TSH RESOURCES BERHAD
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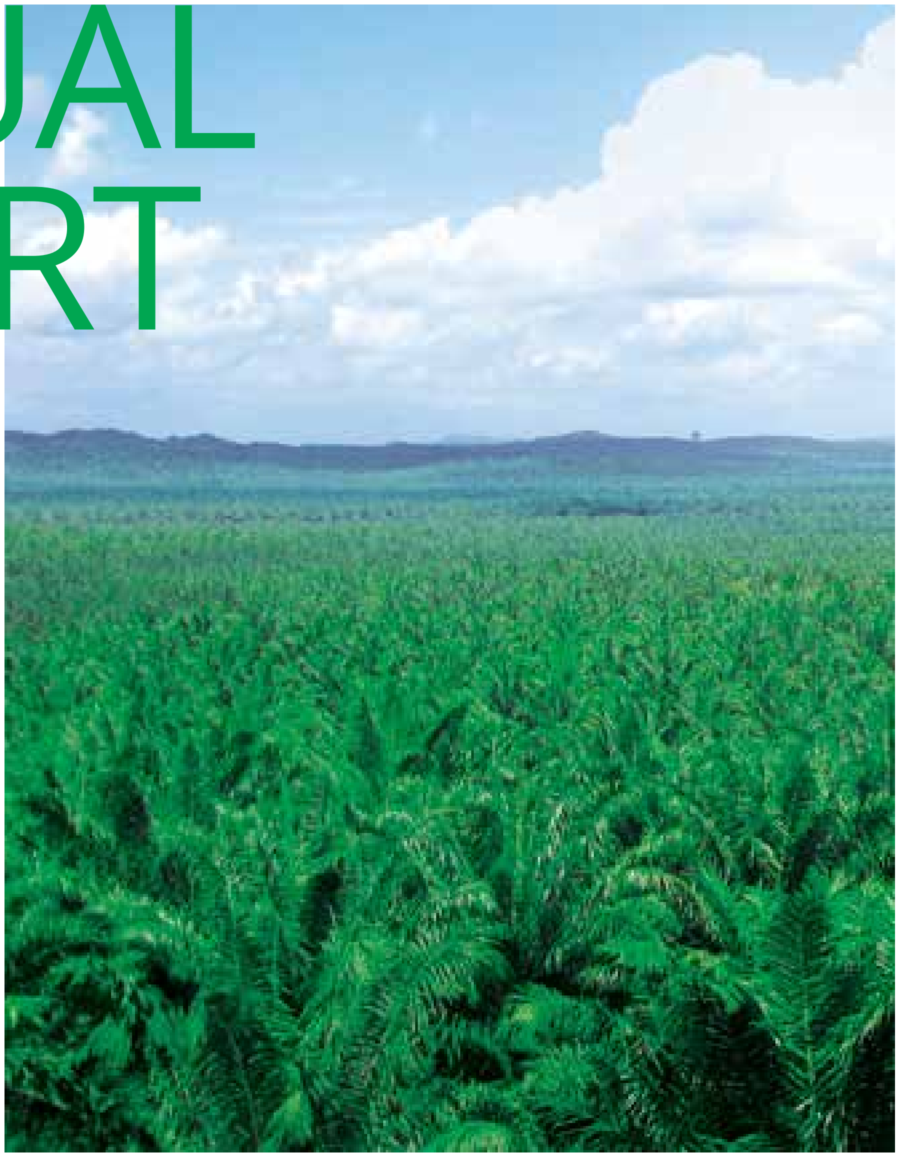
ANNUAL REPORT



2019

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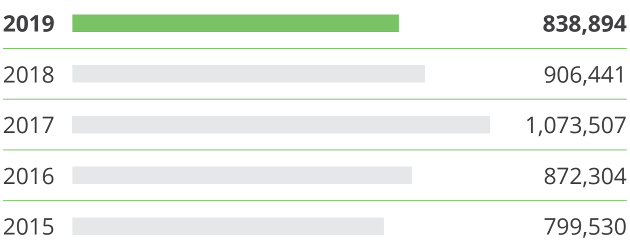
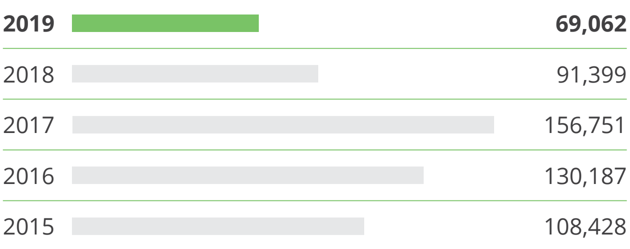
5 Years Financial Highlights

