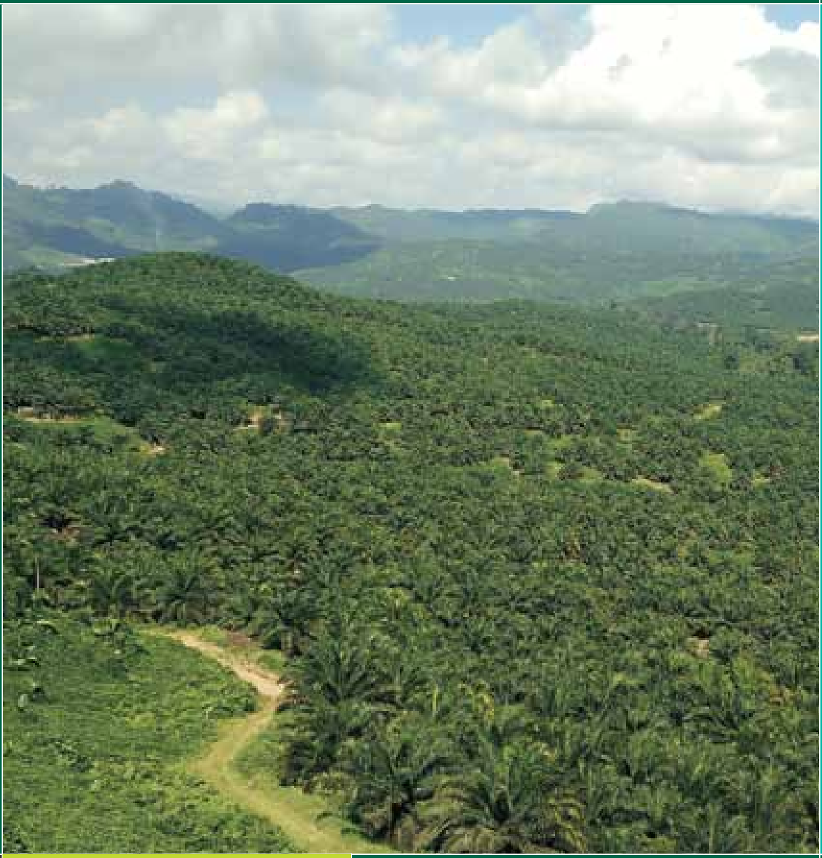
Innoprise Plantations

Innoprise Plantations Berhad

(Company No.285072-M)

Annual Report 2018



25TH
Annual General Meeting

Belian Room,
7th Floor, Promenade Hotel,
Eastern Plaza, Mile 1,
Jalan Kuhara,
91000 Tawau, Sabah

Tuesday, 21 May 2019

11:30 am

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INNOPRISE AT A GLANCE

Revenue
RM114.222 mil
2017: RM138.211 million

Pre-tax Profit
RM12.485 mil
2017: RM39.939 million

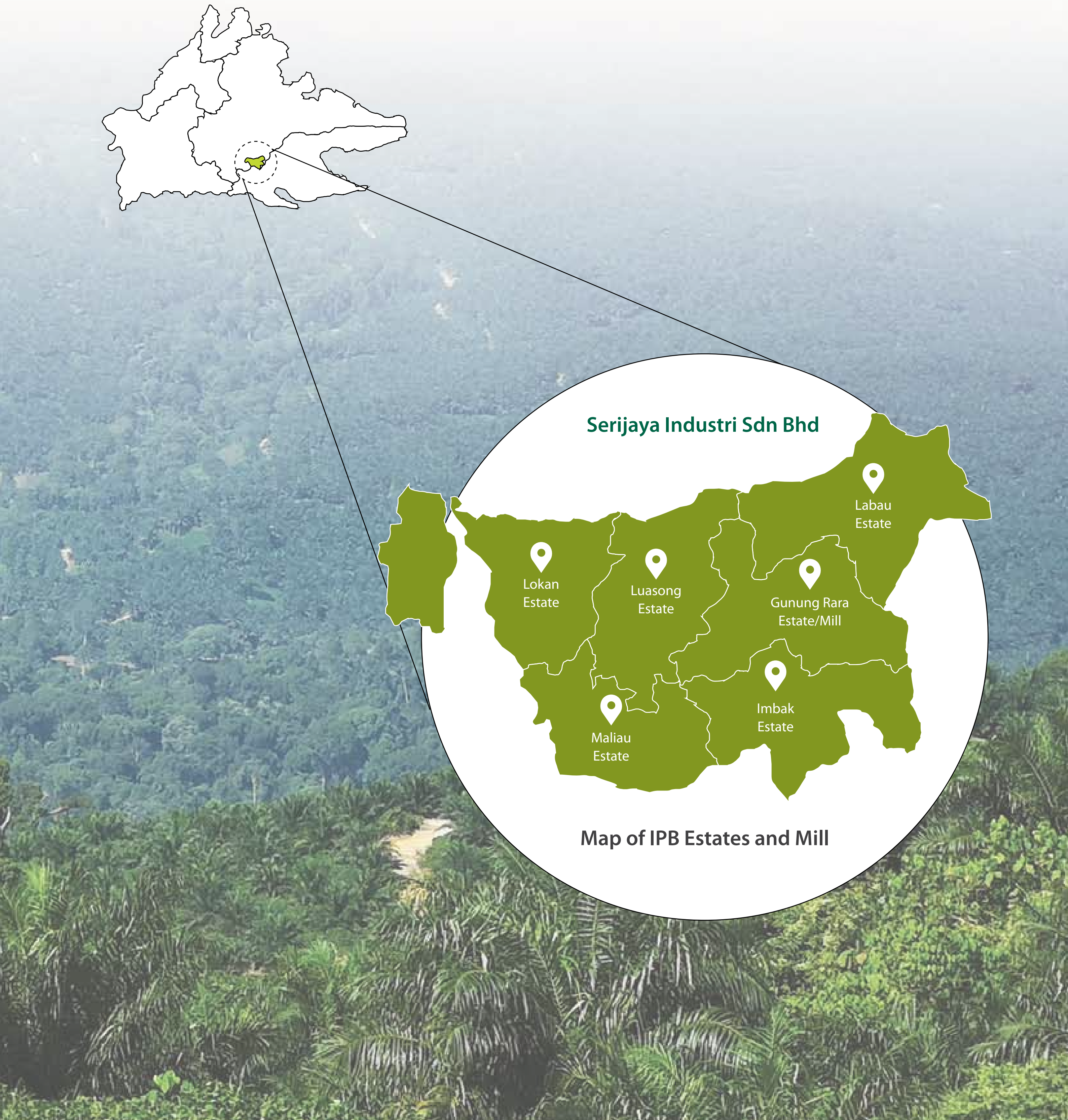
Operating Profit
RM14.276 mil
2017: RM41.961 million

Net Assets
RM308.526 mil
2017: RM313.418 million

Shareholders' Equity
RM308.526 mil
2017: RM313.418 million

Total mature area
11,074 Ha
as of 31 December 2018

Our Estates



Map of IPB Estates and Mill

CORPORATE INFORMATION

Directors

Datuk Hj. Majin Hj. Ajing
Independent
Non-Executive Chairman

Datuk (Dr.) Kelvin Tan Aik Pen
Managing Director

Datuk Jaswant Singh Kler
Independent
Non-Executive Director

Puan Hajah Ainahwati Binti Abd Sani
Non-Independent
Non-Executive Director

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

Asgari Bin Mohd Fuad Stephens
Independent
Non-Executive Director

Lim Fook Hin
Executive Director

Tan Aik Kiong
Alternate Director to
Datuk (Dr.) Kelvin Tan Aik Pen

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

AUDIT COMMITTEE
Datuk Jaswant Singh Kler
Datuk Hj. Majin Hj. Ajing
Puan Hajah Ainahwati Binti Abd Sani

NOMINATION COMMITTEE
Datuk Hj. Majin Hj. Ajing
Datuk Jaswant Singh Kler

REMUNERATION COMMITTEE
Datuk Hj. Majin Hj. Ajing
Datuk (Dr.) Kelvin Tan Aik Pen
Datuk Jaswant Singh Kler

EXECUTIVES' SHARE OPTION SCHEME ("ESOS") COMMITTEE
Datuk Hj. Majin Hj. Ajing
Datuk (Dr.) Kelvin Tan Aik Pen
Datuk Jaswant Singh Kler
Lim Fook Hin

RISK MANAGEMENT COMMITTEE
Puan Hajah Ainahwati Binti Abd Sani
Lim Fook Hin
Liew Pei Kiong

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

PRINCIPAL BANKERS
United Overseas Bank (M) Berhad
Malayan Banking Berhad
Ambank (M) Berhad

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

REGISTRAR
Boardroom Share Registrars Sdn. Bhd.
(Formerly known as Symphony
Share Registrars Sdn. Bhd.)
Level 6, Symphony House,
Pusat Dagangan Dana 1,
Jalan PJU 1A/46,
47301 Petaling Jaya,
Selangor Darul Ehsan.
Tel : 03-7849 0777
Fax : 03-7841 8151/ 8152/8100

STOCK EXCHANGE LISTING
Bursa Malaysia Securities Berhad
(Main Market)

WEBSITE
www.innoprise.com.my

DIRECTORS' PROFILE

Datuk Hj. Majin Hj. Ajing

Chairman, Independent Non-Executive Director

M 70

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

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.

Datuk (Dr.) Kelvin Tan Aik Pen

Managing Director

M 61

Datuk (Dr.) Kelvin Tan Aik Pen is the Managing Director of Innoprise Plantations Berhad and serves as a member of the Remuneration Committee and ESOS Committee. He was appointed to the Board of Directors of the Company on 7 December 2006. He is also the Chairman of TSH Resources Berhad. He sits on the board of a list of private companies.

Kelvin has more than thirty (30) years experience in resource based industry, which includes extensive working knowledge in international trade practices. He was the Chairman of the Malaysian Cocoa Board for 8 consecutive years from 1997 – 2004 and trustee of the Borneo Conservation Trust Sabah, from 2010 to 2013. Kelvin was appointed to the Board of Directors of University Malaysia Sabah on 1 August 2017. He also serves as Honorary Director of Sabah Chinese High School. As recognition for the many contributions to environmental conservation and forestry, Kelvin was conferred Honorary Doctorate in Philosophy (Agroforestry) by Universiti Malaysia Sabah on 3 September 2006.

He is the brother of Tan Aik Kiong. 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.

DIRECTORS' PROFILE

Puan Hajah Ainahwati Binti Abd Sani

Non-Independent Non-Executive Director

F 45

Puan Hajah Ainahwati Binti Abd Sani was appointed as a Non-Independent Non-Executive Director on 3 November 2008. She serves as a member of the Audit Committee and Risk Management Committee. She graduated from International Islamic University Malaysia and holds MBA (International Business) from Universiti Malaysia Sabah. She joined the Sabah Foundation in 1997 as a Senior Audit Officer and in 2006 she is appointed as Group Company Secretary.

She has no family relationship with any of the directors or substantial shareholders of the Company. She has no directorship in any other public listed company. Other than the deemed interest as disclosed in the Circular to Shareholders on recurrent related party transactions, she has no other conflict of interest with the Company and has no convictions for offences within the past five (5) years.

Datuk Jaswant Singh Kler

Independent Non-Executive Director

M 78

Datuk Jaswant Singh Kler was appointed as an Independent Non-Executive Director on 7 December 2006. He serves as Chairman of the Audit Committee and serves as a member of the Nomination Committee, Remuneration Committee and ESOS Committee. He is an Associate member of the Incorporated Society of Planters and continues to play an active role as senior member of the planting fraternity in Malaysia and was in the Board of TSH Resources Berhad until the Annual General Meeting when he relinquished his appointment as Non-Executive Director. Nevertheless, he continues his directorship positions in various subsidiary companies of TSH Group.

Notably, he was the chairman of the East Malaysia Planters' Association from 1985 to 2000. He was an Independent Non-Executive Director of Kwantas Corporation Berhad and an Executive Director of Bena Plantation Sdn. Bhd. before he left in 2006 and 1984 respectively. He now manages his own plantation consultancy business under Agri Cek Sdn. Bhd.

He participates actively as a committee member of Malaysian International Chamber of Commerce & Industry Sabah Branch. He is a member of the Institute for Development Studies (Sabah) and also a life member of Agricultural Institute of Malaysia.

He does not have any family relationship with any other directors 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.

DIRECTORS' PROFILE

Datuk Hj. Othman Bin Walat

Non-Independent Non-Executive Director

M 69

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. He is now the Group Managing Director to Sawit Kinabalu Group since 2008.

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.

Lim Fook Hin

Executive Director

M 69

Lim Fook Hin was appointed as an Executive Director on 7 December 2006. He serves as a member of the Risk Management Committee and ESOS Committee. He is currently a Non-Independent Non-Executive Director of TSH Resources Berhad. He also sits on the board of some subsidiary companies within the TSH Group and also holds directorship in other private limited companies. He is a member of the Malaysian Institute of Certified Public Accountants. After qualifying as a member of the ICAEW, he joined Coopers & Lybrand as an Audit Senior in 1976 and was transferred to Coopers' Management Consultancy Services in 1977. He joined the Commonwealth Development Corporation in 1978 and was seconded to Sarawak Oil Palm Sdn. Bhd. as the Company Secretary.

He joined BAL Plantation Sdn. Bhd. in 1981 as the Financial Controller until 1993. His main responsibility included financial management, merger and acquisition and commodity marketing. He was the Chief Executive of United Palm Oil Industries PLC ('UPOIC'), a company listed on the Stock Exchange of Thailand before joining TSH Resources Berhad in 1997.

He does not have any family relationship with any other directors and/or other major shareholders of the Company. 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.

DIRECTORS' PROFILE

Tan Aik Kiong

Alternate Director to Datuk (Dr.) Kelvin Tan Aik Pen

M 59

Tan Aik Kiong was appointed as an Alternate Director to Datuk (Dr.) Kelvin Tan Aik Pen on 16 December 2014. He is the Group Executive Director of TSH Resources Bhd. He also sits on the board of various subsidiary companies of TSH and also holds directorship in other private limited companies. He obtained a Masters degree in Civil Engineering, majoring in Construction Management, from the University of Oklahoma, United States of America in 1986. Prior to joining TSH Resources Berhad in 1987, he worked with Prudential Bache Ltd., an established brokerage and commission house in 1986 and subsequently with Ameroid Services Pte. Ltd., an independent warehousing company in Singapore.

He is the brother of Datuk (Dr.) Kelvin Tan Aik Pen. 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.

Asgari Bin Mohd Fuad Stephens

Independent Non-Executive Director

M 59

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 Mulpha Capital Holdings Sdn. Bhd. and Mulpha Capital Markets Sdn. Bhd. which are subsidiaries of Mulpha International Berhad. He is also an independent 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 Berhad 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.

KEY SENIOR MANAGEMENT PROFILE

John Bin Sindin
General Manager

M 52

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.

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 is working towards certification by the Roundtable for Sustainable Palm Oil (RSPO) / Malaysian Sustainable Palm Oil (MSPO) and is committed to becoming an environmental and community friendly organization.

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL RESULTS

Key Financial Performance

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

		2018	2017 (Restated)
Revenue	RM'000	114,222	138,211
Profit before interest & taxation	RM'000	14,276	41,961
Profit before tax	RM'000	12,485	39,940
Profit net of tax	RM'000	9,465	30,768
Return on average equity (ROE)	%	3.07	9.82
Net cash generated from operating activities	RM'000	35,078	62,266
Net gearing	%	11	12
Total Shareholder's fund	RM'000	308,526	313,418

Group's revenue for FY2018 decreased by 17% to RM114.222 million due to average selling prices of CPO and PK dropping by 21% and 30% respectively compared to preceding year.

Pre-tax profit decreased 69% to RM12.485 million compared to the previous financial year due to lower average selling prices of CPO and PK.

