for the accounting policy prior to 1 January 2019.

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

MFRS 16 Leases (continued)

Upon adoption of MFRS 16, the Group and the Company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2.16 Leases for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group and the Company.

<u>Leases previously classified as finance leases</u>

The Group and the Company did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under MFRS 117). The requirements of MFRS 16 was applied to these leases from 1 January 2019.

<u>Leases previously accounted for as operating leases</u>

The Group and the Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group and the Company also applied the available practical expedients wherein they:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Relied on its assessment of whether leases are onerous immediately before the date of initial application.
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application.
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Based on the above, as at 1 January 2019:

- Right-of-use assets of RM4,200,592 were recognised and presented separately in the statement of financial position of the Group. This includes the lease assets recognised previously under finance leases of RM1,911,872 that were reclassified from property, plant and equipment.
- Additional lease liabilities of RM2,288,720 were recognised and, added with finance lease liabilities previously included in loans and borrowings, were presented separately in the statement of financial position of the Group.
- No movement in deferred tax liabilities because no deferred tax impact of the changes in assets and liabilities.
- No adjustments had been made to retained earnings of the Group.

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

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

MFRS 16 Leases (continued)

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

Assets	**RM**
Operating lease commitments as at 31 December 2018	2,159,964
Weighted average incremental borrowing rate as at 1 January 2019	8.00%
Discounted operating lease commitments at 1 January 2019	550,512
Add: Hire purchase liabilities as at 31 December 2018	499,343
Add: Lease payments not included in operating lease commitments as at 31 December 2018	1,738,208
Lease liabilities as at 1 January 2019	2,788,063

Annual Improvements to MFRS Standards 2015 - 2017 Cycle

MFRS 123 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The amendments are applied prospectively to borrowing costs incurred on or after the beginning of annual period beginning on or after 1 January 2019.

The Group applied the amendments to MFRS 123 Borrowing Costs for the first time during the year. Arising from the application of the above amendments, the Group capitalised borrowing costs of RM1,238,921 to the carrying amount of bearer plants for the financial year ended 31 December 2019.

2. Summary of significant accounting policies (continued)

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 or after
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform	1 January 2020
Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

Amendments to MFRS 101 and MFRS 108: Definition of Material

Amendments were made to MFRS 101 Presentation of Financial Statements and MFRS 108 to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments explain that information is obscured if it is communicated in a way that would have a similar effect as omitting or misstating the information. Material information may, for instance, be obscured if information regarding a material item, transaction or other event is scattered throughout the financial statements, or disclosed using a language that is vague or unclear. Material information can also be obscured if dissimilar items, transactions or other events are inappropriately aggregated, or conversely, if similar items are inappropriately disaggregated.

The amendments replaced the threshold 'could influence', which suggests that any potential influence of users must be considered, with 'could reasonably be expected to influence' in the definition of 'material'. In the amended definition, therefore, it is clarified that the materiality assessment will need to take into account only reasonably expected influence on economic decisions of primary users.

Although the amendments to the definition of material is not expected to have a significant impact on an entity's financial statements, the introduction of the term 'obscuring information' in the definition could potentially impact how materiality judgements are made in practice, by elevating the importance of how information is communicated and organised in the financial statements.

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

2. Summary of significant accounting policies (continued)

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.

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.

2. Summary of significant accounting policies (continued)

2.4 Basis of consolidation (continued)

Business combinations and goodwill (continued)

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.

2.5 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, plant and equipment and furniture and fixtures 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 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.

2. Summary of significant accounting policies (continued)

2.5 Property, plant and equipment (continued)

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	22 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 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 are classified as current assets and comprised produce growing on bearer plants. Biological assets 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.

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.

2. Summary of significant accounting policies (continued)

2.7 Impairment of non-financial assets (continued)

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 unless the asset is measured at revalue amount, in which case the reversal is treated as a revaluation increase. 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 as current when it is:

- expected to be realised or intended to 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.

2.9 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.

2. Summary of significant accounting policies (continued)

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

(i) Financial assets (continued)

Initial recognition and measurement (continued)

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.

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.

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 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.

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.

2. Summary of significant accounting policies (continued)

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

(i) Financial assets (continued)

Derecognition (continued)

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).

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. The Group and the Company have established a provision matrix that is based on its 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.

2. Summary of significant accounting policies (continued)

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

(ii) Financial liabilities (continued)

Initial recognition and measurement (continued)

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.

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.

2. Summary of significant accounting policies (continued)

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

(ii) Financial liabilities (continued)

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 recognized less, when appropriate, the cumulative amount of income recognized 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.

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: 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. Summary of significant accounting policies (continued)

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.

(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.

2. Summary of significant accounting policies (continued)

2.15 Employee benefits (continued)

(c) Employee share options plans (continued)

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

Current financial year

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.

Group as a 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.

(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.

2. Summary of significant accounting policies (continued)

2.16 Leases (continued)

Current financial year (continued)

Group as a lessee (continued)

(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.

(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.

Group as a 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. Summary of significant accounting policies (continued)

2.16 Leases (continued)

Current financial year (continued)

Previous financial year

In the previous financial year, the determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

(a) As lessee

Finance leases which transfer to the Group or the Company substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group or the Company will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

Leases where the Group or the Company retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. 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. The accounting policy for rental income is set out in Note 2.18(c). Contingent rents 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 30.

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

2. Summary of significant accounting policies (continued)

2.17 Fair value measurement (continued)

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.

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 determines 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.

2. Summary of significant accounting policies (continued)

2.18 Revenue (continued)

(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.

2.19 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.

2. Summary of significant accounting policies (continued)

2.19 Taxes (continued)

(b) Deferred tax (continued)

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.

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.

(c) Sales and service tax (SST)

Revenue is recognised net of the amount of SST as it is payable to the taxation authority. SST payable to the taxation authority is included as part of payables in the statements of financial position.

When SST is incurred, SST is recognised as part of the expense or cost of acquisition of the asset as SST is not recoverable.

2. Summary of significant accounting policies (continued)

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 33, 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.

3.1 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.

3. Significant accounting judgements and estimates (continued)

3.2 Key sources of estimation uncertainty (continued)

(a) Impairment of property, plant and equipment and right-of-use assets

The Group reviews the carrying amount of property, plant and equipment and right-of-use assets at each reporting date to assess whether there is any indication of impairment. If any such indication exists, the Group 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 to sell and its value in use.

During the financial year, the Malaysian oil palm industry faced a challenging year with lower prices for palm oil products. Accordingly, the Group carried out impairment assessment to determine the recoverable amount of the cash generating unit ("CGU") relating to property, plant and equipment and right-of-use assets, based on value-in-use ("VIU"). Estimating the VIU involves estimating the future cash inflows and outflows that will be generated by the CGU, and discounting them at an appropriate rate.