	2015 FRS	2016 FRS	2017 MFRS	2018 MFRS	2019 MFRS
INCOME STATEMENT					
All figure in RM'000					
Revenue	799,530	872,304	1,073,507	906,441	**838,894**
Core Profit before taxation	108,428	130,187	156,751	91,399	**69,062**
Profit / (Loss) before taxation	(85,788)	113,580	173,238	81,663	**74,006**
Net profit / (loss) attributable to owners of the Company	(105,549)	57,875	97,327	40,462	**44,280**
BALANCE SHEET					
All figure in RM'000					
Share Capital	672,706	672,706	740,512	740,512	**740,512**
Shareholders' Equity	1,356,680	1,506,984	1,413,902	1,373,116	**1,438,982**
Total Assets	3,176,497	3,510,495	3,269,478	3,217,446	**3,265,134**
FINANCIAL INDICATORS					
Earnings / (Loss) per share (sen)					
- Basic	(7.85)	4.30	7.13	2.93	**3.21**
- Diluted	(7.85)	4.30	7.13	2.93	**3.21**

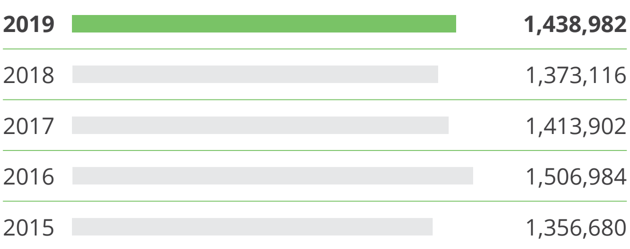
REVENUE (RM'000)



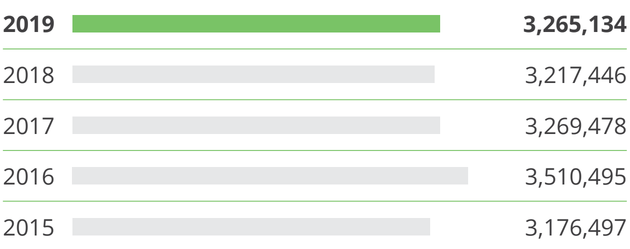
CORE PROFIT BEFORE TAXATION (RM'000)



SHAREHOLDERS' EQUITY (RM'000)



TOTAL ASSETS (RM'000)



Management Discussion & Analysis 2019

PROFILE OF TSH GROUP

TSH Group is principally engaged in oil palm cultivation and processing of Fresh Fruit Bunches (FFB) into Crude Palm Oil (CPO) and Palm Kernel (PK). This business activity generally accounts for almost 86% of the Group's revenue. The Group's oil palm estates and palm oil mills are located in Sabah and parts of Kalimantan and Sumatera in Indonesia. As at 31 December 2019, it has approximately 100,000 hectares (ha) of plantation land bank of which approximately 42,000 ha are planted.

The Group's other business activities include the operations of biomass and biogas power plants in Sabah; industrial tree plantation at the Forest Management Unit in Ulu Tungud, Sandakan, Sabah; manufacturing and marketing of engineered hardwood flooring; and processing and marketing of cocoa products.

The Group has come a long way from its humble beginnings in the cocoa business. At the time it was listed on the Kuala Lumpur Stock Exchange in 1994, it had already established itself as a major player in the cocoa industry in Malaysia namely, the single largest exporter of cocoa beans and products in the country. Not content to rest on its laurels, the Group ventured into the oil palm industry in Sabah in the 1990s and subsequently in Kalimantan and Sumatera, Indonesia in the 2000s. As it expanded its oil palm hectarage, the Group also extended its value chain by setting up palm oil mills in the vicinity of some of its plantations. In 2007, the Group ventured further downstream into palm oil refinery and palm kernel crushing plants in Sabah, via a 50:50 joint venture with a member of Wilmar International Group.

In the early 2000s, the Group also diversified into the palm bio-integration segment by setting up biomass power plants which use empty fruit bunches, and a biogas power plant which uses palm oil mill effluent to generate electricity and steam respectively. The Group's 14MW biomass cogeneration plant in Kunak is the first biomass power plant in the country that is connected to the grid. The biomass power plant has a renewable energy power purchase agreement with Sabah Electricity Sdn. Bhd. to supply up to 10MW of green electricity. The co-generation plant generates electricity and industrial steam from solid by-product of the mill.