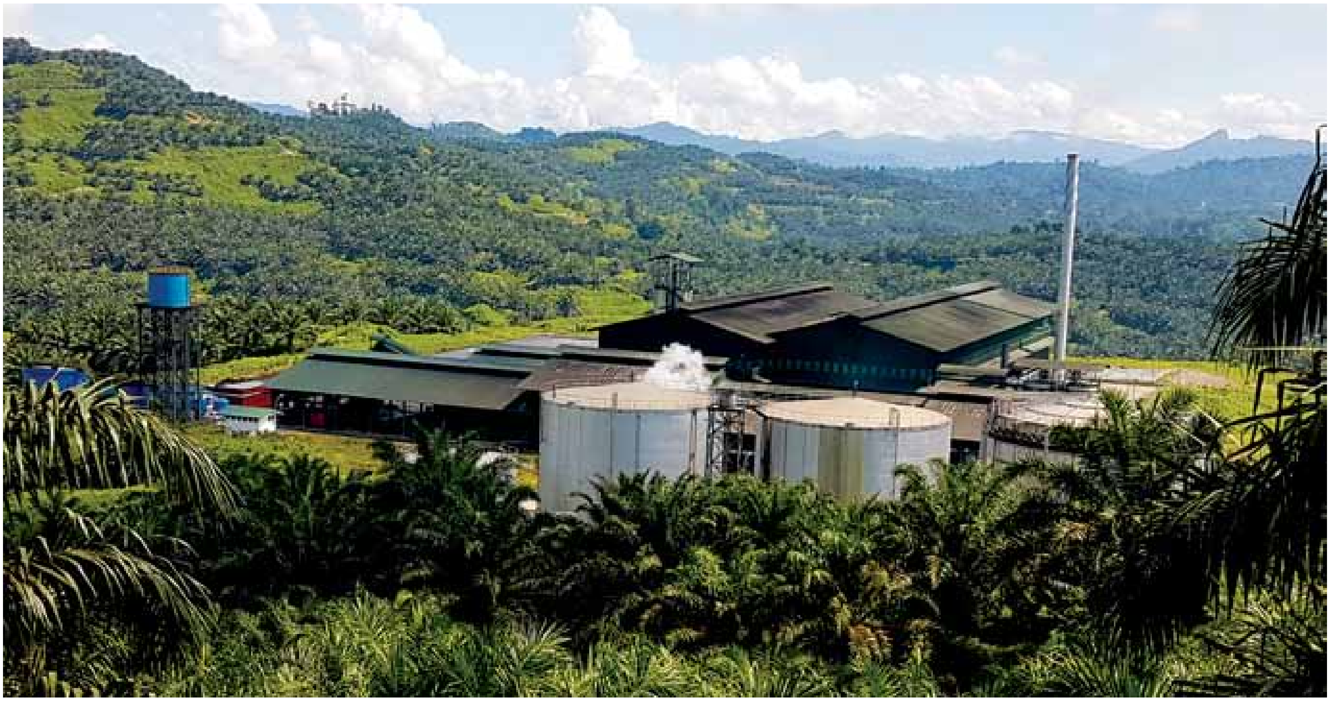
Financial Assets and Financial Liabilities

For the financial year 2018, the Group spent RM17.612 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 and multipurpose hall. The Group also spent RM4.555 million on oil palm plantation development.

Biological assets recorded a loss on FFB valuation of RM0.775 million compared to preceding year.

The Group's shareholders' equity as at 31 December 2018 stood at RM308,526 million, a decrease of RM4.892 million as compared to FY2017 (Restated). The decrease was mainly due to net profit for the year of RM9.465 million offset by a single-tier dividend of 3 sen amounting to RM14.366 million paid during the year.

As at 31 December 2018, the Group's borrowings stood at RM24.999 million as compared to RM35.861 million in FY2017.



MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW

Plantation Operations

Out of a total land bank of 22,763 hectares, it is estimated that 12,602 hectares are plantable. At the end of the financial year, total area planted is 11,990 hectares of which 11,074 hectares are matured. About 250 hectares planted in steep terrain and loose soil is subject to frequent erosion and landslip. Management has therefore decided to abandon these areas. During 2018, 176 hectares has been planted. A further 181 hectares will come into maturity during 2019. We expect to complete our planting programme by 2020. The area statement is as shown below:

	2018 Ha	2017 Ha
Matured	11,074	10,701
Immature	916	1,363
Total Planted	**11,990**	**12,064**
Plantable	612	658
Unplantable	10,161	10,041
Total Area	**22,763**	**22,763**

In FY2018, the Group's plantation operating environment was rendered more challenging by the wet La Nina weather as most of the area is undulating to hilly. On the other hand, lower selling prices of CPO and PK also impacted on the overall performance. Nonetheless management is confident that 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 Bhd on agronomic and agricultural husbandry practices.

During the financial year, the Group is able to produce 209,936 MT of FFB, which represents an increase of 7% against FY2017. The increase is principally due to higher hectarage under harvesting and improving age profile of the plantings. Yield per mature hectare improved to 18.96 MT per hectare in 2018 from 18.37 MT per hectare in 2017.

The Group's oil palm ages are between 1 to 11 years with about 8% being immature palms. About 35% are young mature palms (4 - 7 years) with an increasing yield trend in coming years and 57% of the total palms are of prime mature (8 years and more). As such there will be no necessity for replanting for the next 15 years.

Details of Oil Palm Maturity Profile are as follow:

	Imbak Estate Ha	Labau Estate Ha	Maliau Estate Ha	Lokan Estate Ha	Luasong Estate Ha	Gunung Rara Estate Ha	Total Ha
Immature	138	116	135	358	169	-	916
Young Mature	-	598	376	1,313	1,452	472	4,211
Prime Mature	1,660	1,557	1,581	434	640	991	6,863
Total	**1,798**	**2,271**	**2,092**	**2,105**	**2,261**	**1,463**	**11,990**

MANAGEMENT DISCUSSION & ANALYSIS

The Group recognises the importance of quality planting materials as the primary building block for long term competitiveness and sustainability. Towards this end more new area will be planted with TSH Wakuba clonal oil palm materials which have proven to produce high oil yield per hectare and at the same time stringent culling, best nursery upkeep practices and field planting standard will be observed.

While 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. 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 a member of Roundtable on Sustainable Oil Palm (RSPO) since 2014. Certification process is in progress and the Group targets to have the mill and one (1) estate certified in 2019. The management targets to achieve MSPO certification by end of 2019.

Milling Operations

The Group operates a 60/90 MT FFB per hour palm oil mill which commenced commercial operation on 17 December 2014. In FY2018, total FFB processed was 208,021 MT which is 13,711 MT higher than the preceding financial year. The mill recorded total production of 46,542 MT (2017: 44,758 MT) of CPO and 7,317 MT (2017: 6,779 MT) of PK. The Group achieved OER of 22.37% for CPO (2017: 23.03%). Heavy rainfall especially during the second half of the year adversely impacted FFB collection operating and consequently oil extraction rate.

Despite this, OER is still much above industrial average and can be sustained through the Group's commitment to KPI oriented process and procedures in oil palm cultivation, harvesting and milling operations.

Mill processing statistics are as shown below:-

	2018	2017	Change (%)
FFB Processed (MT)	208,021	194,310	7.06%
Mill Production (MT)			
• CPO	46,542	44,758	3.99%
• PK	7,317	6,779	7.94%
Extraction Rates (%)			
• CPO	22.37	23.03	(2.87%)
• PK	3.52	3.49	0.86%
Average Selling Price (RM/MT):			
• CPO	2,177	2,742	(20.61%)
• PK	1,714	2,458	(30.27%)
Sales Volume (MT)			
• CPO	46,328	44,100	5.05%
• PK	7,304	6,658	9.70%

MANAGEMENT DISCUSSION & ANALYSIS

OUTLOOK AND PROSPECT

Management is confident of a double digit percentage growth in FFB production in 2019 due to favourable weather in 2018 and in the case of the Group, production should also be boosted by the better age profile as more area comes into higher yielding age and with additional area coming into maturity and harvesting.

On the global front, there will be more economic uncertainties brought about by political changes in Europe and USA with the latter posing a risk of trade war which could dampen world trade and economic growth. CPO price for 2019 will be governed by the extent increase in CPO production in Indonesia and Malaysia, supply of oilseed crop from USA/ South America and demand from India and People's Republic of China. Also critical to price outlook will be the bio-diesel policies of Indonesia, Malaysia and the European Union. With a general undulating consensus that prices for 2019 will be better than 2018, the Group is confident of achieving reasonable profit for 2019.

For the longer term the Group is optimistic about the prospects of palm oil industry due to population growth propelling increased demand, higher per capital income and the many health qualities of palm oil.

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

DIVIDEND

The Board has recommended a Final Dividend of 1 sen per share for the year ended 2018 subject to shareholder's approval at the Annual General Meeting to be held on 21 May 2019.

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 and workers' amenities having been completed, future capital expenditure will be substantially reduced.

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

This statement is made in accordance with a resolution of the Board of Directors passed on 18 April 2019.

SUSTAINABILITY STATEMENT

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

This sustainability statement will outline our efforts at practising and improving sustainability in economic, environmental and social aspects. We will highlight some of the achievements made throughout 2018 from our efforts to turn waste into energy to enriching forests to our effort in helping the local community.

SUSTAINABILITY STATEMENT

Short-Term Goals

1. Monitoring of water usage for palm oil mills.
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. Malaysian Sustainable Palm Oil ("MSPO") certification for all estates and palm oil mill.
6. Roundtable on Sustainable Palm Oil ("RSPO") certification for one estate 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

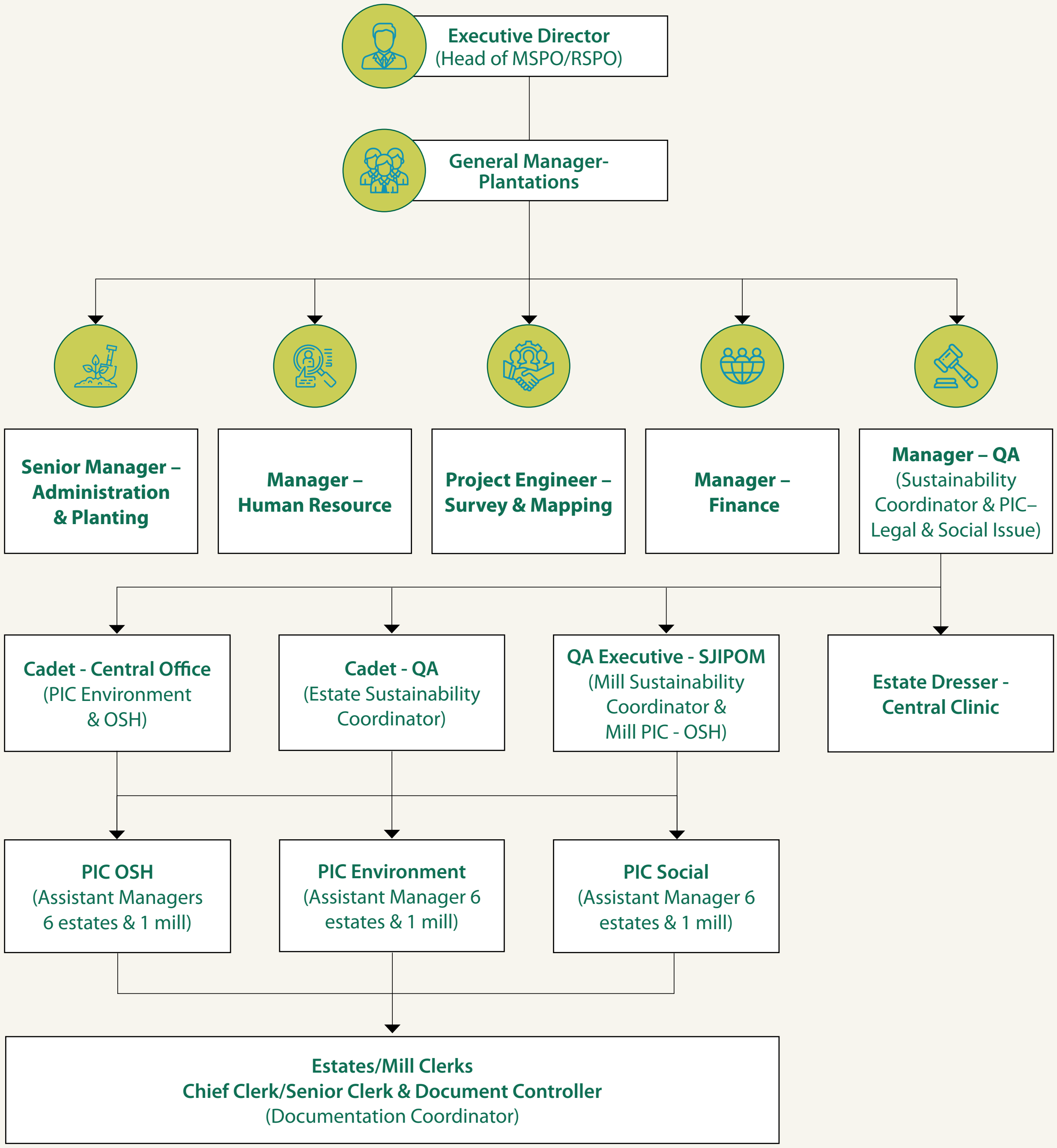
As demonstration our commitment towards sustainability, the Group has set up a department dedicated to managing sustainability issues with regard to our oil palm activities. Headed by the Executive Director, the Department pays particular attention to the principles, criteria and mandatory requirements 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 mills. The Company also has a Risk Management Committee which reviews risk policies, profiles and registers and is assisted by the Internal Audit Department.

SUSTAINABILITY STATEMENT



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 2018

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

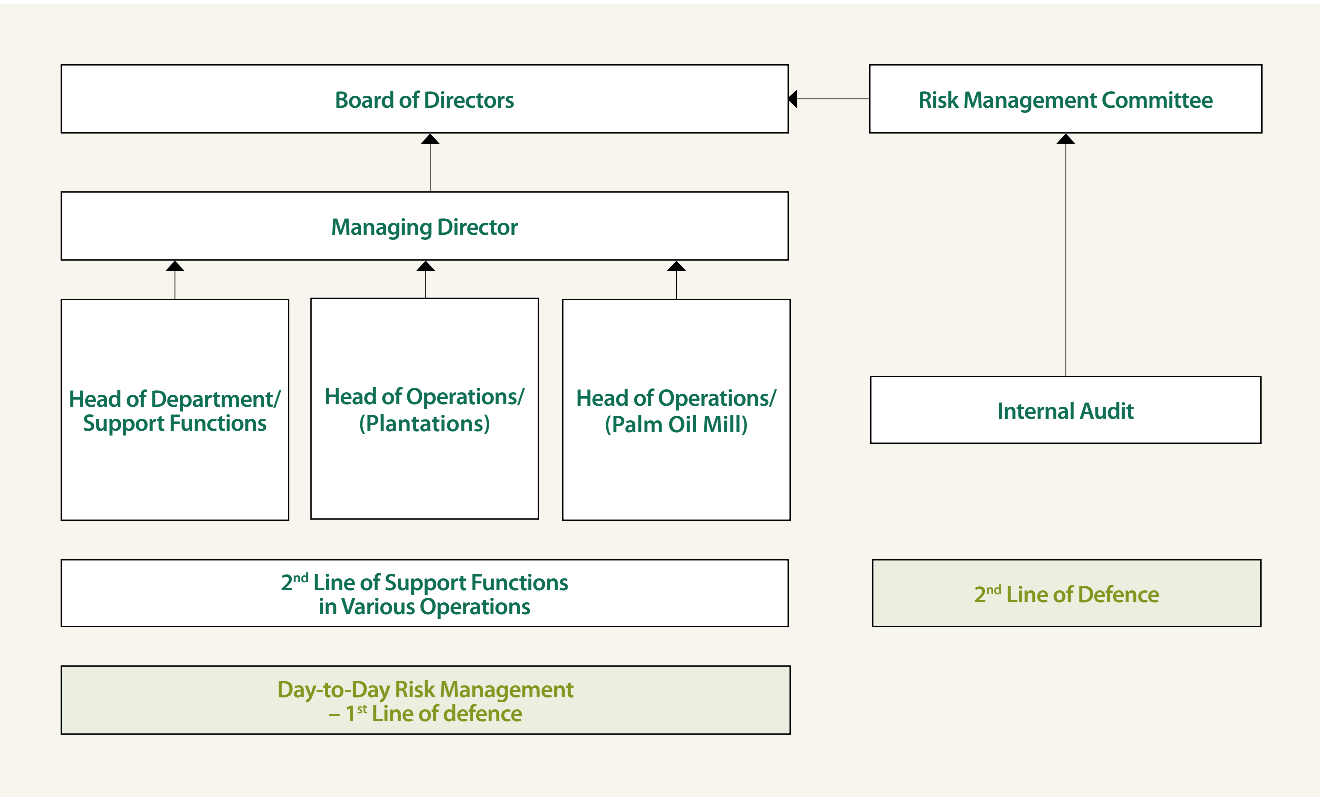
Forestry Department officials regularly visit SJI's estates unannounced. Non compliance could result in fines being imposed and on a worst case scenario stop operation order. As mitigation measure, a check list of compliance with Forestry Act and Regulations has been provided to operational staff and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

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.