The key assumptions that the Group has based its cash flows projections include but not limited to, projected yield, commodity prices and the discount rate used for the VIU. The carrying amount of property, plant and equipment and right-of-use assets of the Group as at the reporting date is disclosed in Note 14 and Note 16 respectively. There was no impairment recognised by the Group for the current financial year (2018: nil).

(b) Impairment of investments in subsidiaries

The Company assesses whether there was any indication that each of the investments in subsidiaries may be impaired at each reporting date. If any indication exists, the Company makes an estimate of the investment's recoverable amount. Where the carrying amount of an investment in subsidiary exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount.

The subsidiaries of the Company operate in the oil palm industry. As mentioned in Note 3.2(a), there is indication of impairment for companies in oil palm industry. Accordingly, the Company is also required to assess impairment for its investments in subsidiaries. The Company estimates the recoverable amount of the investments in subsidiaries based on future cash inflows and outflows of the subsidiaries, and discounting them at appropriate rate.

The cash flows projections and the key assumptions used for estimating the recoverable amount is similar to that stated in Note 3.2(a). The carrying amount of investments in subsidiaries of the Company as at the reporting date is disclosed in Note 17. There was no impairment recognised by the Company for the current financial year (2018: nil).

(c) Biological assets

The Group carries its biological assets at fair value with changes in fair value being 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.

3. Significant accounting judgements and estimates (continued)

3.2 Key sources of estimation uncertainty (continued)

(d) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital and agriculture allowances to the extent that it is probable that taxable profit will be available against which the losses, capital and agriculture allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statements of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

The total carrying value of deferred tax assets on unused tax losses and unabsorbed capital and agriculture allowances of the Group at 31 December 2019 was RM30,599,214 (2018: RM33,377,653) and recognised tax losses, unabsorbed capital and agriculture allowances at 31 December 2019 was RM127,496,725 (2018: RM139,073,554). The unrecognised tax losses and unabsorbed capital allowances of the Group and of the Company at 31 December 2019 was RM2,463,210 (2018: RM2,095,517).

(e) Provision for expected credit losses of trade and other receivables

The Group uses a provision matrix to calculate ECLs for trade and other receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The carrying amount of trade and other receivables as at 31 December 2019 is disclosed in Note 19.

(f) Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

4. Revenue

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Revenue from contracts with customers:				
Types of goods or services				
Management fees	-	-	-	396,000
Sale of oil palm fresh fruit bunches	842,193	840,366	-	-
Sale of crude palm oil	108,337,968	100,861,618	-	-
Sale of palm kernel	9,420,193	12,520,434	-	-
	118,600,354	114,222,418	-	396,000
Other revenue				
Dividend income	-	-	4,532,000	16,969,000
	118,600,354	114,222,418	4,532,000	17,365,000
Timing of revenue recognition				
At a point in time	118,600,354	114,222,418	-	-
Over time	-	-	-	396,000
	118,600,354	114,222,418	-	396,000

5. Cost of sales

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Cost of inventories sold	98,749,740	96,822,949	-	-
Cost of services rendered	-	-	-	203,656
	98,749,740	96,822,949	-	203,656

6. Interest income

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Interest income from money market deposits	9,904	57,306	-	-
Interest income from deposits	17,067	15,309	-	-
	26,971	72,615	-	-

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7. Other income

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Rental income	1,950	1,800	-	-
Miscellaneous income	226,448	727,435	-	3,000
Gain on disposal of plant and equipment	-	1,162,156	-	-
Fair value changes of biological assets, net	2,519,268	-	-	-
	2,747,666	1,891,391	-	3,000

8. Finance costs

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Interest expense on:				
Term loans	249,956	1,413,570	-	-
Revolving credits	753,390	317,248	-	-
Invoice financing	31,540	6,182	-	-
Hire purchase	-	162,957	-	-
Trade advances	10,023	20,316	-	-
Lease liabilities	233,432	-	-	-
	1,278,341	1,920,273	-	-
Less: Interest expense capitalised in property, plant and equipment (Note 14)	(1,238,921)	(56,484)	-	-
	39,420	1,863,789	-	-

9. Profit before tax

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Employee benefits expense (Note 10)	34,251,555	30,348,978	2,500	2,000
Non-executive directors' remuneration (Note 11)	324,140	331,656	205,000	201,656
Auditors' remuneration:				
- Statutory audits:				
- current year	121,000	114,000	65,000	60,000
- under provision in respect of previous year	2,000	21,000	2,000	10,000
- Other service	57,500	21,500	40,000	9,500
Depreciation of property, plant and equipment (Note 14)	21,032,651	20,191,361	8,025	19,351
Depreciation of right-of-use assets	200,913	-	-	-
Allowance for expected credit losses on other receivables (Note 19)	469,743	-	-	-
Management fees payable	-	-	109,049	-
Loss on disposal of property, plant and equipment	7,102	-	7,102	-
Property, plant and equipment written off (Note 14)	-	13,802	-	-
Rental of premises	169,286	151,770	42,750	42,750
Fair value changes of biological assets, net	-	775,439	-	-

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10. Employee benefits expense

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Wages, salaries and others	35,099,481	31,682,001	2,500	2,000
Contributions to defined contribution plan	1,001,807	931,764	-	-
Social security contributions	101,545	102,259	-	-
Share options granted under ESOS	-	5,563	-	-
	36,202,833	32,721,587	2,500	2,000
Less: Amount capitalised in property, plant and equipment (Note 14)	(1,951,278)	(2,372,609)	-	-
	34,251,555	30,348,978	2,500	2,000

Included in employee benefits expense of the Group and the Company are executive directors' remuneration amounting to RM1,240,460 (2018: RM1,242,200) and RM2,500 (2018: RM2,000) respectively.

11. Directors' remuneration

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Executive directors' remuneration (Note 10):				
- Salaries and other emoluments	1,240,460	1,242,200	2,500	2,000
	1,240,460	1,242,200	2,500	2,000
Non-executive directors' remuneration (Note 9):				
- Fees	311,140	316,000	192,000	186,000
- Other emoluments	13,000	12,500	13,000	12,500
- Share option granted under ESOS	-	3,156	-	3,156
	324,140	331,656	205,000	201,656
Total directors' remuneration	1,564,600	1,573,856	207,500	203,656