Despite being a relatively latecomer to the oil palm industry compared to more established players, the Group has made great strides over the years to establish itself as a notable oil palm player in the region. The Group's aspiration is to continue to build on its achievements to generate sustainable growth and create value to all stakeholders.

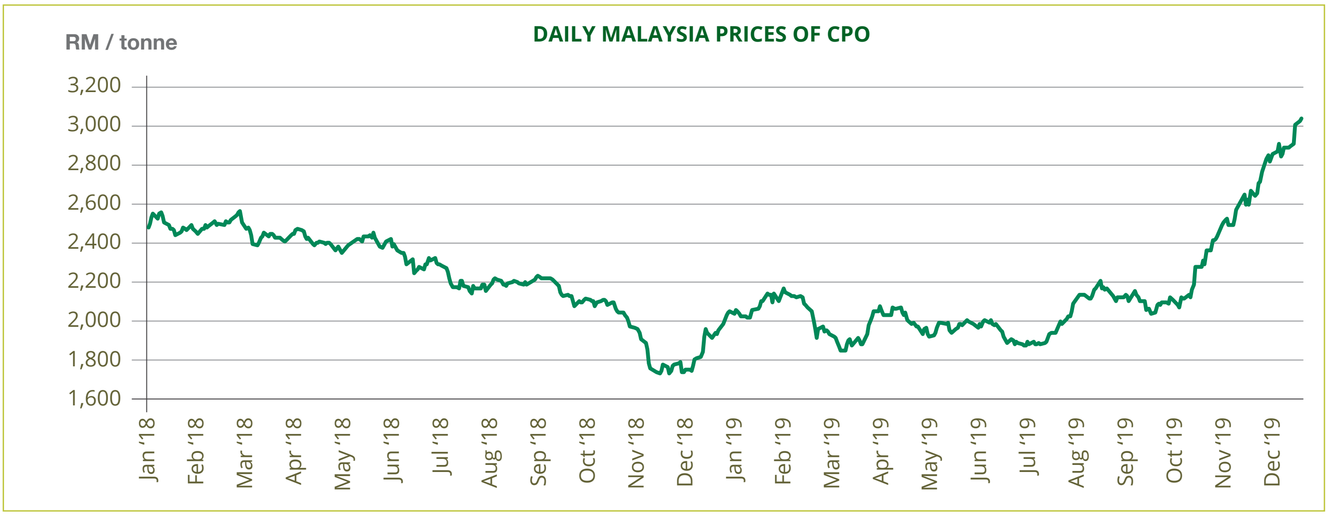
OVERVIEW

The oil palm industry continued its roller coaster ride from 2018 into 2019, fraught with uncertainty and economic volatility. The year started on an optimistic note with CPO price breaching RM2,000 per metric tonne (mt) having languished at an average of RM1,794 per mt in December 2018. Much of the optimism stems from the prospect of higher biodiesel blending mandate in Malaysia and Indonesia coupled with the easing stockpile outlook amid expectation of lower production quarter-over-quarter on seasonality.

Malaysia's B10 biodiesel programme for the transportation sector was launched in December 2018 and fully rolled out since February 2019. This was expected to boost annual biodiesel consumption by 700,000 mt – 800,000 mt and in turn help ease the palm oil stockpile. In the same vein, Indonesia's biodiesel consumption was also targeted to rise from 3.95 billion litres in 2018 to 6.19 billion litres in 2019, boosted by the mandatory B20 programme implemented on 1 September 2018.

In addition, India cut the import duty on crude palm oil from Malaysia, Indonesia and other members of the ASEAN to 40% from 44% effective 1 January 2019. Duty on refined palm oil was cut to 45% from 54% if imported from Malaysia and to 50%, if purchased from Indonesia or other member nations of ASEAN. This fuelled the expectation that India's palm oil import would increase as it narrowed the duty differential between the import duty for palm oil and competing oil namely soybean oil and rapeseed oil of which the duty remained unchanged.

However, the optimism of a recovery was short-lived as CPO price started to trade downward toward the end of February 2019, tracking the downtrend of soybean oil. Soybean and consequently, soybean oil have been doubly hit by the US and China trade spat and the effect of the African Swine Fever on



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hogs in China. Over the next few months up to August 2019, CPO price mostly stayed below RM2,000 per mt, except for a momentary peek above the threshold in April 2019, weighed down by concerns over the US – China trade row and the potential elevated stock level as the sector enters the high production period in the second half of the year.