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.

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.
- Special Labour Policy Statement.

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 2018 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.

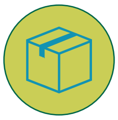
IPB will continue to improve its long-term relationships with stakeholders. Its website provides access to the latest information on the Group's financials and operations as well as the direction of the Group. There are email links for stakeholders to provide feedback or enquiries.

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 FY2018	Response to issues and outcomes
Employees	• Multichannel engagement	• Safety and health improvements • Housing / amenities improvements • Minimum wage • Performance review • School for children of Indonesian workers	• Weekly housing inspection on cleanliness/health issue • Provide medical services (clinics and medical surveillance) • Building more permanent housing, community hall and sport facilities • Minimum wage implemented • Performance review for all staff • Provide education for Indonesian children (Community Learning Centre, CLC)
Shareholders	• Multichannel engagement	• Non-financial indicators	• Improved disclosure with regard to business-related performance, palm age profiles which are in the Annual Report 2018, total hectares of mature, immature, planted and unplanted areas, and measures undertaken to ensure data accuracy
Communities	• Town hall meetings • Various other formal and informal engagement	• Water Quality Issue • Business/ Employment Opportunities	• Water quality (upstream and downstream) is monitoring through Ensolve (appointed consultant for SJI) environment monitoring surveillance (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

SUSTAINABILITY STATEMENT

Stakeholder Group	Engagement Platforms	Issues Raised in FY2018	Response to issues and outcomes
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.

Commitment to Certification

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

SUSTAINABILITY STATEMENT

Status Updates

Description	2018
Number of RSPO-certified estates	1 pending
Number of RSPO-certified mills	pending
MSPO certification for estates and mill	Pending

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 2018, all the suppliers were local suppliers.

We strictly adhere to all local labor regulations and ensure that there is zero tolerance for forced labor and child labor. 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.

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.

1.5 m^3/metric tonnes of FFB produced

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

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 2018, 724 hectares had been undertaken and todate 2,835 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.

SUSTAINABILITY STATEMENT

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.

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

Total number
2,344

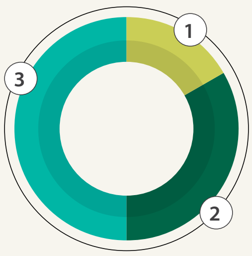
Turnover Rate
9%

Gender

Male
1,598

Female
746

Number of women in Management



Board of Directors	1
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.

SUSTAINABILITY STATEMENT

INJURY

Nil
Fatal

Nil
Major

Minor

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%

SUSTAINABILITY STATEMENT

Succession Planning

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

EMPLOYEE ENGAGEMENT AND BENEFITS AND WELLBEING

Benefits and Welfare

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

Engagement

IPB understands that non-work activities and programs are important to employee well-being and morale, and the Company continues to engage with employees through a variety of activities and celebrations in 2018. 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 Qurba for mill and estates.
- Majlis Gotong-Royong for estates/ mill housing complex.
- 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 PESAYA ke-13 2019

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of Innoprise Plantations Berhad ("IPB") ("Board") recognizes 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 Reference ("TORs") of the Board and Board Committees provide the framework for corporate governance at IPB. The Board periodically reviews the IPB Guidelines and TORs to ensure its relevance and they were last updated on 22 February 2018.

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 (CONT'D)

I. Role and Responsibilities of the Board (Cont'd)

Clear Functions of the Board and Management (Cont'd)

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 (CONT'D)

I. Role and Responsibilities of the Board (Cont'd)

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.

Whistle-Blowing Policy

The Board has adopted a Whistle-Blowing Policy that outlines the principles under pinning 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 and one (1) alternate director 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. Currently one of the Non-Independent Non-Executive Director is a lady who also serves on the Audit Committee. 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.

During the financial year, Datuk Sam Mannan @ Sham Mannan, an Non-Independent Non-Executive Director resigned and stepped down as a Director on 1 November 2018. Subsequently on 1 January 2019, Asgari Bin Mohd Fuad Stephens was appointed as Independent Non-Executive Director to fill the vacancy.

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 (CONT'D)

II. Board Composition and Independence (Cont'd)

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 2018, 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 Hj. Majin Hj. Ajing, Datuk Jaswant Singh Kler 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.

Shareholders' Approval through Two-Tier Voting for Re-Appointment as Independent Non-Executive Director after a tenure of 12 years

At the forthcoming AGM, Datuk Jaswant Singh Kler would has been acting as Independent Non-Executive Director for more than 12 years. The Board recommended him to be retained as an Independent Non-Executive Director.

The Company intends to seek shareholders' approval through two-tier voting as required by the Code at the forthcoming AGM to retain Datuk Hj. Majin Hj. Ajing and Datuk Jaswant Singh Kler as Independent Non-Executive Director for the ensuing year.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. Board Composition and Independence (Cont'd)

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 assessment of individual performance, capability and potential. The Company is committed to providing opportunities that allow individuals to reach their full potential irrespective of individual background or difference.

Summary of the gender mix of our workforce is disclosed on page 24 of the Sustainability Report 2018.

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;

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

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

The Nomination Committee has added the above Part (c) in its terms of reference in February 2018 to be in line with practice 4.6 of the Code.

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:

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. Board Composition and Independence (Cont'd)

Appointment of new Directors (Cont'd)

- 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 1 January 2019, the Board approved the recommendation of the Nomination Committee that Asgari Bin Mohd Fuad Stephens be appointed as Independent Non-Executive Director of the Company. His profile is set out in this Annual Report.

III Foster Commitment

Time Commitment

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

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

During the financial year, the Board met four (4) times, where at 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:

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

III Foster Commitment (Cont'd)

Time Commitment (Cont'd)

Name	22/02/18	21/05/18	21/08/18	13/11/18	Total
Datuk Hj. Majin Hj. Ajing	●	●	●	●	4/4
Datuk (Dr.) Kelvin Tan Aik Pen	●	●	●	○	3/4
Datuk Sam Mannan @ Sham Mannan (Resigned on 1 November 2018)	○	●	○	N/A	1/3
Datuk Jaswant Singh Kler	●	●	●	●	4/4
Datuk Hj. Othman Bin Walat	●	●	●	●	4/4
Puan Hajah Ainahwati Binti Abd Sani	●	●	●	●	4/4
Lim Fook Hin	●	●	●	●	4/4
Asgari Bin Mohd Fuad Stephens (Appointed on 1 January 2019)	N/A	N/A	N/A	N/A	N/A

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 2018. 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 for the financial year ended 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:

- Datuk Hj. Majin Hj. Ajing
- Datuk Jaswant Singh Kler

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

IV Board Committees (Cont'd)

Nomination Committee (Cont'd)

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 last review of the TORs of the Committee was carried out in February 2018. Details of its TORs are available on IPB's website.

Annual Assessment

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

Details of the evaluation process and criteria as well as summary of the activities undertaken by the Nomination Committee during 2018 are disclosed in the CG Report.

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

(a) Pursuant to Article 90 of the Company's Constitution, Datuk Hj. Othman Bin Walat;
(b) Pursuant to Article 97(1) of the Company's Constitution, Encik Asgari Bin Mohd Fuad Stephens;
(c) Pursuant to Article 124 of the Company's Constitution, Datuk (Dr.) Kelvin Tan Aik Pen

Datuk Hj. Majin Hj. Ajing who is due for retirement by rotation pursuant to Article 90 of the Company's Constitution, has expressed his intention not to seek re-election. Hence, he will retire from office at the close of the 25th Annual General Meeting.

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:

- Datuk Hj. Majin Hj. Ajing
- Datuk Jaswant Singh Kler
- Datuk (Dr.) Kelvin Tan Aik Pen

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.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

IV Board Committees (Cont'd)

Remuneration Committee (Cont'd)

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

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

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

Details of the remuneration of the Directors of the Company for the financial year under review are disclosed in 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 a Senior 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 last review of the TORs of the Audit Committee was carried out in February 2018 requiring a former key audit partner to observe a cooling-off period of at least 2 years before being appointed as a member of the Audit Committee. The revised 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 2018 are prepared in accordance with the provisions of the Actand 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

Audit Committee (Cont'd)

Lim Fook Hin, the Executive Director who is also the CFO formally presented the Company's quarter-to-quarter and year-to-date financial performance against budget as well as performance of each business segment. He 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.

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 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.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

Risk Management and Internal Audit (Cont'd)

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 our Executive Director, Lim Fook Hin at limfookhin@tsh.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 2018.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

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 Senior Independent Director, Datuk Jaswant Singh Kler. 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.

STATEMENT ON COMPLIANCE WITH THE 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 2018 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	
	2018	2017	2018	2017
Fees Paid	RM	RM	RM	RM
Audit	114,000	114,000	60,000	60,000
Non-audit	21,500	20,500	9,500	9,500

ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

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 2018	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 2018
1,243,000	-	-	1,243,000

Aggregate ESOS granted to directors	Aggregate ESOS exercised by directors/lapsed*	Sub-division	Aggregate ESOS outstanding as at 31 December 2018
3,200,000	(2,975,000)	225,000	450,000

* 800,000 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	-

CORPORATE GOVERNANCE OVERVIEW STATEMENT

ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

4. Recurrent Related Party Transactions of a Revenue or Trading Nature

At the last AGM of the Company held on 21 May 2018, 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 2018 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.	840,366
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.	297,113

CORPORATE GOVERNANCE OVERVIEW STATEMENT

ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

4. Recurrent Related Party Transactions of a Revenue or Trading Nature (Cont'd)

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.	100,861,618
Serijaya Industri Sdn. Bhd. (Seller)	TSHW (Buyer)	Same as disclosed above.	Sale of palm kernel.	12,520,434
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.	729,000
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 subjected to review on periodic basis to cater for process changes and changing risks.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

CONTROL ENVIRONMENT AND ACTIVITIES (CONT'D)

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 and regular 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. The reviews encompass areas such as financial and non-financial key performance indicators, variances between budget and operating results and compliance with laws and regulations.

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

4. Operational Policies and Procedures

Documented policies and procedures from an integral part of the internal control systems to safeguard shareholders' investment and the Group's assets against material losses and ensure complete and accurate financial information. The documents consist of circulars, the 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 the area of concerns. The Audit Committee reports to the Board on the findings and makes recommendations on possible action plans to improve and tighten the 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 recommendation on improving the internal control system. The findings and recommendation are discussed with Management and Audit Committee for remedial actions.

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

CONTROL ENVIRONMENT AND ACTIVITIES (CONT'D)

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 2018, 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 April 2019.

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 2018.

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;

Datuk Jaswant Singh Kler – Chairman, Independent Non-Executive Director
Datuk Hj. Majin Hj. Ajing – Member , Independent Non-Executive Director
Puan Hajah Ainahwati Binti Abd Sani – Member, Independent Non-Executive Director (Member of the Malaysian Institute of Accountants)

The Audit Committee met five (5) times during the year to discharge its duties and responsibilities. Attendance of members of the Audit Committee during 2018 is shown in the table below.

Name	22/02/18	10/04/18	21/05/18	21/08/18	13/11/18	Total
Datuk Jaswant Singh Kler	●	●	●	●	●	5/5
Datuk Hj. Majin Hj. Ajing	●	●	●	●	●	5/5
Puan Hajah Ainahwati Binti Abd Sani	●	●	●	●	●	5/5

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. In line with the release of Malaysian Code on Corporate Governance 2017, the Audit Committee has revised its Terms of Reference on 22 February 2018 to include cooling-off period of two years for former key audit partners before being appointed as a member of the Audit Committee. The revised terms of reference is made available on the Company's website at www.innoprise.com.my.

AUDIT COMMITTEE REPORT

REVIEW OF THE AUDIT COMMITTEE

An annual assessment and evaluation on the performance and effectiveness of the Audit Committee was undertaken by the Board of Directors through its Nomination Committee for the financial year ended 31 December 2018. 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 (CONT'D)

2. External Audit

During the year under review, the Audit Committee had one (1) meeting and one (1) private session with Messrs Ernst & Young. The private sessions were held without the presence of the Executive Directors, management or internal auditors. The Audit Committee reviewed with Messrs Ernst & Young 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 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, 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 2018, 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 as external auditors of the Company for the financial year ending 31 December 2018.

At the last Annual General Meeting held on 21 May 2018, the shareholders had approved the re-appointment of Messrs Ernst & Young as auditors of the Company.

In November 2018, the Audit Committee reviewed the 2018 audit planning memorandum prepared by Messrs Ernst & Young 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 2019, similar evaluation on the performance of Messrs Ernst & Young had been carried out and the Audit Committee recommended the re-appointment of Messrs Ernst & Young as external auditors of the Company for the financial year ending 31 December 2019.

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.

AUDIT COMMITTEE REPORT

SUMMARY OF ACTIVITIES (CONT'D)

3. Internal Audit

The Audit Committee reviewed and approved the annual audit plan for 2018 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.

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 2018 was about RM265,393.

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 flow 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 2018 set out on pages 63 to 130 of this Annual Report, the Group and the Company have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates. The Directors also consider that all applicable approved accounting standards in Malaysia have been followed and confirm that the financial statements have been prepared on a going concern basis.

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

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

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

FINANCIAL STATEMENTS

DIRECTORS' REPORT

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

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 16 to the financial statements. Other information relating to the subsidiaries are disclosed in Note 16 to the financial statements.

RESULTS

	Group RM	Company RM
Profit net of tax	9,465,306	16,610,408

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 Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

The amounts of dividends paid by the Company since 31 December 2017 were as follows:

	RM
In respect of the financial year ended 31 December 2017 as reported in the directors' report of that year:	
Final single-tier dividend of RM0.03 per share on 478,857,950 ordinary shares, declared on 21 May 2018 and paid on 20 June 2018	14,365,739

At the forthcoming Annual General Meeting, a final single-tier dividend in respect of the financial year ended 31 December 2018, of RM0.01 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 2019.

DIRECTORS' REPORT

DIRECTORS

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

Datuk Hj. Majin Hj. Ajing*	
Datuk (Dr.) Kelvin Tan Aik Pen*	
Datuk Jaswant Singh Kler	
Puan Hajah Ainahwati Binti Abd Sani	
Datuk Hj. Othman Bin Walat*	
Asgari Bin Mohd Fuad Stephens	(Appointed on 1.1.2019)
Lim Fook Hin*	
Datuk Sam Mannan @ Sham Mannan	(Resigned on 1.11.2018)

ALTERNATE DIRECTOR

Tan Aik Kiong** (Alternate to Datuk (Dr.) Kelvin Tan Aik Pen)

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

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

Saharuddin Bin Salleh

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 of the Company.

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 30 to the financial statements.