11. Directors' remuneration (continued)

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

2019	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[8]	-	396,056	396,056	-	1,000	1,000
Ng Chee Fen[4]	-	133,333	133,333	-	500	500
Datuk (Dr.) Kelvin Tan Aik Pen[7]	-	394,984	394,984	-	500	500
Lim Fook Hin[7]	-	316,087	316,087	-	500	500
	-	1,240,460	1,240,460	-	2,500	2,500
Non-executive directors:						
Datuk Hj. Othman Bin Walat	48,000	-	48,000	36,000	-	36,000
Asgari Bin Mohd Fuad Stephens[1]	36,000	-	36,000	36,000	-	36,000
Mohd Hattah Bin Ja'afar[2]	21,968	1,000	22,968	21,968	1,000	22,968
Datu Rafee Bin Datu Makling[3]	79,136	2,500	81,636	29,290	2,500	31,790
Lim Ted Hing[4]	13,742	1,000	14,742	13,742	1,000	14,742
Datuk Hj. Majin Haji Ajing[5]	56,129	2,500	58,629	18,710	2,500	21,210
Puan Hajah Ainahwati Binti Abd Sani[6]	14,032	2,000	16,032	14,032	2,000	16,032
Datuk Jaswant Singh Kler[7]	22,258	4,000	26,258	22,258	4,000	26,258
	291,265	13,000	304,265	192,000	13,000	205,000
Total directors' remuneration	291,265	1,253,460	1,544,725	192,000	15,500	207,500

1 Appointed on 1 January 2019.
2 Appointed on 22 May 2019.
3 Appointed on 22 May 2019, appointed as director of subsidiaries on 1 July 2019.
4 Appointed on 14 August 2019.
5 Retired on 21 May 2019, resigned as director of subsidiaries on 22 May 2019.
6 Resigned on 22 May 2019.
7 Resigned on 14 August 2019.
8 Appointed on 14 August 2019, appointed as director of subsidiaries on 13 August 2019 and 14 August 2019.

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11. Directors' remuneration (continued)

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

	Group				Company			
2018	**Fees**	**Salaries and/or other emoluments**	**Share option granted under ESOS**	**Total**	**Fees**	**Salaries and/or other emoluments**	**Share option granted under ESOS**	**Total**
	RM	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
Executive director:								
Datuk (Dr.) Kelvin Tan Aik Pen	-	689,500	-	689,500	-	500	-	500
Lim Fook Hin	-	552,700	-	552,700	-	1,500	-	1,500
	-	1,242,200	-	1,242,200	-	2,000	-	2,000
Non-executive directors:								
Datuk Hj. Majin Haji Ajing	144,000	4,500	-	148,500	48,000	4,500	-	52,500
Datuk Sam Mannan @ Sham Mannan[1]	40,000	-	-	40,000	30,000	-	-	30,000
Datuk Jaswant Singh Kler	36,000	4,500	3,156	43,656	36,000	4,500	3,156	43,656
Datuk Hj. Othman Bin Walat	48,000	-	-	48,000	36,000	-	-	36,000
Puan Hajah Ainahwati Binti Abd Sani	36,000	3,500	-	39,500	36,000	3,500	-	39,500
	304,000	12,500	3,156	319,656	186,000	12,500	3,156	201,656
Total directors' remuneration	304,000	1,254,700	3,156	1,561,856	186,000	14,500	3,156	203,656

[1] Resigned on 1 November 2018.

12. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2019 and 2018 are:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Statements of comprehensive income				
Income tax:				
Current year	405	11,454	405	702
Under provision in respect of previous year	18	766	18	766
	423	12,220	423	1,468
Deferred tax (Note 23):				
Relating to origination and reversal of temporary differences	3,507,220	2,476,188	-	-
Under provision in respect of previous year	80,469	530,807	-	-
	3,587,689	3,006,995	-	-
Income tax expense recognised in profit or loss	3,588,112	3,019,215	423	1,468

12. Income tax expense (continued)

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 2019 and 2018 are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Accounting profit before tax	18,308,477	12,484,521	3,677,122	16,611,876
Tax at Malaysian statutory tax rate of 24% (2018: 24%)	4,394,035	2,996,285	882,509	3,986,850
Adjustments:				
Effect of expenses not deductible for tax purposes	566,133	480,581	112,373	177,707
Income not subject to tax	(604,624)	(183,770)	(1,087,680)	(4,072,560)
Effect of tax exemption#	(941,122)	(714,159)	-	-
Utilisation of previously unrecognised tax losses	-	(92,938)	-	(92,938)
Deferred tax assets not recognised	93,203	1,643	93,203	1,643
Under provision of deferred tax in respect of previous year	80,469	530,807	-	-
Under provision of income tax in respect of previous year	18	766	18	766
Income tax expense recognised in profit or loss	3,588,112	3,019,215	423	1,468

Income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 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.

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.

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	
	2019	**2018**
	RM	**RM**
Profit net of tax attributable to owners of the Company used in the computation of basic earnings per share	14,720,365	9,465,306

	Group	
	2019	**2018**
	Number of shares	**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	17,914	259,013
Weighted average number of ordinary shares for diluted earnings per share computation	478,875,864	479,116,963

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 2019								
Cost								
At 1 January 2019	80,574,037	249,661,391	50,979,834	26,245,646	2,940,672	50,441,343	7,092,061	467,934,984
Effect of adopting MFRS 16	-	-	-	(2,883,489)	-	-	-	(2,883,489)
At 1 January 2019, restated	80,574,037	249,661,391	50,979,834	23,362,157	2,940,672	50,441,343	7,092,061	465,051,495
Additions	697,244	5,162,466	364,511	607,001	112,467	1,623,211	3,593,428	12,160,328
Reclassifications	2,467,077	-	-	-	-	762,701	(3,229,778)	-
Reclassified from right-of-use assets	-	-	-	1,410,548	-	-	-	1,410,548
Disposals	-	-	-	(174,543)	-	-	-	(174,543)
At 31 December 2019	83,738,358	254,823,857	51,344,345	25,205,163	3,053,139	52,827,255	7,455,711	478,447,828
Accumulated depreciation								
At 1 January 2019	9,318,792	48,661,469	4,631,628	11,758,598	1,519,566	18,719,101	-	94,609,154
Effect of adopting MFRS 16	-	-	-	(971,617)	-	-	-	(971,617)
At 1 January 2019, restated	9,318,792	48,661,469	4,631,628	10,786,981	1,519,566	18,719,101	-	93,637,537
Reclassed from right-of-use assets	-	-	-	515,653	-	-	-	515,653
Depreciation charge for the year	1,707,380	11,280,973	1,017,285	1,989,572	200,220	5,114,859	-	21,310,289
Recognised in profit or loss	1,658,565	11,280,973	987,717	1,927,353	194,724	4,983,319	-	21,032,651
Capitalised in bearer plants	48,815	-	29,568	62,219	5,496	131,540	-	277,638
Disposals	-	-	-	(145,441)	-	-	-	(145,441)
At 31 December 2019	11,026,172	59,942,442	5,648,913	13,146,765	1,719,786	23,833,960	-	115,318,038
Net carrying amount								
At 31 December 2019	72,712,186	194,881,415	45,695,432	12,058,398	1,333,353	28,993,295	7,455,711	363,129,790