Furthermore, in May 2019, the EU published a regulation which came into force in June 2019, setting new criteria for the use of palm oil in biodiesel. Essentially, EU member states' maximum share of palm oil-based biodiesel that can be counted toward EU renewable targets (and hence eligible for subsidies) will be capped at the 2019 level until 2023 and then phased out by 2030. This added further pressure on the already beleaguered CPO price. Average of MPOB's monthly average CPO price for the first six months was just shy of RM2,000 per mt at RM1,996, compared to RM2,423 per mt for the same period in 2018, a drop of approximately 18%.

Price of CPO however took a turn for the better in early August 2019, breaching the RM2,000 per mt level. The recovery was primarily fuelled by a rebound in global palm oil import demand as well as concerns that Indonesia's hot and dry weather could negatively impact palm oil output.

Toward the end of October 2019, signs of a reversal of fortune became more apparent as CPO price rallied to almost touch RM2,300 per mt. CPO price continued to climb thereon and eventually closed the year above RM3,000 per mt. The spike in CPO price was triggered by a series of bullish news and market expectations of supply and demand factors. These included: (1) the decrease in Malaysia's palm oil stock to 2.35 million mt as at end of October 2019 from 2.45 million mt from a month earlier. Malaysia's palm oil stock pile continued to downtrend, ending the year at 2.01 million mt, representing a reduction of over 37% year-on-year; (2) Indonesia allocating 9.59 million kilolitres biodiesel for the B30 mandate in 2020, up from 6.63 million kilolitres in 2019. This could potentially boost palm oil usage in Indonesia by 2.6 million mt in 2020; (3) a surge in palm oil exports to China, which saw soy meal demand cut due to the African Swine Fever and consequently soybean oil output reduced significantly; (4) a rise in soybean oil prices as China granted major Chinese and international soybean processors waivers that would exempt the companies from retaliatory tariffs on imports of up to 10 million mt of US soybeans in October 2019; and (5) an overall optimism following the announcement in December 2019 that US and China will be signing a Phase 1 trade deal on 15th January 2020, after nearly two years of trade confrontation, with US scrapping and reducing some tariffs in exchange for Chinese pledges to increase purchases of US goods and services and adopt trade reforms.

The strong rebound in CPO price in the last quarter of the year brought a much-welcomed relief after months of insipid price movement. CPO price ended the year at RM3,025 per mt. The last time CPO prices had breached the RM3,000 level was almost 3 years ago, back in February 2017. Notwithstanding the encouraging recovery at year end, the average of MPOB's monthly average price of CPO for 2019 slid to RM2,119 per mt from RM2,232 in 2018, mainly weighed by concerns over the US – China trade war and its implications on rival soybean oil price for a large part of the year.

2019 FINANCIAL HIGHLIGHTS

(RM'000 unless otherwise stated)	2019	2018
Revenue	838,894	906,441
Profit before interest & tax	126,947	125,699
Core profit before tax	69,062	91,399
Profit before tax	74,006	81,663
Net profit for the financial year	45,625	51,924
Net Profit/(Loss) attributable to owners of the Company	44,280	40,462
Cash flows from operations	213,886	222,805
Net gearing (net of cash) (times)	0.83	0.90
Shareholder's Equity	1,438,982	1,373,116

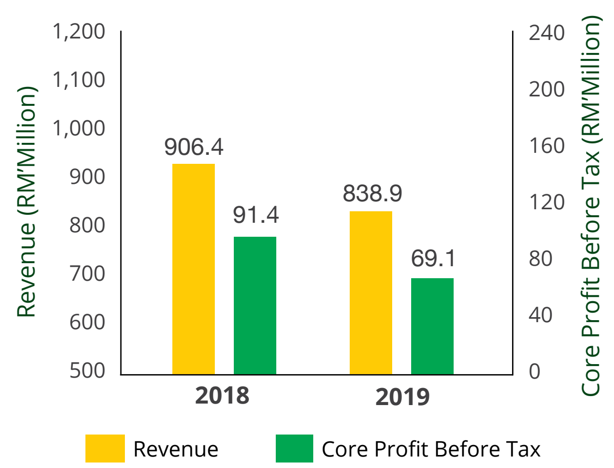
Profit or Loss

Revenue declined 7.5% to RM838.9 million from RM906.4 million in 2018 in line with the decline in average CPO price in 2019.

The Group's average CPO price declined to RM1,995 per mt from RM2,086 per mt in 2018, impacted by market conditions as highlighted above. However, the negative impact of the lower CPO price was partially mitigated by a higher FFB production, which increased to 893,738 mt from 857,801 mt in 2018.