The directors' benefits are as follows:

	Group RM	Company RM
Fees	316,000	186,000
Salaries and other emoluments	1,254,700	14,500
Share option granted under ESOS	3,156	3,156
	1,573,856	203,656

DIRECTORS' REPORT

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			
	1.1.2018	**Acquired**	**Sold**	**31.12.2018**
Direct interest:				
Datuk Hj. Majin Hj. Ajing	75,000	-	-	75,000
Datuk (Dr.) Kelvin Tan Aik Pen	3,175,000	-	-	3,175,000
Datuk Hj. Othman Bin Walat	434,750	-	-	434,750
Lim Fook Hin	2,175,000	-	-	2,175,000
Tan Aik Kiong (Alternate director to Datuk (Dr.) Kelvin Tan Aik Pen)	750,000	-	-	750,000

	Number of options over ordinary shares				
	1.1.2018	**Granted**	**Exercised**	**Lapsed**	**31.12.2018**
Datuk Jaswant Singh Kler	450,000	-	-	-	450,000

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.

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 27 to the financial statements.

Details of options granted to directors are disclosed in the section on Directors' Interests in this report.

DIRECTORS' REPORT

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 that no provision for doubtful debts was necessary; 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 to make any provision for doubtful debts in respect of the financial statements of the Group and of the Company; 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.

DIRECTORS' REPORT

AUDITORS

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

Auditors' remuneration is as follows:

	Group RM	Company RM
Ernst & Young	114,000	60,000

Signed on behalf of the Board in accordance with a resolution of the directors dated 18 April 2019.

Datuk (Dr.) Kelvin Tan Aik Pen

Lim Fook Hin

STATEMENT BY DIRECTORS

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

We, **Datuk (Dr.) Kelvin Tan Aik Pen** and **Lim Fook Hin**, 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 63 to 130 give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 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 April 2019.

Datuk (Dr.) Kelvin Tan Aik Pen

Lim Fook Hin

STATUTORY DECLARATION

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

I, **Lim Fook Hin**, 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 63 to 130 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 **Lim Fook Hin** at
Kuala Lumpur in the Federal Territory
on 18 April 2019

Lim Fook Hin

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 2018 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 63 to 130.

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 2018, 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 opinio*n

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 Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

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

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

Impairment of property, plant and equipment

As at 31 December 2018, the carrying value of property, plant and equipment of the Group is RM373,325,830, representing approximately 96% of the total assets of the Group.

INDEPENDENT AUDITORS' REPORT

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

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

Impairment of property, plant and equipment (cont'd)

The Group assessed that there was an indication of impairment on property, plant and equipment as the Malaysian oil palm industry faced a challenging year in 2018 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. This involves comparing the recoverable amount of the related CGU to the carrying amount of property, plant and equipment.

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 is 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 and 3.2(a) respectively to the financial statements.

Impairment of investments in subsidiaries

As at 31 December 2018, the carrying value of investments in subsidiaries of the Company is RM245,855,384, representing approximately 97% 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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF INNOPRISE PLANTATIONS BERHAD (INCORPORATED IN MALAYSIA)

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

Impairment of investments in subsidiaries (cont'd)

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;
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 Group's 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.

INDEPENDENT AUDITORS' REPORT

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

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

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and 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.

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.

INDEPENDENT AUDITORS' REPORT

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

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

Auditors' responsibilities for the audit of the financial statements (cont'd)

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

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

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current 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

1. As stated in Note 2.1 to the financial statements, Innoprise Plantations Berhad adopted Malaysian Financial Reporting Standards and International Financial Reporting Standards on 1 January 2018 with a transition date of 1 January 2017. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position of the Group and of the Company as at 31 December 2017 and 1 January 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year ended 31 December 2017 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the financial year ended 31 December 2018 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2018 do not contain misstatements that materially affect the financial position as at 31 December 2018 and financial performance and cash flows for the financial year then ended.

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

Ernst & Young
AF: 0039
Chartered Accountants

Kwan Bitt Jing @ Winnie Kwan
03257/05/2020 J
Chartered Accountant

Kota Kinabalu, Malaysia
18 April 2019

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Group		Company	
	Note	2018	2017	2018	2017
		RM	RM	RM	RM
Revenue	4	114,222,418	138,210,753	17,365,000	22,309,000
Cost of sales	5	(96,822,949)	(86,880,234)	(203,656)	(147,403)
Gross profit		17,399,469	51,330,519	17,161,344	22,161,597
Other items of income					
Interest income	6	72,615	245,242	-	18,409
Other income	7	1,891,391	727,193	3,000	128,268
Other items of expense					
Administrative expenses		(3,976,614)	(8,964,731)	(552,468)	(488,420)
Other expenses		(1,038,551)	(1,132,272)	-	-
Finance costs	8	(1,863,789)	(2,266,436)	-	-
Profit before tax	9	12,484,521	39,939,515	16,611,876	21,819,854
Income tax expense	12	(3,019,215)	(9,171,791)	(1,468)	(34,878)
Profit net of tax		9,465,306	30,767,724	16,610,408	21,784,976
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		9,465,306	30,767,724	16,610,408	21,784,976
Earnings per share attributable to owners of the Company (sen):					
Basic	13	1.98	6.43		
Diluted	13	1.98	6.42		

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

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

		Group			Company		
	Note	2018	2017	As at 1.1.2017	2018	2017	As at 1.1.2017
		RM	RM	RM	RM	RM	RM
Assets							
Non-current assets							
Property, plant and equipment	14	373,325,830	372,310,091	362,307,094	44,754	59,963	79,306
Investments in subsidiaries	16	-	-	-	245,855,384	245,849,821	245,818,273
Other receivables	19	2,085,565	5,598,322	5,055,404	-	-	-
		375,411,395	377,908,413	367,362,498	245,900,138	245,909,784	245,897,579
Current assets							
Biological assets	15	1,336,397	2,111,836	2,697,251	-	-	-
Inventories	17	4,134,564	4,350,758	3,076,669	-	-	-
Trade and other receivables	19	3,579,224	5,074,692	9,141,535	6,073,833	3,827,463	682,867
Income tax refundable		192,770	137,000	408,441	-	-	-
Cash and bank balances	20	2,050,433	12,202,213	14,281,631	73,364	158,591	194,146
		11,293,388	23,876,499	29,605,527	6,147,197	3,986,054	877,013
Total assets		386,704,783	401,784,912	396,968,025	252,047,335	249,895,838	246,774,592
Equity and liabilities							
Current liabilities							
Loans and borrowings	21	24,970,336	22,760,990	17,975,264	-	-	-
Trade and other payables	22	15,909,600	18,208,446	15,752,307	72,266	139,981	197,457
Derivatives	18	-	-	904,668	-	-	-
Income tax payable		702	35,856	-	702	34,878	-
		40,880,638	41,005,292	34,632,239	72,968	174,859	197,457
Net current (liabilities)/assets		(29,587,250)	(17,128,793)	(5,026,712)	6,074,229	3,811,195	679,556
Non-current liabilities							
Deferred tax liabilities	23	37,269,050	34,262,055	25,182,382	-	-	-
Loans and borrowings	21	29,017	13,099,773	35,862,204	-	-	-
		37,298,067	47,361,828	61,044,586	-	-	-
Total liabilities		78,178,705	88,367,120	95,676,825	72,968	174,859	197,457
Net assets		308,526,078	313,417,792	301,291,200	251,974,367	249,720,979	246,577,135

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

		Group			Company		
	Note	2018 RM	2017 RM	As at 1.1.2017 RM	2018 RM	2017 RM	As at 1.1.2017 RM
Equity attributable to owners of the Company							
Share capital	24	239,675,958	239,675,958	239,046,625	239,675,958	239,675,958	239,046,625
Other reserve	25	391,103	382,384	1,034,263	391,103	382,384	1,034,263
Retained earnings	26	68,459,017	73,359,450	61,210,312	11,907,306	9,662,637	6,496,247
Total equity		308,526,078	313,417,792	301,291,200	251,974,367	249,720,979	246,577,135
Total equity and liabilities		386,704,783	401,784,912	396,968,025	252,047,335	249,895,838	246,774,592

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 2018

	Share capital RM	Other reserve RM	Retained earnings RM	Total equity RM
Group				
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
Dividends 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
At 1 January 2017	239,046,625	1,034,263	61,210,312	301,291,200
Profit net of tax	-	-	30,767,724	30,767,724
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	30,767,724	30,767,724
Transactions with owners				
Share options granted under ESOS:				
- Recognised in profit or loss	-	49,451	-	49,451
Exercise of employee share options	629,333	(165,598)	-	463,735
Lapse of employee share options	-	(535,732)	535,732	-
Dividends on ordinary shares	-	-	(19,154,318)	(19,154,318)
Total transactions with owners	629,333	(651,879)	(18,618,586)	(18,641,132)
At 31 December 2017	239,675,958	382,384	73,359,450	313,417,792

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Share capital RM	Other reserve RM	Retained earnings RM	Total equity RM
Company				
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
Dividends 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
At 1 January 2017	239,046,625	1,034,263	6,496,247	246,577,135
Profit net of tax	-	-	21,784,976	21,784,976
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	21,784,976	21,784,976
Transactions with owners				
Share options granted under ESOS:				
- Recognised in profit or loss	-	17,903	-	17,903
- Included in investment in subsidiary	-	31,548	-	31,548
Exercise of employee share options	629,333	(165,598)	-	463,735
Lapse of employee share options	-	(535,732)	535,732	-
Dividends on ordinary shares	-	-	(19,154,318)	(19,154,318)
Total transactions with owners	629,333	(651,879)	(18,618,586)	(18,641,132)
At 31 December 2017	239,675,958	382,384	9,662,637	249,720,979

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 2018

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Operating activities				
Profit before tax	12,484,521	39,939,515	16,611,876	21,819,854
Adjustments for:				
Depreciation of property, plant and equipment	20,191,361	17,872,890	19,351	19,342
Gain on disposal of plant and equipment	(1,162,156)	(17,299)	-	(5,999)
Impairment loss on other receivables	-	26,464	-	-
Interest income	(72,615)	(245,242)	-	(18,409)
Finance costs	1,863,789	2,266,436	-	-
Property, plant and equipment written off	13,802	30,544	-	-
Share options granted under ESOS	3,156	17,903	3,156	17,903
Fair value changes of biological assets	775,439	585,415	-	-
Reversal of unrealised loss on commodity future contracts	-	(904,668)	-	-
Total adjustments	21,612,776	19,632,443	22,507	12,837
Operating cash flows before changes in working capital	34,097,297	59,571,958	16,634,383	21,832,691
Changes in working capital:				
Decrease/(increase) in inventories	216,194	(1,274,089)	-	-
Decrease/(increase) in receivables	5,008,225	3,497,461	(4,344)	8,867
(Decrease)/increase in payables	(2,293,283)	2,487,687	(67,761)	(57,742)
Increase in amounts due from subsidiaries	-	-	(2,241,980)	(3,153,197)
Total changes in working capital	2,931,136	4,711,059	(2,314,085)	(3,202,072)
Cash flow from operations	37,028,433	64,283,017	14,320,298	18,630,619
Interest received	72,615	245,242	-	18,409
Interest paid	(1,920,273)	(2,477,648)	-	-
Income tax refunded	-	266,664	-	-
Income tax paid	(103,144)	(51,485)	(35,644)	-
Net cash flows from operating activities	35,077,631	62,265,790	14,284,654	18,649,028

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Investing activities				
Increase in pledged deposits	(15,309)	(15,669)	-	-
Purchase of property, plant and equipment	(22,167,215)	(27,752,695)	(4,142)	-
Proceeds from disposal of plant and equipment	2,164,953	74,775	-	6,000
Net cash flows (used in)/from investing activities	(20,017,571)	(27,693,589)	(4,142)	6,000
Financing activities				
Dividends paid	(14,365,739)	(19,154,318)	(14,365,739)	(19,154,318)
Drawdown of revolving credits	12,000,000	-	-	-
Drawdown of invoice financing	1,678,035	-	-	-
Repayment of invoice financing	(1,678,035)	-	-	-
Repayment of term loans	(21,500,000)	(16,500,000)	-	-
Repayment of hire purchase payables	(1,361,410)	(1,476,705)	-	-
Proceeds from exercise of employee share options	-	463,735	-	463,735
Net cash flows used in financing activities	(25,227,149)	(36,667,288)	(14,365,739)	(18,690,583)
Net decrease in cash and cash equivalents	(10,167,089)	(2,095,087)	(85,227)	(35,555)
Cash and cash equivalents at beginning of year	11,692,234	13,787,321	158,591	194,146
Cash and cash equivalents at end of year (Note 20)	1,525,145	11,692,234	73,364	158,591

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 2018

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 16 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.

For all periods up to and including the year ended 31 December 2017, the Group and the Company prepared its financial statements in accordance with Financial Reporting Standards ("FRS"). These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with MFRS. Refer to Note 2.2 for information on how the Group's and the Company's adopted MFRS.

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

The financial statements are presented in Ringgit Malaysia (RM).

2.2 First-time adoption of Malaysian Financial Reporting Standards and other adjustment

These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with MFRS.

Accordingly, the Group and the Company have prepared financial statements that comply with MFRS applicable as at 31 December 2018, together with the comparative period information for the year ended 31 December 2017, as described in the summary of significant accounting policies. In preparing the financial statements, the Group's and the Company's opening statement of financial position was prepared as at 1 January 2017, the Group's and the Company's date of transition to MFRS.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of Malaysian Financial Reporting Standards and other adjustment (cont'd)

The Group has put through adjustments in relation to the adoption of MFRS and other adjustment as disclosed below. The adoption of MFRS has no material effects on the Company.

(i) Upon adoption of MFRS 141, bearer plants are within the scope of MFRS 116 Property, Plant and Equipment and the Group measures the bearer plants using the cost model. Under FRS, bearer plants were measured using the capital maintenance method and were not amortised. Replanting expenditure were taken to profit or loss in the period the expenditure were incurred. Under MFRS 141, bearer plants are measured at cost and are amortised over the life of the bearer plants. Any replanting expenditure is capitalized and amortised. Oil palm nursery are included as bearer plants. Under FRS, oil palm nursery were classified as inventories.

(ii) Under MFRS, produce growing on bearer plants are biological assets and within the scope of MFRS 141 and are measured at fair value less costs to sell with the changes in fair value recognised in profit or loss. Under FRS, produce growing on bearer plants were not recognised.

(iii) The classification of certain items in the comparative information are changed so as to be in conformity with current period presentation and classification.

(iv) This adjustment is in respect of contingent land lease rental payable to Benta Wawasan Sdn. Bhd. for the year 2017 that was not recognised previously.