14. Property, plant and equipment (continued)

Group	Buildings	Bearer plants	Plantation infrastructure	Motor vehicles	Equipment, furniture and fittings	Plant and machinery	Capital work-in-progress	Total
	RM	RM	RM	RM	RM	RM	RM	RM
At 31 December 2018								
Cost								
At 1 January 2018	74,830,197	244,722,018	50,231,344	19,796,646	2,725,982	48,551,155	6,016,342	446,873,684
Additions	415,509	4,939,373	748,490	7,848,245	216,050	1,890,188	6,494,050	22,551,905
Reclassifications	5,418,331	-	-	-	-	-	(5,418,331)	-
Disposals	-	-	-	(1,399,245)	-	-	-	(1,399,245)
Write off	(90,000)	-	-	-	(1,360)	-	-	(91,360)
At 31 December 2018	80,574,037	249,661,391	50,979,834	26,245,646	2,940,672	50,441,343	7,092,061	467,934,984
Accumulated depreciation								
At 1 January 2018	7,766,921	37,858,699	3,614,838	10,199,152	1,330,004	13,793,979	-	74,563,593
Depreciation charge for the year	1,628,071	10,802,770	1,016,790	1,955,894	190,920	4,925,122	-	20,519,567
Recognised in profit or loss	1,570,304	10,802,770	980,084	1,885,916	184,417	4,767,870	-	20,191,361
Capitalised in bearer plants	57,767	-	36,706	69,978	6,503	157,252	-	328,206
Disposals	-	-	-	(396,448)	-	-	-	(396,448)
Write off	(76,200)	-	-	-	(1,358)	-	-	(77,558)
At 31 December 2018	9,318,792	48,661,469	4,631,628	11,758,598	1,519,566	18,719,101	-	94,609,154
Net carrying amount								
At 31 December 2018	71,255,245	200,999,922	46,348,206	14,487,048	1,421,106	31,722,242	7,092,061	373,325,830

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14. Property, plant and equipment (continued)

	Motor vehicles RM	Equipment, furniture and fittings RM	Total RM
Company			
At 31 December 2019			
Cost			
At 1 January 2019	174,543	182,013	356,556
Disposals	(174,543)	-	(174,543)
At 31 December 2019	-	182,013	182,013
Accumulated depreciation			
At 1 January 2019	139,623	172,179	311,802
Depreciation charge for the year	5,818	2,207	8,025
Disposals	(145,441)	-	(145,441)
At 31 December 2019	-	174,386	174,386
Net carrying amount			
At 31 December 2019	-	7,627	7,627
At 31 December 2018			
At 1 January 2018	174,543	177,871	352,414
Additions	-	4,142	4,142
At 31 December 2018	174,543	182,013	356,556
Accumulated depreciation			
At 1 January 2018	122,169	170,282	292,451
Depreciation charge for the year	17,454	1,897	19,351
At 31 December 2018	139,623	172,179	311,802
Net carrying amount			
At 31 December 2018	34,920	9,834	44,754

During the financial year, the cash outflow on acquisition of property, plant and equipment of the Group and of the Company amounted to RM10,643,769 and nil (2018: RM22,167,215 and RM4,142) respectively.

Assets held under finance leases

The carrying amount of property, plant and equipment held under finance leases at the previous reporting date was RM1,911,872.

At the previous reporting date, property, plant and equipment of the Group, with total carrying amount of RM373,281,076 were charged as securities for banking facilities of a subsidiary by way of debenture over all existing and future assets of subsidiaries.

14. Property, plant and equipment (continued)

Bearer plants

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

	Group	
	2019	**2018**
	RM	**RM**
Interest expense (Note 8)	1,238,921	56,484
Depreciation (Note 14)	277,638	328,206
Employee benefits expense (Note 10)	1,951,278	2,372,609

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

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

15. Biological assets

	Group	
	2019	**2018**
	RM	**RM**
At 1 January	1,336,397	2,111,836
Transfer to produce stocks	(1,336,397)	(2,111,836)
Changes in fair value	3,855,665	1,336,397
At 31 December	3,855,665	1,336,397

The biological assets of the Group comprise oil palm fresh fruit bunches ("FFB") prior to harvest. 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 market value of crude palm oil at the date of harvest, adjusted for cost to sell at the point of harvest. Costs to sell, which include harvesting and transport 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.

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 of 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.

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			
At 31 December 2018	-	-	-
Effect of adopting MFRS 16	2,288,720	2,883,489	5,172,209
As at 1 January 2019 (restated)	2,288,720	2,883,489	5,172,209
Reclassified to property, plant and equipment	-	(1,410,548)	(1,410,548)
As at 31 December 2019	2,288,720	1,472,941	3,761,661
Accumulated depreciation			
At 31 December 2018	-	-	-
Effect of adopting MFRS 16	-	971,617	971,617
As at 1 January 2019 (restated)	-	971,617	971,617
Reclassified to property, plant and equipment	-	(515,653)	(515,653)
Depreciation charge for the year	44,014	156,899	200,913
As at 31 December 2019	44,014	612,863	656,877
Net carrying amount			
As at 1 January 2019, restated	2,288,720	1,911,872	4,200,592
As at 31 December 2019	2,244,706	860,078	3,104,784

16. Leases (continued)

Group as a lessee (continued)

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
At 31 December 2018	-	-	-
Effect of adopting MFRS 16	2,288,720	499,343	2,788,063
As at 1 January 2019 (restated)	2,288,720	499,343	2,788,063
Accretion of interest	166,217	67,215	233,432
Payments	(211,012)	(537,503)	(748,515)
As at 31 December 2019	2,243,925	29,055	2,272,980

	Interest rate %	Maturity	RM
Current	6.31% - 8.00%	2020	73,845
Non-current	8.00%	2021 - 2070	2,199,135
			2,272,980

The following are the amounts recognised in profit or loss:

	Group 2019 RM	Company 2019 RM
Depreciation expense of right-of-use assets	200,913	-
Interest expense on lease liabilities	233,432	-
Rental expenses relating to short-term leases	169,286	42,750
Total amount recognised in profit or loss	603,631	42,750

The Group and the Company had total cash outflows for leases of RM917,801 and RM42,750 respectively in 2019. As of 31 December 2019, the Group and the Company have committed to short-term leases and the total commitment at the date was RM304,025 and RM64,125 respectively.

17. Investments in subsidiaries

	Company	
	2019	**2018**
	RM	**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

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*	
			2019	**2018**
			%	**%**
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	
	2019	**2018**
	RM	**RM**
Cost		
Fresh fruit bunches	55,342	91,213
Stores and supplies	1,709,654	2,058,326
Crude palm oil	3,636,216	1,749,660
Palm kernel	354,203	235,365
	5,755,415	4,134,564

During the year, the amount of inventories recognised as an expense in cost of sales of the Group was RM98,749,740 (2018: RM96,822,949)

18. Inventories (continued)

At the previous reporting date, all inventories of the Group were charged as securities for banking facilities of a subsidiary by way of debenture over all existing and future assets of a subsidiary.