Core profit before tax saw a decline to RM69.1 million from RM91.4 million in 2018 primarily due to lower revenue and higher finance costs recognised in the profit or loss. Finance costs increased to RM52.9 million from RM44.0 million in 2018 as a result of a higher mature hectarage.

REVENUE & CORE PROFIT BEFORE TAX



Profit before tax declined to RM74.0 million from RM81.7 million in 2018 in line with the drop in revenue, partially mitigated by a foreign exchange gain of RM4.9 million compared to a foreign exchange loss of RM9.7 million in 2018, arising from strengthening of the Ringgit against the US Dollar.

Taxation charge for the year of RM28.4 million is higher than the statutory rate mainly due to deferred tax assets not recognised for certain subsidiaries coupled with non-deductibility of certain expenses for taxation purpose.

Shareholders' Equity

Shareholders' equity increased to RM1,439.0 million from RM1,373.1 million in 2018 primarily due to the net profit attributable to shareholders for the year and a foreign currency translation gain of RM37.5 million in respect of the Group's net investment in foreign operations denominated in Indonesian Rupiah which strengthened against the Ringgit as at the end of the financial year.

Liquidity and Capital Resources

During the financial year under review, the Group generated an operating cash flow of RM213.9 million (2018: RM222.8 million) and free cash flow to firm of RM104.9 million (2018: RM40.6 million). The table below provides an overview of the Group's cash flows for 2019 and 2018.

	2019 RM'000	2018 RM'000
Cash flows from operating activities (before changes in working capital, interest & tax)	211,752	190,501
Changes in working capital	2,134	32,304
Cash Flows from operations	213,886	222,805
Income Tax paid (net of Income Tax refunded)	(31,730)	(49,900)
Cash flows used in investing activities	(77,257)	(132,320)
Free Cash Flow to Firm	104,899	40,585
Cash flows used in financing activities	(89,261)	(66,644)
Net increase/(decrease) in cash and cash equivalents	15,638	(26,059)

a) Cash flows from operating activities in 2019 was RM213.9 million, down from RM222.8 million in 2018, primarily attributable to the lower average CPO selling price and less favourable movement in working capital.

b) Cash flows used in investing activities were primarily in connection with the development and immature upkeep costs of oil palm and rubber plantations as well as other capital expenditures, partially offset by dividends and interest received. Net cash outflows used in investing activities decreased to RM77.3 million from RM132.3 million in 2018 primarily due to a decline in purchase of property, plant and equipment to RM97.2 million from RM144.9 million in 2018.

c) Financing activities of the Group recorded higher net cash outflows of RM89.3 million (2018: RM66.6 million) primarily due to higher net repayment of credit facilities.

Despite reduced profit due to lower average CPO price, free cash flow increased significantly to RM104.9 million (2018: RM40.6 million). The Group adopted a prudent stance on cash management, emphasising on cash discipline and expense control without sacrificing required capital expenditure for growth. As a result, the Group was able to reduce its borrowings and register an increase in cash and cash equivalent of RM15.6 million.

Gearing

The Group recorded a lower net gearing ratio of 0.83 times for the financial year under review (2018: 0.90 times) mainly due to lower borrowings of RM1.43 billion (2018: RM1.46 billion) coupled with foreign currency translation gain of RM40.4 million compared to foreign currency translation loss of RM58.5 million in 2018.

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SEGMENT REVIEW & ANALYSIS

The Group has two broad categories of operating business segments namely, Palm Products and Others, with the former being the core business of the Group.

Palm Products Segment

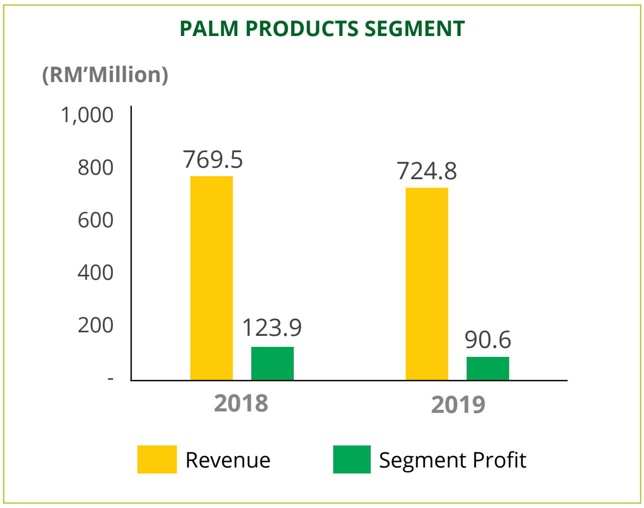
The Palm Products segment encompasses the upstream oil palm cultivation and harvesting to processing of FFB in mills into CPO and PK.