(a) Reconciliation of the Group's equity as at 1 January 2017 (date of transition)

	As at 1 January 2017 Under FRS		Adjustments	As at 1 January 2017 Under MFRS
	RM		RM	RM
Assets				
Non-current assets				
Property, plant and equipment	157,540,034	(i)	204,767,060	362,307,094
Biological assets	225,104,560	(i)	(225,104,560)	-
Other receivables	5,055,404			5,055,404
	387,699,998			367,362,498
Current assets				
Biological assets	-	(ii)	2,697,251	2,697,251
Inventories	7,720,093	(i)	(4,643,424)	3,076,669
Trade and other receivables	9,141,535			9,141,535
Income tax refundable	408,441			408,441
Cash and bank balances	14,281,631			14,281,631
	31,551,700			29,605,527
Total assets	419,251,698			396,968,025

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of Malaysian Financial Reporting Standards and other adjustment (cont'd)

(a) Reconciliation of the Group's equity as at 1 January 2017 (date of transition) (cont'd)

	As at 1 January 2017 Under FRS		Adjustments	As at 1 January 2017 Under MFRS
	RM		RM	RM
Equity and liabilities				
Current liabilities				
Loans and borrowings	17,975,264			17,975,264
Trade and other payables	15,752,307			15,752,307
Derivatives	904,668			904,668
	34,632,239			34,632,239
Net current liabilities	(3,080,539)			(5,026,712)
Non-current liabilities				
Deferred tax liabilities	31,955,404	(i)	(6,773,022)	25,182,382
Loans and borrowings	35,862,204			35,862,204
	67,817,608			61,044,586
Total liabilities	102,449,847			95,676,825
Net assets	316,801,851			301,291,200
Equity attributable to owners of the Company				
Share capital	239,046,625			239,046,625
Other reserve	1,034,263			1,034,263
Retained earnings	76,720,963	(i)(ii)	(15,510,651)	61,210,312
	316,801,851			301,291,200
Total equity and liabilities	419,251,698			396,968,025

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of Malaysian Financial Reporting Standards and other adjustment (cont'd)

(b) Reconciliation of the Group's equity as at 31 December 2017

	As at 31 December 2017 Under FRS		Adjustments	As at 31 December 2017 Under MFRS
	RM		RM	RM
Assets				
Non-current assets				
Property, plant and equipment	165,446,772	(i)	206,863,319	372,310,091
Biological assets	236,429,881	(i)	(236,429,881)	-
Other receivables	5,598,322			5,598,322
	407,474,975			377,908,413
Current assets				
Biological assets	-	(ii)	2,111,836	2,111,836
Inventories	9,402,895	(i)	(5,052,137)	4,350,758
Trade and other receivables	5,074,692			5,074,692
Income tax refundable	137,000			137,000
Cash and bank balances	12,202,213			12,202,213
	26,816,800			23,876,499
Total assets	434,291,775			401,784,912
Equity and liabilities				
Current liabilities				
Loans and borrowings	22,760,990			22,760,990
Trade and other payables	12,919,987	(iv)	5,288,459	18,208,446
Income tax payable	35,856			35,856
	35,716,833			41,005,292
Net current liabilities	(8,900,033)			(17,128,793)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of Malaysian Financial Reporting Standards and other adjustment (cont'd)

(b) Reconciliation of the Group's equity as at 31 December 2017 (cont'd)

	As at 31 December 2017 Under FRS		Adjustments	As at 31 December 2017 Under MFRS
	RM		RM	RM
Non-current liabilities				
Deferred tax liabilities	44,617,373	(i)(iv)	(10,355,318)	34,262,055
Loans and borrowings	13,099,773			13,099,773
	57,717,146			47,361,828
Total liabilities	93,433,979			88,367,120
Net assets	340,857,796			313,417,792
Equity attributable to owners of the Company				
Share capital	239,675,958			239,675,958
Other reserve	382,384			382,384
Retained earnings	100,799,454	(i)(ii)(iv)	(27,440,004)	73,359,450
	340,857,796			313,417,792
Total equity and liabilities	434,291,775			401,784,912

(c) Reconciliation of the Group's cash flows for the financial year ended 31 December 2017

	2017 Under FRS		Adjustments	2017 Under MFRS
	RM		RM	RM
Cash flows from operating activities				
Increase in inventories	(1,682,802)	(i)	408,713	(1,274,089)
Cash flow from investing activities				
Purchase of property, plant and equipment	(27,343,982)	(i)	(408,713)	(27,752,695)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of Malaysian Financial Reporting Standards and other adjustment (cont'd)

(d) Reconciliation of the Group's total comprehensive income for the financial year ended 31 December 2017

	2017 Under FRS RM		Adjustments RM	2017 Under MFRS RM
Revenue	138,210,753			138,210,753
Cost of sales	(64,973,966)	(i)(iii)	(21,906,268)	(86,880,234)
Gross profit	73,236,787			51,330,519
Other items of income				
Interest income	245,242			245,242
Other income	727,193			727,193
Other items of expense				
Selling expenses	(12,268,493)	(iii)	12,268,493	-
Administrative expenses	(3,676,272)	(iv)	(5,288,459)	(8,964,731)
Other expenses	(546,857)	(ii)	(585,415)	(1,132,272)
Finance costs	(2,266,436)			(2,266,436)
Profit before tax	55,451,164			39,939,515
Income tax expense	(12,754,087)	(i)(iv)	3,582,296	(9,171,791)
Profit net of tax	42,697,077			30,767,724
Other comprehensive income	-			-
Total comprehensive income for the year	42,697,077			30,767,724

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
MFRS 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 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
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 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

Except for MFRS 16, these new standards, amendments and interpretations are not expected to have a significant impact on the Group's and the Company's financial statements.

MFRS 16 Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Standards issued but not yet effective (cont'd)

MFRS 16 Leases (cont'd)

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases as either operating or finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

On the adoption of MRFS 16, the Group and the Company expect to recognise right-of-use assets and lease liabilities for their leases previously classified as operating leases, with a corresponding decrease in the opening retained earnings and the related tax impact as of 1 January 2019.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The Company controls an investee if and only if the Company has all the following:

(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 investment with the investee; and
(iii) The ability to use its power over the investee to affect its returns.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Basis of consolidation (cont'd)

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

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 the statement of 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.

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.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through 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 over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

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 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, the Group recognises such parts 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 (CONT'D)

2.5 Property, plant and equipment (cont'd)

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 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.

Biological assets are classified as current assets for bearer plants that are expected to be harvested and sold or used for production on a date not more than 12 months after the reporting date.

2.7 Impairment of non-financial assets

The Group assesses 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 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")).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Impairment of non-financial assets (cont'd)

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

Impairment losses are recognised in profit or loss.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Financial instruments

(a) Initial recognition and measurement

A financial instrument is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs. However, a trade receivable without a significant financing component is initially measured at the transaction price.

(b) Categories of financial instruments and subsequent measurement

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequently unless there is a change in the business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(i) Amortised costs

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method and are subject to impairment. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets where the effective interest rate is applied to the amortised cost.

(ii) FVOCI – debt securities

A debt security is measured at fair value through other comprehensive income ("FVOCI") if it is held within a business model with the objective of both holding to collect contractual cash flows and selling; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and is not designated as at fair value through profit or loss ("FVTPL").

For debt instruments at FVOCI, interest income, foreign exchange revaluation 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.

(iii) FVOCI – equity securities

For an equity investment that is not held for trading, the Group may irrevocably elect to subsequently measure the equity securities at FVOCI on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are not reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Financial instruments (cont'd)

(b) Categories of financial instruments and subsequent measurement (cont'd)

Financial assets (cont'd)

(iv) Fair value through profit or loss

All financial assets not classified and measured at amortised costs or FVOCI are measured at FVTPL. On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as FVTPL are subsequently measured at their fair value. Net gain or losses, including any interest or dividend income, are recognised in profit or loss.

All financial assets, except for those measured at FVTPL and equity investments measured at FVOCI, are subject to impairment assessment.

Financial liabilities

The categories of financial liabilities, classified at initial recognition are as follows:

(i) Fair value through profit or loss

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This includes derivatives entered into by the Group or the Company that do not meet the hedge accounting criteria.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense recognised in profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the amount of change in fair value of the financial liability that is attributable to change in credit risk are recognised in the other comprehensive income and the remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the credit risk of the liability would create or enlarge an accounting mismatch.

(ii) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on recognition are also recognised in the profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Financial instruments (cont'd)

Financial liabilities (cont'd)

(c) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received is recognised in profit or loss.

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 the statement of profit or loss.

(d) 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 Impairment of financial assets

An allowance is recognised 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, credit risk is not tracked, but instead recognise a loss allowance based on lifetime ECLs at each reporting date. A provision matrix is established 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Financial guarantee

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

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

2.12 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.

2.13 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.

2.14 Provisions

Provisions are recognised when the Group 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.

2.15 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

2.17 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

(a) As lessee

Finance leases, which transfer to the Group 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 Leases (cont'd)

(a) As lessee (cont'd)

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and 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 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 bases as rental income.

2.18 Fair value measurement

The Group measures 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 31.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 Fair value measurement (cont'd)

The Group uses 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 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.

2.19 Revenue

(a) Sale of plantation produce

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

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

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

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

(b) Management fees

Management fees are recognised over time.

(c) Other revenue

Revenue from other sources are recognised as follows:

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Taxes

(a) Current income tax

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

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

(b) Deferred tax

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Taxes (cont'd)

(b) Deferred tax (cont'd)

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) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the amount of GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

(d) Sales and services 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 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 34, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.22 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.

2.23 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.

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

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.

(a) Impairment of property, plant and equipment

The Group reviews the carrying amount of property, plant and equipment 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

3.2 Key sources of estimation uncertainty (cont'd)

(a) Impairment of property, plant and equipment (cont'd)

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 the property, plant and equipment, 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 of the Group as at the reporting date is disclosed in the Note 14 to the financial statements. There was no impairment recognised by the Group for the current financial year (2017: 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 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 16 to the financial statements. There was no impairment recognised by the Company for the current financial year (2017: 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 balance sheet date. The carrying amount and key assumptions used to determine the fair value of the biological assets are further disclosed in Note 15.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

3.2 Key sources of estimation uncertainty (cont'd)

(d) Deferred tax assets (cont'd)

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 allowance of the Group at 31 December 2018 was RM33,377,653 (2017: RM35,888,483) and recognised tax losses, unabsorbed capital and agriculture allowances at 31 December 2018 was RM139,073,554 (2017: RM149,535,346). The unrecognised tax losses and unabsorbed capital allowance of the Group at 31 December 2018 was RM2,095,517 (2017: RM2,480,592).

(e) Employee share options

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

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

4. REVENUE

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Revenue from contracts with customers:				
Types of goods or services				
Management fees	-	-	396,000	396,000
Sale of oil palm fresh fruit bunches	840,366	921,902	-	-
Sale of crude palm oil	100,861,618	120,924,516	-	-
Sale of palm kernel	12,520,434	16,364,335	-	-
	114,222,418	138,210,753	396,000	396,000
Other revenue				
Dividend income	-	-	16,969,000	21,913,000
	114,222,418	138,210,753	17,365,000	22,309,000
Timing of revenue recognition				
At a point in time	114,222,418	138,210,753	-	-
Over time	-	-	396,000	396,000
	114,222,418	138,210,753	396,000	396,000

5. COST OF SALES

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Cost of inventories sold	96,822,949	86,880,234	-	-
Cost of services rendered	-	-	203,656	147,403
	96,822,949	86,880,234	203,656	147,403

6. INTEREST INCOME

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Interest income from money market deposits	57,306	211,164	-	-
Interest income from deposits	15,309	34,078	-	18,409
	72,615	245,242	-	18,409

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

7. OTHER INCOME

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Rental income	1,800	1,800	-	-
Miscellaneous income	727,435	659,980	3,000	122,269
Gain on disposal of plant and equipment	1,162,156	17,299	-	5,999
Gain on sale of consumable goods	-	48,114	-	-
	1,891,391	727,193	3,000	128,268

8. FINANCE COSTS

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Interest expense on:				
Term loan	1,413,570	2,285,417	-	-
Revolving credits	317,248	-	-	-
Invoice financing	6,182	-	-	-
Hire purchase	162,957	191,603	-	-
Trade advances	20,316	628	-	-
	1,920,273	2,477,648	-	-
Less: Interest expense capitalised in property, plant and equipment (Note 14)	(56,484)	(211,212)	-	-
	1,863,789	2,266,436	-	-

9. PROFIT BEFORE TAX

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Employee benefits expense (Note 10)	30,348,978	26,674,472	-	-
Non-executive directors' remuneration (Note 11)	331,656	278,403	201,656	146,403
Auditors' remuneration:				
- Statutory audits:				
- current year	114,000	93,000	60,000	50,000
- under provision in respect of previous year	21,000	14,000	10,000	10,000
- Other services	21,500	20,500	9,500	9,500
Depreciation of property, plant and equipment (Note 14)	20,191,361	17,872,890	19,351	19,342
Impairment loss on other receivables	-	26,464	-	-
Property, plant and equipment written off (Note 14)	13,802	30,544	-	-
Rental of premises	121,950	121,950	42,750	42,750
Fair value changes of biological assets	775,439	585,415	-	-
Reversal of unrealised loss on commodity future contracts	-	(904,668)	-	-
Realised loss on commodity future contracts	-	1,133,213	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

10. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Wages and salaries	31,682,001	28,567,148	-	-
Contributions to defined contribution plan	931,764	815,253	-	-
Social security contributions	102,259	229,296	-	-
Share options granted under ESOS	5,563	31,548	-	-
	32,721,587	29,643,245	-	-
Less: Amount capitalised in property, plant and equipment (Note 14)	(2,372,609)	(2,968,773)	-	-
	30,348,978	26,674,472	-	-

Included in employee benefits expense of the Group and the Company are executive directors' remuneration amounting to RM1,242,200 (2017: RM1,513,000) and RM2,000 (2017: RM1,000) respectively. As further disclosed in Note 11.

11. DIRECTORS' REMUNERATION

The details of remuneration receivable by directors of the Company during the year are as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Executive directors' remuneration (Note 10):				
- Salaries and other emoluments	1,242,200	1,513,000	2,000	1,000
	1,242,200	1,513,000	2,000	1,000
Non-executive directors' remuneration (Note 9):				
- Fees	316,000	252,000	186,000	120,000
- Other emoluments	12,500	8,500	12,500	8,500
- Share option granted under ESOS	3,156	17,903	3,156	17,903
	331,656	278,403	201,656	146,403
Total directors' remuneration	1,573,856	1,791,403	203,656	147,403

11. DIRECTORS' REMUNERATION (CONT'D)

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

	Group			Company		
2018	**Fees**	**Salaries and/ or other emoluments**	**Total**	**Fees**	**Salaries and/ or other emoluments**	**Total**
	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	40,500	36,000	4,500	40,500
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	316,500	186,000	12,500	198,500
Total directors' remuneration	304,000	1,254,700	1,558,700	186,000	14,500	200,500
2017						
Executive director:						
Datuk (Dr.) Kelvin Tan Aik Pen	-	806,900	806,900	-	500	500
Lim Fook Hin	-	706,100	706,100	-	500	500
	-	1,513,000	1,513,000	-	1,000	1,000
Non-executive directors:						
Datuk Hj. Majin Haji Ajing	120,000	3,000	123,000	24,000	3,000	27,000
Datuk Sam Mannan @ Sham Mannan	36,000	-	36,000	24,000	-	24,000
Datuk Jaswant Singh Kler	24,000	3,000	27,000	24,000	3,000	27,000
Datuk Hj. Othman Bin Walat	36,000	-	36,000	24,000	-	24,000
Puan Hajah Ainahwati Binti Abd Sani	24,000	2,500	26,500	24,000	2,500	26,500
	240,000	8,500	248,500	120,000	8,500	128,500
Total directors' remuneration	240,000	1,521,500	1,761,500	120,000	9,500	129,500

[1] Resigned on 1 November 2018.