19. Trade and other receivables

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Current				
Trade receivables				
Company related to a corporate shareholder of the Company	3,169,090	2,169,020	-	-
Trade receivables, net	3,169,090	2,169,020	-	-
Other receivables				
Amounts due from subsidiaries	-	-	4,963,388	6,043,810
Amounts due from companies related to corporate shareholder of the Company	63,103	52,366	-	-
Deposits	158,001	149,553	7,074	7,074
Prepayments	118,601	170,441	-	-
Sundry receivables	1,639,944	1,037,844	1,999	22,949
	1,979,649	1,410,204	4,972,461	6,073,833
Less: Allowance for expected credit losses- sundry receivables	(14,614)	-	-	-
	1,965,035	1,410,204	4,972,461	6,073,833
	5,134,125	3,579,224	4,972,461	6,073,833
Non-current				
Other receivables				
Sundry receivables	1,890,384	2,085,565	-	-
Less: Allowance for expected credit losses	(455,129)	-	-	-
	1,435,255	2,085,565	-	-
Total trade and other receivables	6,569,380	5,664,789	4,972,461	6,073,833
Add: Cash and bank balances	10,092,403	2,050,433	100,909	73,364
Less: Prepayments	(118,601)	(170,441)	-	-
Total financial assets carried at amortised cost	16,543,182	7,544,781	5,073,370	6,147,197

19. Trade and other receivables (continued)

(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.

Expected credit losses

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

	Group	
	2019	**2018**
	RM	**RM**
At 1 January	-	3,189,129
Allowance for expected credit losses (Note 9)	469,743	-
Written off	-	(3,189,129)
At 31 December	469,743	-

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

(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.

(d) Receivables charged as securities

At the previous reporting date, trade and other receivables of the Group amounting to RM5,634,766 were charged as securities for banking facilities of a subsidiary by way of debenture over all existing and future assets of subsidiaries.

20. Cash and bank balances

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Cash on hand and at banks	9,550,048	1,525,145	100,909	73,364
Deposits with a licensed bank	542,355	525,288	-	-
	10,092,403	2,050,433	100,909	73,364
Less: Deposits with maturity more than 3 months	(542,355)	(525,288)	-	-
Cash and cash equivalents	9,550,048	1,525,145	100,909	73,364

Deposits with a licensed bank of the Group amounting to RM542,355 (2018: RM525,288) are pledged as securities for banking facilities granted to the Group.

Deposits are placed for a period of 12 months (2018: 12 months). The weighted average effective interest rate of deposits with a licensed bank of the Group as at the reporting date was 3.25% (2018: 3.25%).

As at the previous reporting date, cash and bank balances of the Group amounting to RM1,977,069 were charged as securities for banking facilities of a subsidiary by way of debenture over all existing and future assets of subsidiaries.

21. Loans and borrowings

	Group	
	2019 RM	2018 RM
Current		
Secured:		
Hire purchase payables	-	470,326
Revolving credits	15,000,000	12,000,000
Term loans	-	12,500,010
	15,000,000	24,970,336

21. Loans and borrowings (continued)

	Group	
	2019 RM	2018 RM
Non-current		
Secured:		
Hire purchase payables	-	29,017
	-	29,017
Total loans and borrowings		
Hire purchase payables	-	499,343
Revolving credits	15,000,000	12,000,000
Term loans	-	12,500,010
	15,000,000	24,999,353

The remaining maturities of loans and borrowings as at the reporting date were as follows:

	Group	
	2019 RM	2018 RM
On demand or within one year	15,000,000	24,970,336
More than 1 year and less than 2 years	-	29,017
	15,000,000	24,999,353

The weighted average effective interest rates at the reporting date for borrowings were as follows:

	Group	
	2019 RM	2018 RM
Hire purchase payables	6.31	6.35
Revolving credits	5.39	5.29
Term loans	-	5.38

Loans and borrowings 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).

21. Loans and borrowings (continued)

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

	2018 RM	Effect of adopting MFRS 16 RM	2018 (restated) RM	Cash flows RM	Non-cash changes Others RM	2019 RM
Term loans						
- current	12,500,010	-	12,500,010	(12,500,010)	-	-
Revolving credits						
- current	12,000,000	-	12,000,000	3,000,000	-	15,000,000
Obligations under finance leases						
- current	470,326	(470,326)	-	-	-	-
- non-current	29,017	(29,017)	-	-	-	-
Lease liabilities						
- current	-	470,326	470,326	(515,083)	118,602	73,845
- non-current	-	2,317,737	2,317,737	-	(118,602)	2,199,135
Total	24,999,353	2,288,720	27,288,073	(10,015,093)	-	17,272,980

	2017 RM	Cash flows RM	Non-cash changes Others RM	2018 RM
Group				
Term loans				
- current	21,500,000	(21,500,000)	12,500,010	12,500,010
- non-current	12,500,000	-	(12,500,010)	-
Revolving credit				
- current	-	12,000,000	-	12,000,000
Obligations under finance leases				
- current	1,260,990	(1,361,410)	570,746	470,326
- non-current	599,763	-	(570,746)	29,017
Total	35,860,763	(10,861,410)	-	24,999,353

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	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Trade payables				
Third parties	2,597,173	2,297,833	-	-
Company related to immediate holding company	943,065	752,513	-	-
Company related to a corporate shareholder	-	81,000	-	-
	3,540,238	3,131,346	-	-
Other payables				
Accruals	7,659,603	7,725,602	68,563	67,125
Amount due to subsidiary	-	-	-	312
Amount due to a corporate shareholder	270,320	12,171	-	-
Amounts due to companies related to a corporate shareholder	86	94,909	-	-
Retention sum for contract work	427,993	419,838	-	-
Sundry payables	4,076,209	4,525,734	4,926	4,829
	12,434,211	12,778,254	73,489	72,266
Total trade and other payables	15,974,449	15,909,600	73,489	72,266
Add: Loans and Borrowings (Note 21)	15,000,000	24,999,353	-	-
Total financial liabilities carried at amortised cost	30,974,449	40,908,953	73,489	72,266

(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) Amount due to subsidiary

Amount due to subsidiary is unsecured, non-interest bearing and is repayable upon demand.