As at 31 December 2019, the Group has a plantation land bank of 99,520 ha located in Sabah, Kalimantan and Sumatera, of which 42,109 ha have been planted. It also operates 7 palm oil mills, 3 in Sabah and 2 each in Kalimantan and Sumatera.

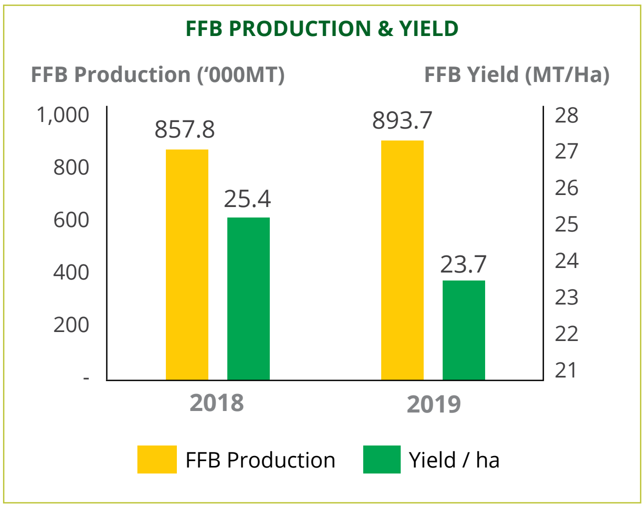
The age profile of the Group's palm oil trees is spread out with a weighted average age of 10 years, which is relatively young. Approximately 11% of its planted hectarage is still immature. This augurs well for the Group's FFB production in the coming years as more oil palm trees approach maturity and higher yielding ages. In addition, the unplanted land bank provides further growth opportunities and enables the Group to sustain the plantation business for the long term.

The unplanted land area will be developed gradually and in a sustainable manner. In this regard our overarching approach is to ensure that we adopt environmentally and socially responsible practices in our plantation development. In addition, as a member of the Roundtable on Sustainable Palm Oil (RSPO) the Group is committed to adhering to the requirements set out in the New Planting Procedure (NPP) which includes protecting High Carbon Stock (HCS) areas within our concessions. Given the young age profile of our trees, we do not plan for any major planting in 2020.

OPERATIONS REVIEW



The Palm Products segment revenue declined to RM724.8 million from RM769.5 million in 2018. The segment revenue accounted for 86% of the Group's revenue for the year. In line with the decline in revenue, segment profit decreased to RM90.6 million from RM123.9 million in 2018. The performance of the segment was impacted by the lower average CPO and PK prices despite an increase in FFB production. Average selling prices for CPO and PK for 2019 were RM1,995 per mt and RM1,108 per mt compared to RM2,086 per mt and RM1,632 per mt, respectively in 2018.



FFB production increased to 893,738 mt from 857,801 mt contributed by more planted areas coming into maturity. Average FFB yield registered a drop to 23.7 mt per ha from 25.4 mt per ha as a result of the unfavourable weather and replanting of approximately 233 ha undertaken during the year.

Others Segment

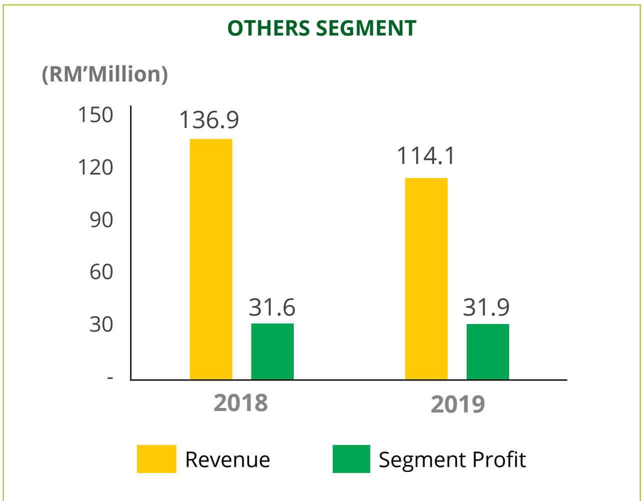
This segment comprises bio-integration division, wood division and cocoa products division.

The bio-integration business essentially encompasses the operations of the Group's biomass and biogas power plants in Sabah. The Group owns and operates a 14 MW/HR biomass power plant and a 3 MW/HR biogas power plant in Sabah. The power generated can be for internal consumption or sold to Sabah Electricity Sdn. Bhd. as all these power plants are connected to the grid. The biomass power plant utilises the biomass waste-fibres, kernel shells and empty fruit bunches as input materials to generate steam and electricity. The biogas plants generate electricity from methane gas captured from palm oil mill effluent tanks. Hence, the amount of electricity generated depends on the availability of the biomass input materials and methane gas which in turn is dependent on the quantity of FFB processed by our palm oil mills.