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12. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2018 and 2017 are:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Statements of comprehensive income				
Income tax:				
Current year	11,454	83,356	702	34,878
Under provision in respect of previous year	766	8,762	766	-
	12,220	92,118	1,468	34,878
Deferred tax (Note 23):				
Relating to origination and reversal of temporary differences	2,476,188	9,180,474	-	-
Under/(over) provision in respect of previous year	530,807	(100,801)	-	-
	3,006,995	9,079,673	-	-
Income tax expense recognised in profit or loss	3,019,215	9,171,791	1,468	34,878

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 2018 and 2017 are as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Accounting profit before tax	12,484,521	39,939,515	16,611,876	21,819,854
Tax at Malaysian statutory tax rate of 24% (2017: 24%)	2,996,285	9,585,484	3,986,850	5,236,765
Adjustments:				
Effect of expenses not deductible for tax purposes	480,581	540,416	177,707	149,547
Income not subject to tax	(183,770)	-	(4,072,560)	(5,259,120)
Effect of tax exemption#	(714,159)	(769,756)	-	-
Utilisation of previously unrecognised tax losses	(92,938)	(93,732)	(92,938)	(93,732)
Deferred tax assets not recognised	1,643	1,418	1,643	1,418
Under/(over) provision of deferred tax in respect of previous year	530,807	(100,801)	-	-
Under provision of income tax in respect of previous year	766	8,762	766	-
Income tax expense recognised in profit or loss	3,019,215	9,171,791	1,468	34,878

12. INCOME TAX EXPENSE (CONT'D)

Reconciliation between tax expense and accounting profit (cont'd)

Income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 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	
	2018	**2017**
	RM	**RM**
Profit net of tax attributable to owners of the Company used in the computation of basic earnings per share	9,465,306	30,767,724

	Group	
	2018	**2017**
	Number of shares	**Number of shares**
Weighted average number of ordinary shares for basic earnings per share computation	478,857,950	478,749,006
Effects of dilution:		
- Share options	259,013	600,562
Weighted average number of ordinary shares for diluted earnings per share computation	479,116,963	479,349,568

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

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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 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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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 2017								
Cost								
At 1 January 2017	66,761,769	232,987,984	48,776,062	16,501,188	2,365,737	46,014,267	5,357,772	418,764,779
Additions	351,441	11,734,034	1,455,282	3,587,520	354,377	1,442,055	9,541,220	28,465,929
Reclassifications	7,777,017	-	-	-	10,800	1,094,833	(8,882,650)	-
Disposals	-	-	-	(222,062)	-	-	-	(222,062)
Write off	(60,030)	-	-	(70,000)	(4,932)	-	-	(134,962)
At 31 December 2017	74,830,197	244,722,018	50,231,344	19,796,646	2,725,982	48,551,155	6,016,342	446,873,684
Accumulated depreciation								
At 1 January 2017	6,354,521	28,220,924	2,624,976	9,019,544	1,166,547	9,071,173	-	56,457,685
Depreciation charge for the year	1,442,363	9,637,775	989,862	1,414,193	167,913	4,722,806	-	18,374,912
Recognised in profit or loss	1,355,001	9,637,775	928,725	1,327,926	158,208	4,465,255	-	17,872,890
Capitalised in bearer plants	87,362	-	61,137	86,267	9,705	257,551	-	502,022
Disposals	-	-	-	(164,586)	-	-	-	(164,586)
Write off	(29,963)	-	-	(69,999)	(4,456)	-	-	(104,418)
At 31 December 2017	7,766,921	37,858,699	3,614,838	10,199,152	1,330,004	13,793,979	-	74,563,593
Net carrying amount								
At 31 December 2017	67,063,276	206,863,319	46,616,506	9,597,494	1,395,978	34,757,176	6,016,342	372,310,091

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

	Motor vehicles RM	Equipment, furniture and fittings RM	Total RM
Company			
At 31 December 2018			
Cost			
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
At 31 December 2017			
At 1 January 2017	282,605	177,871	460,476
Disposals	(108,062)	-	(108,062)
At 31 December 2017	174,543	177,871	352,414
Accumulated depreciation			
At 1 January 2017	212,776	168,394	381,170
Depreciation charge for the year	17,454	1,888	19,342
Disposals	(108,061)	-	(108,061)
At 31 December 2017	122,169	170,282	292,451
Net carrying amount			
At 31 December 2017	52,374	7,589	59,963

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

Assets held under finance leases

The carrying amount of property, plant and equipment held under finance leases at the reporting date was RM1,826,293 (2017: RM2,507,429, 1.1.2017: RM5,085,433).

At the reporting date, property, plant and equipment of the Group, with total carrying amount of RM373,281,076 (2017: RM372,250,128, 1.1.2017: RM322,227,788) are charged as securities for banking facilities of a subsidiary by way of debenture over all existing and future assets of subsidiaries.

Bearer plant

Included in bearer plant incurred during the financial year are:

	Group		
	2018	2017	1.1.2017
	RM	RM	RM
Interest expense (Note 8)	56,484	211,212	305,627
Depreciation (Note 14)	328,206	502,022	794,988
Employee benefits expense (Note 10)	2,372,609	2,968,773	3,130,715

The oil palm plantation of the Group is developed on a parcel of land measuring approximately 22,763 hectares situated in the locality of Gunung Rara/Kalabakan, Sabah, pursuant to the Agreement for Oil Palm Plantation dated 18 November 2005 entered between the subsidiary, Serijaya Industri Sdn. Bhd., and Benta Wawasan Sdn. Bhd., the licensee of the said land.

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 has been extended to 60 years (Note 29 (iii)).

Bearer plant of the Group are pledged to bank for borrowings granted to its subsidiary as stated in Note 21.

15. BIOLOGICAL ASSETS

	Group	
	2018	2017
	RM	RM
At 1 January	2,111,836	2,697,251
Transfer to produce stocks	(2,111,836)	(2,697,251)
Changes in fair value	1,336,397	2,111,836
At 31 December	1,336,397	2,111,836

15. BIOLOGICAL ASSETS (CONT'D)

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

16. INVESTMENTS IN SUBSIDIARIES

	Company		
	2018	**2017**	**1.1.2017**
	RM	**RM**	**RM**
Unquoted shares, at cost			
- Ordinary shares	2,050,000	2,050,000	2,050,000
- Redeemable convertible non- cumulative preference shares	242,650,000	242,650,000	242,650,000
	244,700,000	244,700,000	244,700,000
ESOS granted to employees of subsidiaries	1,155,384	1,149,821	1,118,273
	245,855,384	245,849,821	245,818,273

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*		
			2018	**2017**	**1.1.2017**
			%	**%**	**%**
Serijaya Industri Sdn. Bhd.	Malaysia	Operation of oil palm plantations and palm oil mill	100	100	100
IPB Bio Energy Sdn. Bhd.	Malaysia	Producer and supplier of renewable energy	100	100	100

* Equals to the proportion of voting rights held.

17. INVENTORIES

	Group		
	2018	**2017**	**1.1.2017**
	RM	**RM**	**RM**
Cost			
Fresh fruit bunches	91,213	59,252	-
Stores and supplies	2,058,326	2,958,409	2,579,124
Crude palm oil	1,749,660	1,121,349	395,448
Palm kernel	235,365	211,748	102,097
	4,134,564	4,350,758	3,076,669

At the reporting date, all (2017: all, 1.1.2017: all) inventories of the Group are charged as securities for banking facilities of a subsidiary by way of debenture over all existing and future assets of a subsidiary.

18. DERIVATIVES

	Group		
	Contract/ Notional amount	**Assets**	**Liabilities**
	RM	**RM**	**RM**
2018			
Non-hedging derivatives:			
Current:			
Commodity future contracts	-	-	-
2017			
Non-hedging derivatives:			
Current:			
Commodity future contracts	-	-	-
1.1.2017			
Non-hedging derivatives:			
Current:			
Commodity future contracts	6,778,407	-	904,668

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19. TRADE AND OTHER RECEIVABLES

	Group			Company		
	2018 RM	2017 RM	1.1.2017 RM	2018 RM	2017 RM	1.1.2017 RM
Current						
Trade receivables						
Third parties	-	3,189,129	3,189,129	-	-	-
Company related to a corporate shareholder of the Company	2,169,020	2,159,478	3,797,915	-	-	-
	2,169,020	5,348,607	6,987,044	-	-	-
Less: Allowance for expected credit loss	-	(3,189,129)	(3,189,129)	-	-	-
Trade receivables, net	2,169,020	2,159,478	3,797,915	-	-	-
Other receivables						
Amounts due from subsidiaries	-	-	-	6,043,810	3,801,784	648,321
Amounts due from companies related to corporate shareholder of the Company	52,366	56,955	74,497	-	-	-
Deposits	149,553	136,953	3,423,554	7,074	7,074	7,074
Prepayments	170,441	100,184	186,665	-	-	-
Sundry receivables	1,037,844	2,621,122	1,658,904	22,949	18,605	27,472
	1,410,204	2,915,214	5,343,620	6,073,833	3,827,463	682,867
	3,579,224	5,074,692	9,141,535	6,073,833	3,827,463	682,867
Non-current						
Other receivables						
Sundry receivables	2,085,565	5,598,322	5,055,404	-	-	-
Total trade and other receivables	5,664,789	10,673,014	14,196,939	6,073,833	3,827,463	682,867
Add: Cash and bank balances	2,050,433	12,202,213	14,281,631	73,364	158,591	194,146
Less: Prepayments	(170,441)	(100,184)	(186,665)	-	-	-
Total financial assets carried at amortised cost/loans and receivables	7,544,781	22,775,043	28,291,905	6,147,197	3,986,054	877,013

19. TRADE AND OTHER RECEIVABLES (CONT'D)

(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 receivables computed based on lifetime ECL are as follow:

	Group		
	2018	2017	1.1.2017
	RM	RM	RM
At 1 January and 31 December	3,189,129	3,189,129	3,189,129
Written off	(3,189,129)	-	-
	-	3,189,129	3,189,129

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 reporting date, trade and other receivables of the Group amounting to RM5,634,766 (2017: RM10,647,335, 1.1.2017: RM14,162,393) are charged as securities for banking facilities of a subsidiary by way of debenture over all existing and future assets of subsidiaries.

Other receivables that are impaired

There has been no movement in this allowance account for the financial year ended 31 December 2018 (2017: charge of RM26,464 for impairment loss, 1.1.2017: nil).

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20. CASH AND BANK BALANCES

	Group			Company		
	2018	**2017**	**1.1.2017**	**2018**	**2017**	**1.1.2017**
	RM	**RM**	**RM**	**RM**	**RM**	**RM**
Cash on hand and at banks	1,525,145	11,692,234	13,787,321	73,364	158,591	194,146
Deposits with a licensed bank	525,288	509,979	494,310	-	-	-
	2,050,433	12,202,213	14,281,631	73,364	158,591	194,146
Less: Deposits with maturity more than 3 months	(525,288)	(509,979)	(494,310)	-	-	-
Cash and cash equivalents	1,525,145	11,692,234	13,787,321	73,364	158,591	194,146

Deposits with a licensed bank of the Group amounting to RM525,288 (2017: RM509,979, 1.1.2017: RM494,310) are pledged as securities for banking facilities granted to the Group.

Deposits are placed for a period of 12 months (2017: 12 months, 1.1.2017: 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% (2017: 3.00%, 1.1.2017: 3.00%).

As at the reporting date, cash and bank balances of the Group amounting to RM1,977,069 (2017: RM12,043,622, 1.1.2017: RM14,087,485) are 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		
	2018	**2017**	**1.1.2017**
	RM	**RM**	**RM**
Current			
Secured:			
Hire purchase payables	470,326	1,260,990	1,475,264
Revolving credit	12,000,000	-	-
Term loans	12,500,010	21,500,000	16,500,000
	24,970,336	22,760,990	17,975,264
Non-current			
Secured:			
Hire purchase payables	29,017	599,763	1,862,194
Term loans	-	12,500,010	34,000,010
	29,017	13,099,773	35,862,204

21. LOANS AND BORROWINGS (CONT'D)

	Group		
	2018	2017	1.1.2017
	RM	RM	RM
Total loans and borrowings			
Hire purchase payables	499,343	1,860,753	3,337,458
Revolving credit	12,000,000	-	-
Term loans	12,500,010	34,000,010	50,500,010
	24,999,353	35,860,763	53,837,468

The remaining maturities of the loans and borrowings, excluding hire purchase payables, as at the reporting date were as follows:

	Group		
	2018	2017	1.1.2017
	RM	RM	RM
On demand or within one year	24,500,010	21,500,000	16,500,000
More than 1 year and less than 2 years	-	12,500,010	21,500,000
More than 2 years and less than 5 years	-	-	12,500,010
	24,500,010	34,000,010	50,500,010

The weighted average effective interest rates at the reporting date for borrowings, excluding hire purchase payables, were as follows:

	Group		
	2018	2017	1.1.2017
	%	%	%
Revolving credit	5.29	-	-
Term loans	5.38	5.13	5.17

Loans and borrowings of the Group are secured by the following:

(i) Corporate guarantee 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) All monies debenture and power of attorney over all of the existing and future assets of subsidiaries.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21. LOANS AND BORROWINGS (CONT'D)

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

	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	12,500,010	-	(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

	2016 RM	Cash flows RM	Non-cash changes Others RM	2017 RM
Group				
Term loans				
- current	16,500,000	(16,500,000)	21,500,000	21,500,000
- non-current	34,000,010	-	(21,500,000)	12,500,010
Obligations under finance leases				
- current	1,475,264	(1,476,705)	1,262,431	1,260,990
- non-current	1,862,194	-	(1,262,431)	599,763
Total	53,837,468	(17,976,705)	-	35,860,763

The 'others' column related to reclassification of non-current portion of loans and borrowings including obligations under finance leases due to passage of time.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

22. TRADE AND OTHER PAYABLES

	Group			Company		
	2018	**2017**	**1.1.2017**	**2018**	**2017**	**1.1.2017**
	RM	**RM**	**RM**	**RM**	**RM**	**RM**
Trade payables						
Third parties	2,297,833	2,381,667	5,375,683	-	-	-
Company related to immediate holding company	752,513	455,327	402,327	-	-	-
Company related to a corporate shareholder	81,000	901,000	254,400	-	-	-
	3,131,346	3,737,994	6,032,410	-	-	-
Other payables						
Accruals	7,725,602	7,881,755	3,384,427	67,125	76,200	168,521
Amount due to subsidiary	-	-	-	312	266	-
Amount due to a corporate shareholder	12,171	51,018	92,608	-	-	-
Amounts due to companies related to a corporate shareholder	94,909	2,348	950,105	-	-	-
Retention sum for contract work	419,838	609,429	983,649	-	-	-
Sundry payables	4,525,734	5,925,902	4,309,108	4,829	63,515	28,936
	12,778,254	14,470,452	9,719,897	72,266	139,981	197,457
Total trade and other payables	15,909,600	18,208,446	15,752,307	72,266	139,981	197,457
Add: Loans and borrowings (Note 21)	24,999,353	35,860,763	53,837,468	-	-	-
Total financial liabilities carried at amortised cost	40,908,953	54,069,209	69,589,775	72,266	139,981	197,457

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

22. TRADE AND OTHER PAYABLES (CONT'D)

(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 January 2017 RM	Recognised in profit or loss RM	As at 31 December 2017 RM	Recognised in profit or loss RM	As at 31 December 2018 RM
Group					
Deferred tax liability:					
Property, plant and equipment	69,611,225	1,808,543	71,419,768	496,165	71,915,933
Deferred tax assets:					
Derivatives	(217,120)	217,120	-	-	-
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	(22,569,853)	8,323,240	(14,246,613)	2,510,830	(11,735,783)
	(44,428,843)	7,271,130	(37,157,713)	2,510,830	(34,646,883)
	25,182,382	9,079,673	34,262,055	3,006,995	37,269,050

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

	Group and Company 2018 RM	2017 RM	1.1.2017 RM
Unutilised tax losses	2,093,350	2,480,592	2,871,143
Unabsorbed capital allowances	2,167	-	-
Other temporary differences	(16,053)	(20,732)	(26,640)
	2,079,464	2,459,860	2,844,503
At statutory tax rate	24%	24%	24%
	499,071	590,366	682,681

23. DEFERRED TAX (CONT'D)

Unutilised 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 authorities and compliance with certain provisions of the tax legislation. The unutilised tax losses will expire in 2025.

24. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2018	2017	2018 RM	2017 RM
Issued and fully paid				
At 1 January	478,857,950	478,093,250	239,675,958	239,046,625
Exercise of employee share options (Note 27)	-	764,700	-	629,333
At 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	
	2018 RM	2017 RM
Employee share option reserve		
At 1 January	382,384	1,034,263
Transactions with owners		
Grant of equity-settled share option to employees	8,719	49,451
Exercise of employee share options	-	(165,598)
Lapse of employee share options	-	(535,732)
At 31 December	391,103	382,384

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

26. RETAINED EARNINGS

The Company may distribute dividends out of its entire retained earnings as at 31 December 2018 and 31 December 2017 under the single tier system.

27. 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.