(c) Amounts due to related parties

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

23. Deferred tax

	As at 1 January 2018 RM	Recognised in profit or loss RM	As at 31 December 2018 RM	Recognised in profit or loss RM	As at 31 December 2019 RM
Group					
Deferred tax liability:					
Property, plant and equipment	71,419,768	496,165	71,915,933	809,062	72,724,995
Right-of-use assets	-	-	-	188	188
	71,419,768	496,165	71,915,933	809,250	72,725,183
Deferred tax assets:					
Accrual of land lease rental	(1,269,230)	-	(1,269,230)	-	(1,269,230)
Unutilised tax losses	(21,641,870)	-	(21,641,870)	-	(21,641,870)
Unabsorbed capital and agriculture allowances	(14,246,613)	2,510,830	(11,735,783)	2,778,439	(8,957,344)
	(37,157,713)	2,510,830	(34,646,883)	2,778,439	(31,868,444)
	34,262,055	3,006,995	37,269,050	3,587,689	40,856,739

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

	Group and Company	
	2019 RM	2018 RM
Unutilised tax losses	2,461,043	2,093,350
Unabsorbed capital allowances	2,167	2,167
Other temporary differences	4,597	(16,053)
	2,467,807	2,079,464
At statutory tax rate	24%	24%
	592,274	499,071

Unrecognised tax losses and unabsorbed capital allowances

At the reporting date, the Company has tax losses and unabsorbed capital allowances that are 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 and unabsorbed capital allowances is subject to the agreement of the tax authority and compliance with certain provisions of the tax legislation. The unrecognised tax losses will expire in 2025 to 2026.

24. Share capital

	Number of ordinary shares		Amount	
	2019	**2018**	**2019 RM**	**2018 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	
	2019 RM	**2018 RM**
Employee share option reserve		
At 1 January	391,103	382,384
Transactions with owners		
Grant of equity-settled share option to employees	-	8,719
Lapse of employee share options	(144,365)	-
At 31 December	246,738	391,103

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.

26. Employee benefits

Executives' Share Options Scheme ("ESOS")

The Innoprise Plantations Berhad ESOS is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 30 October 2009. The ESOS was implemented on 25 May 2010 and is to be in force for a period of 10 years from the date of implementation.

The salient features of the ESOS are as follows:

(i) The ESOS Committee appointed by the Board of Directors to administer the ESOS, may from time to time grant options to eligible Executives of the Group to subscribe for new ordinary shares of RM1 each in the Company.

(ii) Subject to the discretion of the ESOS Committee, any Executives whose employment has been confirmed with at least one (1) year of continuous service before the date of offer and any directors on the date of offer in any company within the Group, shall be eligible to participate in the ESOS.

(iii) The total number of shares to be issued under the ESOS shall not exceed in aggregate 5% of the issued share capital of the Company at any point of time during the tenure of the ESOS.

(iv) The option price for each share shall be the weighted average of the market price as quoted in the Daily Official List issued by Bursa Securities for the 5 market days immediately preceding the date on which the option is granted less, if the ESOS Committee shall so determine at their discretion from time to time, a discount of not more than 10%. Notwithstanding this, the option price per share shall in no event be less than the nominal value of the share.

(v) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the existing ordinary shares of the Company other than as may be specified in a resolution approving the distribution of dividends prior to their exercise dates.

26. Employee benefits (continued)

Executives' Share Options Scheme (continued)

Movement of share options during the financial year

	Number of share options					
		Movement during the year				
	Outstanding at 1 January '000	Granted '000	Exercised '000	Lapsed '000	Outstanding at 31 December '000	Exercisable at 31 December '000
2019						
2010 - Option 1	450	-	-	(450)	-	-
2013 - Option 7	305	-	-	-	305	305
2014 - Option 8	184	-	-	-	184	184
2015 - Option 9	304	-	-	(82)	222	222
	1,243	-	-	(532)	711	711
Weighted Average Exercise Price ("WAEP") (RM)	0.63	-	-	0.52	0.70	0.70
2018						
2010 - Option 1	450	-	-	-	450	450
2013 - Option 7	305	-	-	-	305	305
2014 - Option 8	184	-	-	-	184	184
2015 - Option 9	304	-	-	-	304	186
	1,243	-	-	-	1,243	1,125
Weighted Average Exercise Price ("WAEP") (RM)	0.63	-	-	-	0.63	0.62

26. Employee benefits (continued)

Executives' Share Options Scheme (continued)

Movement of share options during the financial year (continued)

- There were no new share options granted during the financial year ended 31 December 2019 and 2018.
- The range of exercise price for options outstanding at the reporting date was RM0.65 to RM0.85 (2018: RM0.50 to RM0.85). The weighted average remaining contractual life for these options is 1 year (2018: 2 years).

27. Commitments

Capital commitments

	Group	
	2019 RM	**2018 RM**
Capital expenditure:		
Property, plant and equipment:		
Approved and contracted for	2,850,676	4,569,421

28. Contingent asset and contingent liabilities

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 5 March 2019, SJI was informed by the Insolvency Department that there might be payment to be made to SJI. However, there was no amount being received as of to date.

28. Contingent asset and contingent liabilities (continued)

Contingent liabilities

(i) On 13 September 2018, the wholly-owned subsidiary, SJI, received a Writ of Summons and Statement of Claim dated 6 September 2018, whereby the plaintiff, Nip Wing Hon (a director and shareholder of ALISB), claimed against SJI (as the 3rd defendant) together with six other defendants.

The plaintiff has claimed that the defendants have since 2013, wrongfully and maliciously conspired and combined amongst themselves to defraud and injure the plaintiff in his businesses and claimed for various relief.

By a court order dated 10 May 2019 and signed on 14 October 2019, the High Court of Sabah and Sarawak at Tawau ordered that the plaintiff's Writ of Summons and Statement of Claim be struck out and the action against SJI be dismissed.

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

Based on the Agreement of Oil Palm Plantation ("AOPP") entered between Benta Wawasan Sdn. Bhd. (Benta) and SJI dated 18 November 2005 together with the second supplementary agreement of the AOPP, 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 third supplementary agreement of the AOPP, 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 third supplementary agreement of the AOPP was not approved by the board of directors of Benta. Subsequently, Benta has issued a letter dated 6 March 2019 and an invoice dated 8 March 2019, claiming the variable lease payment for year 2017 and year 2018 amounting to RM5,288,459 and RM4,261,721 respectively, based on the terms of the AOPP and second supplementary agreement. The rental for year 2017 of RM5,288,459 has been recognised by the Group. For the financial year ended 2018, other than the fixed rental amount of RM41,538, no variable lease payment was recognised. The variable lease payment for the financial year ended 2019, should the terms in AOPP and second supplementary agreement are applied, approximates to RM3,210,593. This amount is also not recognised in these financial statements.

Subsequently, there were various correspondences between the parties and a meeting has been arranged to discuss the matter. Based on latest correspondences, 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 third supplemental agreement is valid and binding. Accordingly, no additional provision on variable lease payments for year 2018 to year 2070 has been made in these financial statements.

29. 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:

	2019 RM	2018 RM
Group		
Companies related to holding company:		
Purchase of oil palm fresh fruit bunches	2,925,158	297,113
Rental payable	211,012	214,335
Corporate shareholder of the Company - TSH Resources Berhad:		
Rental payable	112,136	102,720
Purchase of equipment	433,000	-
Companies related to a corporate shareholder of the Company:		
Sale of oil palm fresh fruit bunches	842,193	840,366
Sale of crude palm oil	108,337,968	100,861,618
Sale of palm kernel	9,420,193	12,520,434
Purchase of seedlings	621,000	729,000
Company		
Subsidiaries:		
Management fees receivable	-	396,000
Management fees payable	109,049	-
Dividends receivable	4,532,000	16,969,000
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.