The wood division is made up of the wood products business under Ekowood International Berhad (EIB) Group and a Forest Management Unit. EIB is principally involved in manufacturing and marketing of engineered hardwood flooring. The engineered hardwood flooring products are manufactured at EIB's factory in Gopeng, Perak. A greater part of sales is from the export market with its key market being Australia, USA, Europe, and Vietnam. In the local market, the Group also undertakes installation of the flooring, mainly for new built condominiums.

The Group also manages a Forest Management Unit under a 100 year License Agreement with the Sabah Government. As at 31 December 2019, about 26,729 ha (2018: 24,000 ha) of logged areas in the forest have been rehabilitated through planting and silviculture.

Having started from the cocoa business, the Group continues to operate a cocoa processing plant in Klang, Selangor. The plant produces cocoa products which are mainly exported to the USA, Europe and Asia.



Others segment's revenue decreased to RM114.1 million from 136.9 million in 2018 mainly due to lower contribution from the wood division as its production was impacted by a fire at its factory in February 2019. Revenue from the wood division declined to RM35.4 million from RM53.0 million in 2018 as a result of the fire, which impacted the downstream production namely the sanding and finishing lines. Approximately RM16.7 million and RM4.6 million were written off in respect of inventories and fixed assets, respectively due to damages from the fire. As a temporary measure, we repaired machines that could be repaired and rearranged the production lines such that production was restored to some degree within three months albeit at a much lower capacity. As at 31 December 2019, the new sanding and finishing machines had just arrived and we anticipate testing and commissioning to be completed in the second quarter of 2020.

Bio-integration division registered marginally lower revenue of RM24.3 million (2018: RM25.9 million) due to lower electricity sold whereas Cocoa division also registered lower revenue of RM54.4 million (2018: RM58.0 million) due to lower cocoa butter ratio compared to 2018.

Notwithstanding the lower revenues as well as the asset write-offs and repairs due to the fire at EIB's factory, the segment registered a marginally higher profit of RM31.9 million, compared to RM31.6 million in 2018 mainly due to the recognition of insurance compensation for material damages. As at 31 December 2019, the total insurance compensation for material damages that has been received and recognised by EIB in the profit or loss was RM38.3 million. Insurance compensation for business interruption has yet to be ascertained and will be recognised in the profit or loss when the claim is virtually certain in line with the accounting standards.

OUTLOOK AND PROSPECTS

Being predominantly an oil palm industry player, the prospects of the TSH Group for 2020 will largely be dictated by drivers impacting prices of palm oil and its supply and demand as highlighted in the Overview above. They are in turn influenced by a string of factors including weather patterns and the consequential effect on FFB yield, prices of substitute vegetable oils and crude oil, changes in taxation or import duty in respect of CPO and global economic conditions and developments.

Like 2019, 2020 also started with much promise for the oil palm sector. It was forecast to perform better primarily driven by the expected firmer palm oil prices, strong palm oil demand and increasing biodiesel mandates by both Malaysia and Indonesia. As a matter of fact, CPO price stayed above RM3,000 per mt in the first half of January 2020. However, it started to slide toward the end of the month following the resumption of trading after the Lunar New Year holidays. This was primarily due to fears that the spread of the novel

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coronavirus, COVID-19, which has led to the lockdown of cities in China would lead to lower demand of edible oils and a slowdown in Asia's economic activity.

COVID-19 soon began to spread globally. The situation was further exacerbated following the collapse of the talks between Organisation of Petroleum Exporting Countries ("OPEC") and Russia in March 2020 on oil production cuts, resulting in an oil price war between Saudi Arabia and Russia. The expectation of an oversupply has caused crude oil prices to tumble to almost a two decade low amid a global economy battered by COVID-19.

On 11 March 2020, the World Health Organisation declared COVID-19 a worldwide pandemic after assessing the levels of spread and severity globally. This was followed by the imposition of a Movement Control Order ("MCO") by the Government of Malaysia, effective from 18 March 2020 to 31 March 2020 arising from COVID-19. The MCO was subsequently extended three times, each time for another two weeks, until 12 May 2020. In a special Labour Day address on 1 May 2020, YAB Prime Minister Tan Sri Muhyiddin Yassin announced that the Federal Government will allow certain economic and social activities except for mass gatherings, to resume under a conditional MCO beginning 4 May 2020 to ease the restrictions under the MCO.