27. EMPLOYEE BENEFITS (CONT'D)

Executives' Share Options Scheme (cont'd)

Movement of share options during the financial year

	Number of share options					
	Outstanding at 1 January	Movement during the year: Granted	Exercised	Lapsed	Outstanding at 31 December	Exercisable at 31 December
	'000	'000	'000	'000	'000	'000
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
2017						
2010 - Option 1	516	-	(66)	-	450	450
2011 - Option 2	36	-	(36)	-	-	-
2012 - Option 3	76	-	(76)	-	-	-
- Option 4	494	-	(144)	(350)	-	-
- Option 5	140	-	(140)	-	-	-
2013 - Option 6	46	-	(25)	(21)	-	-
- Option 7	530	-	(203)	(22)	305	305
2014 - Option 8	266	-	(40)	(42)	184	114
2015 - Option 9	338	-	(34)	-	304	84
	2,442	-	(764)	(435)	1,243	953
Weighted Average Exercise Price ("WAEP") (RM)	0.61	-	0.61	0.55	0.63	0.60

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

27. EMPLOYEE BENEFITS (CONT'D)

Executives' Share Options Scheme (cont'd)

Movement of share options during the financial year (cont'd)

- There were no new share option granted during the financial year ended 31 December 2018 and 2017.
- The range of exercise price for options outstanding at the reporting date was RM0.50 to RM0.85 (2017: RM0.50 to RM0.85, 1.1.2017: RM0.50 to RM0.85). The weighted average remaining contractual life for these options is 2 years (2017: 3 years, 1.1.2017: 4 years).

28. COMMITMENTS

(a) Capital commitments

	Group		
	2018	**2017**	**1.1.2017**
	RM	**RM**	**RM**
Capital expenditure:			
Property, plant and equipment:			
Approved and contracted for	4,569,421	3,748,016	7,522,827

(b) Operating lease commitments – as lessee

The Group has entered into an Agreement for Oil Palm Plantation with Benta Wawasan Sdn. Bhd. Pursuant to the agreement, the Group is granted the permission to develop a parcel of land into oil palm plantation for a period of 60 years. The Group shall pay the lessor an annual rent of RM50,000 for the first nine years and commencing the 10th year, the Group shall pay the lessor based on tonnage of fresh fruit bunches harvested from the land, subject to a minimum annual sum of RM50,000.

During the financial year, the Group has entered into a third supplementary agreement of the Agreement of Oil Palm Plantation, whereby the Group shall pay the lessor rental of RM2,201,502 for the rights to develop the parcel of land into oil palm plantation, 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.

Future minimum rental payable under non-cancellable operating leases at the reporting date are as follows:

	Group		
	2018	**2017**	**1.1.2017**
	RM	**RM**	**RM**
Not later than 1 year	41,538	50,000	50,000
Later than 1 year but not later than 5 years	166,152	200,000	200,000
Later than 5 years	1,952,274	2,550,000	2,600,000
	2,159,964	2,800,000	2,850,000

28. COMMITMENTS (CONT'D)

(c) Finance lease commitments

The Group has finance leases for certain items of plant and equipment (Note 14). These leases do not have terms of renewal, but have purchase options at nominal values at the end of the lease term.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group		
	2018	2017	1.1.2017
	RM	RM	RM
Minimum lease payments			
Not later than 1 year	534,870	1,371,866	1,668,150
Later than 1 year but not later than 2 years	32,984	708,256	1,371,888
Later than 2 years but not later than 5 years	-	32,984	741,240
	567,854	2,113,106	3,781,278
Less: Future finance charges	(68,511)	(252,353)	(443,820)
Present value of minimum lease payments	499,343	1,860,753	3,337,458
Present value of lease payments:			
Not later than 1 year	470,326	1,260,990	1,475,264
Later than 1 year but not later than 2 years	29,017	570,698	1,207,284
Later than 2 years but not later than 5 years	-	29,065	654,910
	499,343	1,860,753	3,337,458
Analysed as:			
Due within 12 months	470,326	1,260,990	1,475,264
Due after 12 months	29,017	599,763	1,862,194
	499,343	1,860,753	3,337,458

The effective interest rates of hire purchase payables of the Group at the reporting date were ranging from 5.30% to 6.49% (2017: 5.30% to 6.58%, 1.1.2017: 5.30% to 7.21%) per annum.

29. MATERIAL LITIGATIONS/CLAIMS

(i) 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.

Under the Logging Sub-Contract agreement, ALISB has undertaken to extract a minimum of 120,000 m3 of logs per annum. The amount of RM14,631,516 was computed on the loss of profit from production shortfall.

On 1 July 2014, ALISB filed a counterclaim for alleged losses of RM47,638,833.

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29. MATERIAL LITIGATIONS/CLAIMS (CONT'D)

(i) (cont'd)

The Arbitrator had on 6 October 2017 awarded SJI the whole claim amounted to RM11,619,123 for shortfall from 2011 to 2013 with interest at 10% per annum.

ALISB has sought determination from the High Court on questions of law arising from the Arbitrator's award and, on 4 April 2017, the High Court in Sandakan had dismissed the application to set aside the arbitration award by ALISB and delivered the ruling in favour of SJI. On 10 April 2017, ALISB has filed a Notice of Appeal in the Court of Appeal to set aside the arbitration award. On 24 July 2018, ALISB has filed a Notice of Discontinuance in the Court of Appeal.

On 17 April 2017, the High Court of Sabah and Sarawak has ordered that leave be granted to SJI to enforce the arbitration award. 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 will be payment to be made to SJI. However, there was no amount being mentioned.

(ii) On 13 September 2018, the wholly-owned subsidiary, Serijaya Industri Sdn. Bhd. ("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 the following relief:

- special damages and general damages for conspiracy;
- exemplary damages;
- aggravated damages;
- continuing loss and damages to be assessed;
- interest on the decretal sum(s) at a rate and period as the Court deems fit and proper;
- costs; and
- such other relief as the courts deems fit to grant.

SJI's defense is that there is no conspiracy to injure ALISB and the plaintiff. Given that the plaintiff has no legal standing (locus standi) to sue for damages incurred by ALISB in his personal capacity, and the matter is res judicata (already have been decided on and should not be re-litigating) since similar allegations were previously raised and dismissed via arbitration proceedings. SJI and the 6 others have filed applications to strike out the matter. These applications were heard on 4 March 2019 and are due for decision on 10 May 2019.

Legal proceedings are on-going. No provision for any liability has been made in these financial statements.

(iii) On 9 July 2018, SJI and Benta Wawasan Sdn. Bhd. ("BW") entered into a third supplementary agreement of the Agreement of Oil Palm Plantation ("AOPP"), whereby the two 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, BW has informed SJI that the third supplementary agreement of the AOPP was not approved by the board of directors of BW. Subsequently, BW has issued a letter dated 6 March 2019 and an invoice dated 8 March 2019, claiming the rental for year 2017 and year 2018 amounting to RM5,288,459 and RM4,261,721 respectively. SJI has been advised by its legal counsel that BW would not be entitled to treat the third supplementary agreement of the AOPP as invalid on the ground that there was no board of director resolution from BW to approve the third supplementary agreement. The claim for year 2018 is in dispute and pending resolutions from both parties and therefore has not been recognised in these financial statements.

30. 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:

	2018 RM	2017 RM
Group		
Companies related to ultimate holding company:		
Purchase of oil palm fresh fruit bunches	297,113	-
Rental payable	214,335	5,288,459
Corporate shareholder of the Company - TSH Resources Berhad:		
Rental payable	102,720	108,884
Purchase of equipment	-	106,000
Companies related to a corporate shareholder of the Company:		
Sale of oil palm fresh fruit bunches	840,366	921,902
Sale of crude palm oil	100,861,618	120,924,516
Sale of palm kernel	12,520,434	16,364,335
Purchase of seedlings	729,000	4,065,100
Company		
Subsidiaries:		
Management fees receivable	396,000	396,000
Dividends receivable	16,969,000	21,913,000
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 22.

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30. RELATED PARTY TRANSACTIONS (CONT'D)

(b) Compensation of key management personnel

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Short-term employee benefits	1,570,700	1,773,500	200,500	129,500
Share-based payments	3,156	17,903	3,156	17,903
	1,573,856	1,791,403	203,656	147,403

31. FAIR VALUE OF ASSETS AND LIABILITIES

Determination of fair value

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

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

	Note
Trade and other receivables	19
Trade and other payables	22
Loans and borrowings (current)	21
Loans and borrowings (non-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.

31. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

Assets and liabilities measured at fair value

The following table shows an analysis of assets and liabilities 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				
-2018	-	-	1,336,397	1,336,397
-2017	-	-	2,111,836	2,111,836
-1.1.2017	-	-	2,697,251	2,697,251
Financial liabilities at fair value through profit and loss				
Derivatives – commodity future contracts				
-2018	-	-	-	-
-2017	-	-	-	-
-1.1.2017	-	(904,668)	-	(904,668)

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.

Derivatives

Fair value of commodity future contracts are based on management's best estimate and are arrived at by reference to the market prices of another contract that is substantially similar.

NOTES TO THE FINANCIAL STATEMENTS

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32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

(a) Credit risk

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

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

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 (2017: 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% (2017: 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.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Credit risk (cont'd)

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.

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

	Trade receivables				
	Current	31 to 60 days past due	61 to 90 days past due	More than 91 days past due	Total
	RM	RM	RM	RM	RM
31 December 2018					
Gross carrying amount	2,169,020	-	-	-	2,169,020
Loss allowance provision	-	-	-	-	-
	2,169,020	-	-	-	2,169,020
31 December 2017					
Gross carrying amount	2,159,478	-	-	3,189,129	5,348,607
Loss allowance provision	-	-	-	(3,189,129)	(3,189,129)
	2,159,478	-	-	-	2,159,478
1 January 2017					
Gross carrying amount	3,797,915	-	-	3,189,129	6,987,044
Loss allowance provision	-	-	-	(3,189,129)	(3,189,129)
	3,797,915	-	-	-	3,797,915

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(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% (2017: 63%) 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				
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)

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity risk (cont'd)

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
Group				
2017				
Financial assets				
Trade and other receivables	4,974,508	3,412,966	2,185,356	10,572,830
Cash and bank balance	12,202,213	-	-	12,202,213
Total undiscounted financial assets	17,176,721	3,412,966	2,185,356	22,775,043
Financial liabilities				
Trade and other payables	18,208,446	-	-	18,208,446
Loans and borrowings	24,155,436	13,428,281	-	37,583,717
Total undiscounted financial liabilities	42,363,882	13,428,281	-	55,792,163
Total net undiscounted financial (liabilities)/ assets	(25,187,161)	(10,015,315)	2,185,356	(33,017,120)
1.1.2017				
Financial assets				
Trade and other receivables	8,954,870	3,040,058	2,015,346	14,010,274
Cash and bank balance	14,281,631	-	-	14,281,631
Total undiscounted financial assets	23,236,501	3,040,058	2,015,346	28,291,905
Financial liabilities				
Trade and other payables	15,752,307	-	-	15,752,307
Loans and borrowings	20,407,406	37,595,193	-	58,002,599
Derivatives	904,668	-	-	904,668
Total undiscounted financial liabilities	37,064,381	37,595,193	-	74,659,574
Total net undiscounted financial (liabilities)/ assets	(13,827,880)	(34,555,135)	2,015,346	(46,367,669)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity risk (cont'd)

	On demand or within one year		
	2018	**2017**	**1.1.2017**
	RM	**RM**	**RM**
Company			
Financial assets			
Trade and other receivables	6,073,833	3,827,463	682,867
Cash and bank balances	73,364	158,591	194,146
Total undiscounted financial assets	6,147,197	3,986,054	877,013
Financial liabilities			
Trade and other payables	72,266	139,981	197,457
Total undiscounted financial liabilities	72,266	139,981	197,457
Total net undiscounted financial assets	6,074,931	3,846,073	679,556
Financial guarantee contracts	90,000,000	90,000,000	90,000,000

(c) Interest rate risk

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

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

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

<u>Sensitivity analysis for interest rate risk</u>

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 RM80,679 (2017: RM101,082) 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 base on the currently observable market environment.

33. 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 2018 and 31 December 2017.

33. CAPITAL MANAGEMENT (CONT'D)

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 between 10% and 40%. The Group includes within net debts, loans and borrowings, trade and other payables, less cash and cash equivalents.

		Group			Company		
	Note	2018	2017	1.1.2017	2018	2017	1.1.2017
		RM	RM	RM	RM	RM	RM
Loans and borrowings	21	24,999,353	35,860,763	53,837,468	-	-	-
Trade and other payables	22	15,909,600	18,208,446	15,752,307	72,266	139,981	197,457
Less: Cash and bank balances	20	(2,050,433)	(12,202,213)	(14,281,631)	(73,364)	(158,591)	194,146
Net debt		38,858,520	41,866,996	55,308,144	(1,098)	(18,610)	391,603
Capital:							
Equity attributable to owners of the Company		308,526,078	313,417,792	301,291,200	251,974,367	249,720,979	246,577,135
Capital and net debt		347,384,598	355,284,788	356,599,344	251,973,269	249,702,369	246,968,738
Gearing ratio		11%	12%	15%	-	-	1%

34. 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) Timber - Log extraction services
(iii) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. SEGMENT INFORMATION (CONT'D)

	Palm and bio-integration		Timber		Corporate		Adjustment and elimination		Note	Per consolidated financial statements	
	2018	2017	2018	2017	2018	2017	2018	2017		2018	2017
	RM	RM	RM	RM	RM	RM	RM	RM		RM	RM
Revenue:											
External customers	114,222,418	138,210,753	-	-	-	-	-	-		114,222,418	138,210,753
Inter segment	-	-	-	-	17,365,000	22,309,000	(17,365,000)	(22,309,000)		-	-
	114,222,418	138,210,753	-	-	17,365,000	22,309,000	(17,365,000)	(22,309,000)		114,222,418	138,210,753
Results:											
Depreciation	20,172,010	17,853,548	-	-	19,351	19,342	-	-		20,191,361	17,872,890
Dividend income	-	-	-	-	16,969,000	21,913,000	(16,969,000)	(21,913,000)		-	-
Interest income	72,615	226,833	-	-	-	18,409	-	-		72,615	245,242
Other non-cash expenses	789,241	642,423	-	-	5,563	31,548	-	-	A	794,804	673,971
Segment profit	13,237,645	40,428,661	-	-	16,611,876	21,819,854	(17,365,000)	(22,309,000)	B	12,484,521	39,939,515
Assets:											
Additions to non-current assets	22,547,763	28,465,929	-	-	4,142	-	-	-	C	22,551,905	28,465,929
Segment assets	384,431,557	389,420,020	-	-	2,080,456	12,227,892	192,770	137,000	D	386,704,783	401,784,912
Segment liabilities	15,837,646	17,639,962	-	428,769	71,954	139,715	62,269,105	70,158,674	E	78,178,705	88,367,120

34. SEGMENT INFORMATION (CONT'D)

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:

	2018 RM	2017 RM
Property, plant and equipment written off	13,802	30,544
Fair value changes on biological assets	775,439	585,415
Impairment of other receivables	-	26,464
Share-based payments	5,563	31,548
	794,804	673,971

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

	2018 RM	2017 RM
Dividend income from subsidiaries	(16,969,000)	(21,913,000)
Unallocated corporate expenses	(396,000)	(396,000)
	(17,365,000)	(22,309,000)

C Additions to non-current assets consist of:

	2018 RM	2017 RM
Property, plant and equipment	22,551,905	28,465,929

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

	2018 RM	2017 RM
Income tax refundable	192,770	137,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. SEGMENT INFORMATION (CONT'D)

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

	2018 RM	2017 RM
Income tax payable	702	35,856
Deferred tax liabilities	37,269,050	34,262,055
Loans and borrowings	24,999,353	35,860,763
	62,269,105	70,158,674

35. DIVIDENDS

Recognised during the financial year

	2018 RM	2017 RM
Dividends on ordinary shares:		
- First and final single tier dividend of RM0.02 per share on 478,857,950 ordinary shares	-	9,577,159
- Interim single tier dividend of RM0.02 per share on 478,857,950 ordinary shares	-	9,577,159
- Final single tier dividend of RM0.03 per share on 478,857,950 ordinary shares	14,365,739	-
	14,365,739	19,154,318

At the forthcoming Annual General Meeting, a final single-tier dividend in respect of the financial year ended 31 December 2018, of RM0.01 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 2019.

36. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 18 April 2019.

SHAREHOLDINGS STRUCTURE

AS AT 29 MARCH 2019

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	18	0.50	579	0.00
100	-	1,000	1,514	42.17	1,469,958	0.30
1,001	-	10,000	1,636	45.57	6,242,325	1.30
10,001	-	100,000	332	9.25	10,505,239	2.20
100,001	-	23,942,896 (*)	88	2.45	115,109,850	24.04
22,942,897	-	and above (**)	2	0.06	345,529,999	72.16
TOTAL			3,590	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)	18,802,750	3.93
4.	Alliance Group Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Mutual Corridor Sdn. Bhd. (7005036)	10,104,000	2.11
5.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. Exempt AN for Bank of Singapore Limited	10,000,000	2.09
6.	Tunas Lestari Sdn. Bhd.	10,000,000	2.09
7.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Embun Yakin Sdn. Bhd.	9,500,000	1.98
8.	Alliance Group Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ngai Chee Ping (8053275)	4,775,150	1.00
9.	Tan Aik Sim	4,471,900	0.93
10.	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Salbiah Binti Shuib (CEB)	4,040,000	0.84
11.	Wong Chin Hor	3,733,200	0.78
12.	Suresh A/L Thirugnanam	3,018,750	0.63

SHAREHOLDINGS STRUCTURE

AS AT 29 MARCH 2019

LIST OF TOP 30 SECURITIES ACCOUNT HOLDERS (CONT'D)

No.	Name	No. of shares held	%
13.	Kenanga Nominees (Tempatan) Sdn. Bhd.		
	Pledged Securities Account for Yap Pak Leong	2,329,200	0.49
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	2,042,400	0.43
17.	RHB Capital Nominees (Tempatan) Sdn. Bhd.		
	Pledged Securities Account for Fong Siling (CEB)	2,000,000	0.42
18.	CIMSEC Nominees (Tempatan) Sdn. Bhd.		
	CIMB Bank for Salbiah Binti Shuib (MM0641)	1,971,000	0.41
19.	Alliancegroup Nominees (Tempatan) Sdn. Bhd.		
	Pledged Securities Account for Mohan A/L Ramalingam (8059306)	1,595,000	0.33
20.	Teh Bee Gaik	1,141,000	0.24
21.	Embun Yakin Sdn. Bhd.	1,087,750	0.23
22.	Foong Hong Meng@Foong Lai Choong	1,003,900	0.21
23.	RHB Capital Nominees (Tempatan) Sdn. Bhd.		
	Pledged Securities Account for Chua Thear Ho (CEB)	940,000	0.20
24.	RHB Capital Nominees (Tempatan) Sdn. Bhd.		
	Pledged Securities Account for Tan Aik Pen	875,000	0.18
25.	Hildegard Maria Scheel	865,000	0.18
26.	Simfoni Bernas Sdn. Bhd.	815,000	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.	Mohd Fazli Bin Mazlan	538,700	0.11
	TOTAL	447,647,949	93.49

SHAREHOLDINGS STRUCTURE

AS AT 29 MARCH 2019

SUBSTANTIAL SHAREHOLDINGS

According to the register to be kept under Section144 of the Companies Act 2016, the following is the substantial shareholder of the Company 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.	Datuk Hj. Majin Hj. Ajing	75,000	0.02	-	-
2.	Datuk (Dr.) Kelvin Tan Aik Pen	3,175,000	0.66	-	-
3.	Datuk Hj. Othman Bin Walat	434,750	0.09	-	-
4.	Lim Fook Hin	2,175,000	0.45	-	-
5.	Tan Aik Kiong (Alternate Director to Datuk (Dr.) Kelvin Tan Aik Pen)	750,000	0.16	-	-

Except for Datuk Hj. Majin Hj. Ajing, Datuk (Dr.) Kelvin Tan Aik Pen, Datuk Hj. Othman Bin Walat, Lim Fook Hin and Tan Aik Kiong, none of the other directors of the Company has any interest, direct or indirect, in the shares of the Company.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 25th Annual General Meeting of the Company will be held at Belian Room, 7th Floor, Promenade Hotel, Eastern Plaza, Mile 1, Jalan Kuhara, 91000 Tawau, Sabah, on Tuesday, 21 May 2019 at 11:30 am to transact the following business:

AGENDA

ORDINARY BUSINESS

1.	To receive the Audited Financial Statements for the financial year ended 31 December 2018 and the Reports of the Directors and Auditors thereon.	**Please refer to Explanatory Notes (a)**
2.	To declare a final single tier dividend of 1 sen per ordinary share in respect of the financial year ended 31 December 2018;	**Resolution 1**
3.	To approve the payment of Directors' fees for the Group of an amount up to but not exceeding RM600,000 from 22 May 2019 until the next Annual General Meeting of the Company;	**Resolution 2**
4.	To approve the payment of Directors' allowances and benefits for the Group of an amount up to but not exceeding RM80,000 from 22 May 2019 until the next Annual General Meeting of the Company;	**Resolution 3**
5.	To re-elect Datuk Hj. Othman Bin Walat, retiring pursuant to Article 90 of the Company's Constitution;	**Resolution 4**
	Datuk Hj. Majin Hj. Ajing who is due for retirement by rotation pursuant to Article 90 of the Company's Constitution, has expressed his intention not to seek re-election. Hence, he will retire from office at the close of the 25th Annual General Meeting.	
6.	To re-elect Encik Asgari Bin Mohd Fuad Stephens, retiring as director pursuant to Article 97(1) of the Company's Constitution;	**Resolution 5**
7.	To re-appoint Datuk (Dr.) Tan Aik Pen, who is due for re-appointment as Managing Director pursuant to Article 124 of the Company's Constitution; and	**Resolution 6**
8.	To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration.	**Resolution 7**

SPECIAL BUSINESS

9. To consider and if thought fit, to pass the following resolution:

ORDINARY RESOLUTION
Proposed Retention of Datuk Jaswant Singh Kler as an Independent Non-Executive Director — **Resolution 8**

"THAT Datuk Jaswant Singh Kler who had served as an Independent Non-Executive Director of the Company for a cumulative term of more than 12 years to continue to act as an Independent Non-Executive Director of the Company until the next Annual General Meeting."

10. To consider and if thought fit, to pass the following resolution:

ORDINARY RESOLUTION
Authority to Issue Shares Pursuant to Section 76 of the Companies Act 2016 **Resolution 9**

"THAT subject always to the Companies Act 2016, Constitution of the Company and approvals from the relevant statutory and regulatory authorities, where such approvals are necessary, full authority be and is hereby given to the Directors pursuant to Section 76 of the Companies Act 2016, to issue shares in the Company from time to time at such price upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed 10% of the total number of issued share in the Ordinary Share Capital of the Company for the time being and that the Directors be and are empowered to obtain the approvals from Bursa Malaysia Securities Berhad for the listing and quotation of the additional new ordinary shares to be issued and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

11. To consider and if thought fit, to pass the following resolution:

ORDINARY RESOLUTION
Proposed Renewal of the Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature **Resolution 10**

"THAT approval be and is hereby given, for the Renewal of the Existing Shareholders' Mandate for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.4.2 of Part A of the Circular to Shareholders dated 29 April 2019 with the related parties described therein provided such transactions are necessary for the day to day operations, carried out in the normal course of business, at arm's length, on normal commercial terms, not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders;

AND THAT such approval shall continue to be in force until:

(a) the conclusion of the next annual general meeting of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or

(b) the expiration of the period within which the next annual general meeting of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(c) revoked or varied by a resolution passed by the shareholders in general meeting,

whichever is the earlier.

AND THAT the Directors be and are hereby authorised to complete and do such acts and things as may be required by the relevant authorities (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

NOTICE OF ANNUAL GENERAL MEETING

12. To consider and if thought fit, to pass the following resolution:

SPECIAL RESOLUTION
Proposed Adoption of A New Constitution of the Company **Resolution 11**

"THAT approval be and is hereby given for the Company to revoke the existing Constitution of the Company comprising the Memorandum and Articles of Association of the Company AND THAT a proposed new Constitution as set out in Appendix II of the Circular to Shareholders dated 29 April 2019 be hereby adopted as the new Constitution of the Company.

AND THAT the Directors be and are hereby authorised to assent to any modification, variation and/or amendments as may be required by any relevant authorities and to do all acts necessary to give effect to the proposed new Constitution."

13. To transact any other business of the Company of which due notice shall have been given to the Company in accordance with the Company's Constitution and the Act.

GENERAL MEETING RECORD OF DEPOSITORS

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend this 25th Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd., in accordance with Article 62(3) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 14 May 2019. Only a depositor whose name appears on the Record of Depositors as at 14 May 2019 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his behalf.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT a final single tier dividend of 1 sen per ordinary share for the financial year ended 31 December 2018, if approved by the shareholders at the forthcoming Annual General Meeting will be paid on 16 August 2019 to depositors registered in the Record of Depositors at the close of business on 26 July 2019.

A depositor shall qualify for entitlement only in respect of:-

(a) Shares transferred into the depositor's securities account before 4.00 pm on 26 July 2019 in respect of transfers; and

(b) Shares bought on the Bursa Securities on a cum entitlement basis according to the Rules of the Bursa Securities.

By Order of the Board

Dorothy Luk Wei Kam (MAICSA7000414)
Chan Ai Hoon (LS0000393)
Company Secretaries

Kota Kinabalu, Sabah
Dated: 29 April 2019

NOTICE OF ANNUAL GENERAL MEETING

NOTES

(a) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy may but need not be a member of the Company and there shall be no restriction as to the qualification of the proxy.

(b) A member shall be entitled to appoint one (1) but not more than two (2) proxies to attend and vote at the same meeting and where a member appoints two (2) proxies to attend and vote instead of him at the same meeting, the appointment shall be invalid unless he specified the proportions of his holdings to be represented by each proxy.

(c) Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.

(d) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

(e) The instrument appointing a proxy shall be deposited at the Registered Office of the Company at 6th Floor, Menara Tun Mustapha, Likas Bay, 88400 Kota Kinabalu, Sabah, not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

EXPLANATORY NOTES

(a) Audited Financial Statements for Financial Year Ended 31 December 2018

Agenda 1 is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, it will not be put forward for voting.

(b) Proposed Retention of Independent Non-Executive Director

In relation to the proposed Resolution 8, the Nomination Committee has assessed the independence of Datuk Jaswant Singh Kler who had served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years, and recommended that he continues to act as Independent Non-Executive Director of the Company based on the following justifications:

1) he has fulfilled the criteria under the definition of Independent Director pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;
2) he has ensured check and balance in the proceedings of the Board and the Board committees;
3) he has actively participated in Board deliberations, provided objectivity in decision making and an independent voice to the Board;
4) he has devoted sufficient time and attention to his responsibility as Independent Non-Executive Director of the Company; and
5) he has exercised due care in the interest of the Company and shareholders during his tenure as Independent Non-Executive Director of the Company.

In accordance with Practice 4.2 of the Malaysian Code on Corporate Governance, the retention of an independent director who has served the Company for a cumulative term of more than 12 years as an independent director is subject to shareholders' approval via a two-tier voting process.

NOTICE OF ANNUAL GENERAL MEETING

(c) Authority to Issue Shares pursuant to Section 76 of the Companies Act 2016

The proposed Resolution 9, if passed, shall give power to the Directors to issue ordinary shares in the capital of the Company up to an aggregate amount not exceeding 10% of the total number of issued share in the Share Capital of the Company for the time being. This authority unless revoked or varied at a general meeting will expire at the next Annual General Meeting.

The general mandate sought for issue of shares is a renewal of the mandate that was approved by the shareholders on 21 May 2018. The Company did not utilise the mandate that was approved last year. The renewal of the general mandate is to provide flexibility to the Company to issue new shares without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund raising exercises including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital and/or acquisitions.

(d) Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The proposed Resolution 10, if passed, will allow the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the mandated related parties provided that such transactions are necessary for the Group's day to day operations, carried out in the normal course of business, at arm's length, on commercial terms which are not more favourable to the related parties than those generally available to the public and not detrimental to the minority shareholders. Shareholders are directed to refer to Part A of the Circular to Shareholders dated 29 April 2019 for more information.

(e) Proposed Adoption of A New Constitution of the Company

The proposed Resolution 11, if passed, will streamline the existing Constitution comprising the Memorandum and Articles of Association of the Company with the Companies Act 2016, which came into force on 31 January 2017, and to align to amendments made to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, as well as for better clarity and to enhance administrative efficiency. Shareholders are directed to refer to Part B of the Circular to Shareholders dated 29 April 2019 for more information.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. Details of persons who are standing for election as Directors

   No individual is seeking election as a Director at the 25th Annual General Meeting of the Company.

2. Statement relating to general mandate for issue of securities

   Please refer to item (c) of the Explanatory Notes to the Notice of the 25th Annual General Meeting for information relating to general mandate for issue of securities.

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INNOPRISE PLANTATIONS BERHAD
Company No. 285072-M
(Incorporated in Malaysia)

PROXY FORM

I/We, ______________________________ of ______________________________

______________________________ being a Member/Members of INNOPRISE PLANTATIONS

BERHAD hereby appoint ______________________________

of ______________________________

or failing him ______________________________

of ______________________________

or failing him, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the 25th Annual General Meeting of the Company, to be held at Belian Room, 7th Floor, Promenade Hotel, Eastern Plaza, Mile 1, Jalan Kuhara, 91000 Tawau, Sabah, on Tuesday, 21 May 2019 at 11:30 am or any adjournment thereof.

I/We direct my/our proxy to vote for or against the Resolutions to be proposed at the Meeting as hereinunder indicated.

No.	Resolution	FOR	AGAINST
1	To declare a final single tier dividend of 1 sen per ordinary share.		
2	To approve the payment of Directors' fees for the Group from 22 May 2019 until the next Annual General Meeting.		
3	To approve the payment of Directors' allowances and benefits for the Group from 22 May 2019 until the next Annual General Meeting.		
4	To re-elect Datuk Hj. Othman Bin Walat as Director.		
5	To re-elect Encik Asgari Bin Mohd Fuad Stephens as Director.		
6	To re-appoint Datuk (Dr.) Tan Aik Pen as Managing Director.		
7	To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration.		
8	To retain Datuk Jaswant Singh Kler as an Independent Non-Executive Director.		
9	Authority to issue shares pursuant to Section 76 of the Companies Act 2016.		
10	Proposed Renewal of the Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		
11	Proposed Adoption of a new Constitution of the Company.		

(Please indicate with an "X" in the appropriate box against each resolution how you wish your proxy to vote. If this form of proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit).

No. of Shares held	

Dated this ____________ day of ____________ 2019

____
Signature/Common Seal of Member(s)

Fold this for sealing

NOTES

(a) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy may but need not be a member of the Company and there shall be no restriction as to the qualification of the proxy.

(b) A member shall be entitled to appoint one (1) but not more than two (2) proxies to attend and vote at the same meeting and where a member appoints two (2) proxies to attend and vote instead of him at the same meeting, the appointment shall be invalid unless he specified the proportions of his holdings to be represented by each proxy.

(c) Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.

(d) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

(e) The instrument appointing a proxy shall be deposited at the Registered Office of the Company at 6th Floor, Menara Tun Mustapha, Likas Bay, 88400 Kota Kinabalu, Sabah, not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

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Affix
Stamp

The Company Secretary
INNOPRISE PLANTATIONS BERHAD (COMPANY NO. 285072-M)
6th Floor, Menara Tun Mustapha,
Likas Bay, 88400 Kota Kinabalu, Sabah.
Tel : 088 - 326 415
Fax : 088 - 432 104

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