29. Related party transactions (continued)

(b) Compensation of key management personnel

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Short-term employee benefits	1,564,600	1,570,700	207,500	200,500
Share-based payments	-	3,156	-	3,156
	1,564,600	1,573,856	207,500	203,656

30. Fair value of assets and liabilities

Determination of fair value

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

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
Loans and borrowings (current)	21

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.

30. Fair value of assets and liabilities (continued)

Determination of fair value (continued)

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				
- 2019	-	-	3,855,665	3,855,665
- 2018	-	-	1,336,397	1,336,397

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 fresh fruit bunches.

31. 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.

31. Financial risk management objectives and policies (continued)

(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.

Exposure to credit risk

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 RM90,000,000 (2018: RM90,000,000) relating to corporate guarantee provided by the Company to bankers on credit facilities granted to a subsidiary.

Credit risk concentration profile

At the reporting date, 100% (2018: 100%) of the Group's trade receivables were due from one major related party.

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.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. 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.

31. Financial risk management objectives and policies (continued)

(a) Credit risk (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	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 2019					
Gross carrying amount	3,169,090	-	-	-	3,169,090
Loss allowance provision	-	-	-	-	-
	3,169,090	-	-	-	3,169,090
31 December 2018					
Gross carrying amount	2,169,020	-	-	-	2,169,020
Loss allowance provision	-	-	-	-	-
	2,169,020	-	-	-	2,169,020

31. 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.

At the reporting date, approximately 100% (2018: 100%) of loans and borrowings will mature in less than one year based on the carrying amount reflected in the financial statements.

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
Group				
2019				
Financial assets				
Trade and other receivables	5,030,138	1,440,000	450,384	6,920,522
Cash and bank balance	10,092,403	-	-	10,092,403
Total undiscounted financial assets	15,122,541	1,440,000	450,384	17,012,925
Financial liabilities				
Trade and other payables	15,974,449	-	-	15,974,449
Loans and borrowings	15,000,000	-	-	15,000,000
Lease liabilities	240,662	797,526	5,350,039	6,388,227
Total undiscounted financial liabilities	31,215,111	797,526	5,350,039	37,362,676
Total net undiscounted financial (liabilities)/assets	(16,092,570)	642,474	(4,899,655)	(20,349,751)

31. Financial risk management objectives and policies (continued)

(b) Liquidity risk (continued)

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
Group				
2018				
Financial assets				
Trade and other receivables	3,408,783	2,085,565	-	5,494,348
Cash and bank balance	2,050,433	-	-	2,050,433
Total undiscounted financial assets	5,459,216	2,085,565	-	7,544,781
Financial liabilities				
Trade and other payables	15,909,600	-	-	15,909,600
Loans and borrowings	25,231,026	32,984	-	25,264,010
Total undiscounted financial liabilities	41,140,626	32,984	-	41,173,610
Total net undiscounted financial (liabilities)/assets	(35,681,410)	2,052,581	-	(33,628,829)

	On demand or within one year	
	2019 RM	2018 RM
Company		
Financial assets:		
Trade and other receivables	4,972,461	6,073,833
Cash and bank balances	100,909	73,364
Total undiscounted financial assets	5,073,370	6,147,197
Financial liabilities:		
Trade and other payables	73,489	72,266
Total undiscounted financial liabilities	73,489	72,266
Total net undiscounted financial assets	4,999,881	6,074,931
Financial guarantee contracts	90,000,000	90,000,000

31. Financial risk management objectives and policies (continued)

(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, the Group's profit net of tax would have been RM48,041 (2018: RM80,679) higher/lower, arising mainly as a result of lower/higher interest expense on loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

32. 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 2019 and 31 December 2018.

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.

32. Capital management (continued)

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Lease liabilities	16	2,272,980	-	-	-
Loans and borrowings	21	15,000,000	24,999,353	-	-
Trade and other payables	22	15,974,449	15,909,600	73,489	72,266
Less: Cash and Bank balances	20	(10,092,403)	(2,050,433)	(100,909)	(73,364)
Net debt		23,155,026	38,858,520	(27,420)	(1,098)
Capital:					
Equity attributable to owners of the Company		318,457,864	308,526,078	250,862,487	251,974,367
Capital and net debt		341,612,890	347,384,598	250,835,067	251,973,269
Gearing ratio		6.8%	11%	-	-

33. 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, 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.

33. Segment information (continued)

	Palm and bio-integration		Corporate		Adjustment and elimination		Note	Per consolidated financial statements	
	2019 RM	2018 RM	2019 RM	2018 RM	2019 RM	2018 RM		2019 RM	2018 RM
Revenue:									
External customers	118,600,354	114,222,418	-	-	-	-		118,600,354	114,222,418
Inter segment	-	-	4,532,000	17,365,000	(4,532,000)	(17,365,000)		-	-
	118,600,354	114,222,418	4,532,000	17,365,000	(4,532,000)	(17,365,000)		118,600,354	114,222,418
Results:									
Depreciation	21,225,539	20,172,010	8,025	19,351	-	-		21,233,564	20,191,361
Dividend income	-	-	4,532,000	16,969,000	(4,532,000)	(16,969,000)		-	-
Interest income	26,971	72,615	-	-	-	-		26,971	72,615
Fair value gain on biological assets, net	2,519,268	-	-	-	-	-		2,519,268	-
Other non-cash Expenses	469,743	789,241	-	5,563	-	-	A	469,743	794,804
Segment profit	19,369,859	13,237,645	3,677,122	16,611,876	(4,738,504)	(17,365,000)	B	18,308,477	12,484,521
Assets:									
Additions to non- current assets	12,160,328	22,547,763	-	4,142	-	-	C	12,160,328	22,551,905
Segment assets	382,405,961	384,431,557	10,101,476	2,080,456	55,000	192,770	D	392,562,437	386,704,783
Segment liabilities	15,900,960	15,837,646	73,489	71,954	58,130,124	62,269,105	E	74,104,573	78,178,705

33. 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:

	2019 RM	2018 RM
Property, plant and equipment written off	-	13,802
Fair value changes on biological assets, net	-	775,439
Impairment of other receivables	469,743	-
Share-based payments	-	5,563
	469,743	794,804

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

	2019 RM	2018 RM
Dividend income from subsidiaries	(4,532,000)	(16,969,000)
Unallocated corporate expenses	(206,504)	(396,000)
	(4,738,504)	(17,365,000)

C — Additions to non-current assets consist of:

	2019 RM	2018 RM
Property, plant and equipment	12,160,328	22,551,905
Right-of-use assets	-	-
	12,160,328	22,551,905

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

	2019 RM	2018 RM
Income tax refundable	55,000	192,770

33. 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:

	2019 RM	2018 RM
Income tax payable	405	702
Deferred tax liabilities	40,856,739	37,269,050
Loans and borrowings	15,000,000	24,999,353
Lease liabilities	2,272,980	-
	58,130,124	62,269,105

34. Dividend

	2019 RM	2018 RM
Recognised during the financial year		
Dividend on ordinary shares:		
- Final single-tier dividend of RM0.01 (2018: RM0.03) per share on 478,857,950 ordinary shares	4,788,579	14,365,739

At the forthcoming Annual General Meeting, a final single-tier dividend in respect of the financial year ended 31 December 2019, of RM0.02 per share on ordinary shares, will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2020.

35. Events occurring after the reporting date

Impact of COVID-19 Outbreak

On 11 March 2020, the World Health Organisation (WHO) has declared the outbreak of COVID-19 to be a global pandemic. The COVID-19 pandemic has significantly disrupted many business operations around the world. In Malaysia, to contain the spread of COVID-19, the Movement Control Order (MCO) had been imposed by the Government of Malaysia. The Directors concluded that the COVID-19 outbreak did not provide evidence of conditions that existed on or before 31 December 2019 and have accordingly assessed it to be a non-adjusting event.

35. Events occurring after the reporting date (continued)

Impact of COVID-19 Outbreak (continued)

The Group is involved in the operation of oil palm plantations and palm oil mill in Sabah, Malaysia. Despite the MCO, the Group's estates and mill were able to operate subject to certain operating conditions. The MCO has therefore not significantly curtailed the Group's operations up till this point of time. In addition, the Group and the Company have not seen any significant impact of COVID-19 outbreak on the Group's and the Company's revenue, earnings, cash flow and financial condition. At this stage, the impact on our business and results is limited. We will continue to follow the various government policies and advice and in parallel will do our utmost to continue our operations in the best and safest way possible without jeopardizing the health of our people. However, even though the outbreak may not significantly impact the operation of the plantations and the mill, it may have an impact on the future demand and price of the outputs of the Group. At this juncture, it is not possible to estimate the full impact of the outbreak's short-term and longer-term effects or the Government's varying efforts to combat the outbreak and to support businesses.

This being the case, the Group noted a risk that the assumptions applied in the impairment assessments on property, plant and equipment and right-of-use assets, in particular, commodity prices and discount rate, may need to be revised in the next financial year which may result in adjustments to the carrying amounts of property, plant and equipment and right-of-use assets. Commodity prices are likely to fluctuate further than what was forecasted as at 31 December 2019 in view of the slowing down of demand for the Group's outputs. In addition, despite the current decrease in risk-free discount rate, there is a possibility that pre-tax discount rate may be revised upwards due to industry risk premium.

In addition, subsequent to reporting date, the Group changed the inputs to the ECL models in order to better estimate the impact of the outbreak in accordance with the requirements of MFRS 9. The ECL models adopted by the Group and the Company as at 31 December 2019 were not designed and did not incorporate the effects of the current economic shocks due to COVID-19. Subsequent to 31 December 2019, the Group and the Company adjust the ratings and the probabilities of default (PD) by considering risk characteristics of the debtors.

The Group and the Company will continue to closely monitor the development of these events and assess and react actively to its impacts on the Group's and the Company's revenue, earnings, cash flow and financial condition.

36. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 18 May 2020.

SHAREHOLDINGS STRUCTURE

AS AT 30 APRIL 2020

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	17	0.49	480	0.00
100	-	1,000	1,470	42.34	1,427,957	0.30
1,001	-	10,000	1,563	45.02	5,969,525	1.24
10,001	-	100,000	331	9.53	10,343,339	2.16
100,001	-	23,942,896 (*)	89	2.56	115,586,650	24.14
23,942,897	-	and above (**)	2	0.06	345,529,999	72.16
TOTAL			3,472	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)	18,809,050	3.93
4.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Embun Yakin Sdn. Bhd.	10,580,000	2.21
5.	Alliance Group Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Mutual Corridor Sdn. Bhd. (7005036)	10,104,000	2.11
6.	Citigroup Nominees (Asing) Sdn.Bhd. Exempt AN For Bank of Singapore Limited (Foreign)	10,000,000	2.09
7.	Alliance Group Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tunas Lestari Sdn. Bhd.	5,000,000	1.04
8.	Alliance Group Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tunas Lestari Sdn. Bhd.	5,000,000	1.04
9.	Alliance Group Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ngai Chee Ping (8053275)	4,583,050	0.96

LIST OF TOP 30 SECURITIES ACCOUNT HOLDERS (CONTINUED)

No.	Name	No. of shares held	%
10.	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Salbiah Binti Shuib (CEB)	4,150,000	0.87
11.	Tan Aik Sim	4,074,100	0.85
12.	Cheong Sau Kum	3,754,600	0.78
13.	Suresh A/L Thirugnanam	3,018,750	0.63
14.	AMSEC Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account – AmBank (M) Berhad for Tan Aik Pen (SMART)	2,300,000	0.48
15.	Lim Fook Hin	2,175,000	0.45
16.	HLIB Nominees (Tempatan) Sdn. Bhd. Hong Leong Bank Bhd for Teh Shiou Cherng	2,172,400	0.45
17.	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Fong Siling (CEB)	2,100,000	0.44
18.	CGS-CIMB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Salbiah Binti Shuib (MM0641)	1,971,000	0.41
19.	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Yap Pak Leong	1,599,200	0.33
20.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Mohan A/L Ramalingam (8059306)	1,595,000	0.33
21.	Foong Hong Meng@Foong Lai Choong	1,325,700	0.28
22.	Hildegard Maria Scheel	1,000,000	0.21
23.	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Aik Pen	875,000	0.18
24.	Simfoni Bernas Sdn. Bhd.	815,000	0.17
25.	Ronie Tan Choo Seng	800,000	0.17
26.	Teh Bee Gaik	790,800	0.17
27.	Tan Aik Kiong	750,000	0.16
28.	Embun Yakin Sdn. Bhd.	643,250	0.13
29.	Citigroup Nominees (Tempatan) Sdn. Bhd. Kumpulan Wang Persaraan (Diperbadankan)(MYBK AM SC E)	600,000	0.13
30.	CGS-CIMB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Toh Hooi Hak (MP0421)	546,000	0.11
	TOTAL	446,661,899	93.27

SHAREHOLDINGS STRUCTURE

SUBSTANTIAL SHAREHOLDINGS

According to the register to be kept under Section 144 of the Companies Act 2016, the following is the substantial shareholder of the Company havingan 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.	Tan Aik Kiong	750,000	0.16	-	-
2.	Datuk Hj. Othman Bin Walat	434,750	0.09	-	-
3.	Asgari Bin Mohd Fuad Stephens^	-	-	6,256,000	1.31

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

Except for Tan Aik Kiong, Datuk Hj. Othman Bin Walat 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.

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