On 24 March 2020, the Sabah State Government ("SSG") issued a notice to temporarily suspend operations at oil palm plantations in 3 districts namely Tawau, Lahad Datu and Kinabatangan for 7 days starting 25 March 2020, while palm oil mills were to be suspended for 5 days starting 27 March 2020. On 30 March 2020, the SSG expanded the suspension of oil palm plantations and mills to 6 districts to include, Kalabakan, Semporna and Kunak, and extended the order until 14 April 2020. Subsequently, on 10 April 2020, the SSG gave a conditional approval for oil palm plantations and mills in the abovesaid 6 districts to restart operations.

The abovesaid temporary suspension of operations by the SSG is not expected to have a material impact on the Group's FFB production in 2020. In Indonesia, our oil palm plantations and mills have been able to continue to operate thus far, but under strict operating procedures in order to protect the employees and their families from COVID-19.

Globally, the situation regarding COVID-19 continues to evolve on a daily basis. Many countries have imposed some form of movement restrictions, quarantine or lockdown in the effort to flatten the curve on the spread of COVID-19. In addition, the crude oil market remains under pressure despite the OPEC+, comprising the OPEC, Russia and other major oil producing countries agreeing in April 2020 to cut oil production. This is due to concerns that the cut will not be sufficient to reduce the inventory build-up and address the oversupply situation in view of the subdued demand caused by the COVID-19 pandemic. The war against COVID-19, the oversupply of crude oil and its consequential price collapse will have ripple effects on the global economy. As such, we see the immediate outlook for 2020 to be uncertain.

While near-term CPO market outlook may be volatile, we remain optimistic on the long term prospect of the palm oil industry. Oil palm is a major source of the world's oil and fat and is undeniably the most efficient and versatile among oil crops. Palm oil is used to produce a wide variety of products such food, animal feed, cosmetics, hygienic products as well as biodiesel. Accordingly, global population growth and access into new markets, higher per capita income and the widespread recognition of the many nutritional benefits of palm oil will continue to drive demand for palm products.

We have embraced market volatility as the new normal in an increasingly interconnected global market. Our focus will be on transforming for long term sustainability notwithstanding any short term interruptions caused by market volatility. In this regard, we will continue to drive productivity and efficiency improvement to reduce unit costs of production. Process improvement through mechanisation and technology adoption such as the use of drones and the internet of things will increasingly be applied in our plantation operations. Information systems for performance monitoring and reporting will continue to be upgraded to facilitate faster and more informed decision-making. We believe making continuous process improvement a part of our operating culture can go a long way in enhancing our agility to navigate an uncertain and volatile market environment.

DIVIDEND

Subject to the approval of the shareholders at the forthcoming 40th Annual General Meeting of the Company, our Board of Directors had on 27 February 2020 proposed a first and final single tier dividend of 1.0 sen per ordinary share to be paid out of the Company's profit.

The proposed dividend payout is consistent with the Company's long term dividend payout policy of 20% - 30% of the profit. Such payments will depend upon a number of factors, including amongst others, the core earnings, other income, capital commitments, general financial conditions, distributable reserves and other factors to be considered by the Board.

Sustainability Statement

INTRODUCTION

Sustainability has always been an integral part of our way of doing business and a guiding principle in our decision making and development process. Over the years, TSH Group ("Group") has undertaken various efforts to improve our environmental initiatives.

Our community programmes have improved the livelihoods of the underprivileged wherever we operate. Accomplishments occurred in all areas: sustainable production, social accountability and sound environmental management.

This Sustainability Statement will outline our efforts at embedding sustainability throughout the Group in the economic, environmental and social spheres, including our efforts at improving our practices. We will highlight some of the achievements made throughout 2019 from our efforts to turn waste into energy to rehabilitating forests.

SHORT-TERM GOALS

- Monitoring usage of water for all 7 palm oil mills
- Managing chemical usage for oil palm estates
- Integrated pest management to be undertaken in all estates in Indonesia
- Sustainability Standard Operating Procedures ("SOP") and insertion of sustainability requirements inside all the Operational SOP

LONG-TERM GOALS

- Roundtable on Sustainable Palm Oil ("RSPO") certification for all 7 mills and related estates according to the RSPO time-bound plan
- Indonesia Sustainable Palm Oil ("ISPO") certification for all the Indonesian estates

SUSTAINABILITY VISION

To be a premier plantation company committed to sustainability.

SUSTAINABILITY MISSION

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

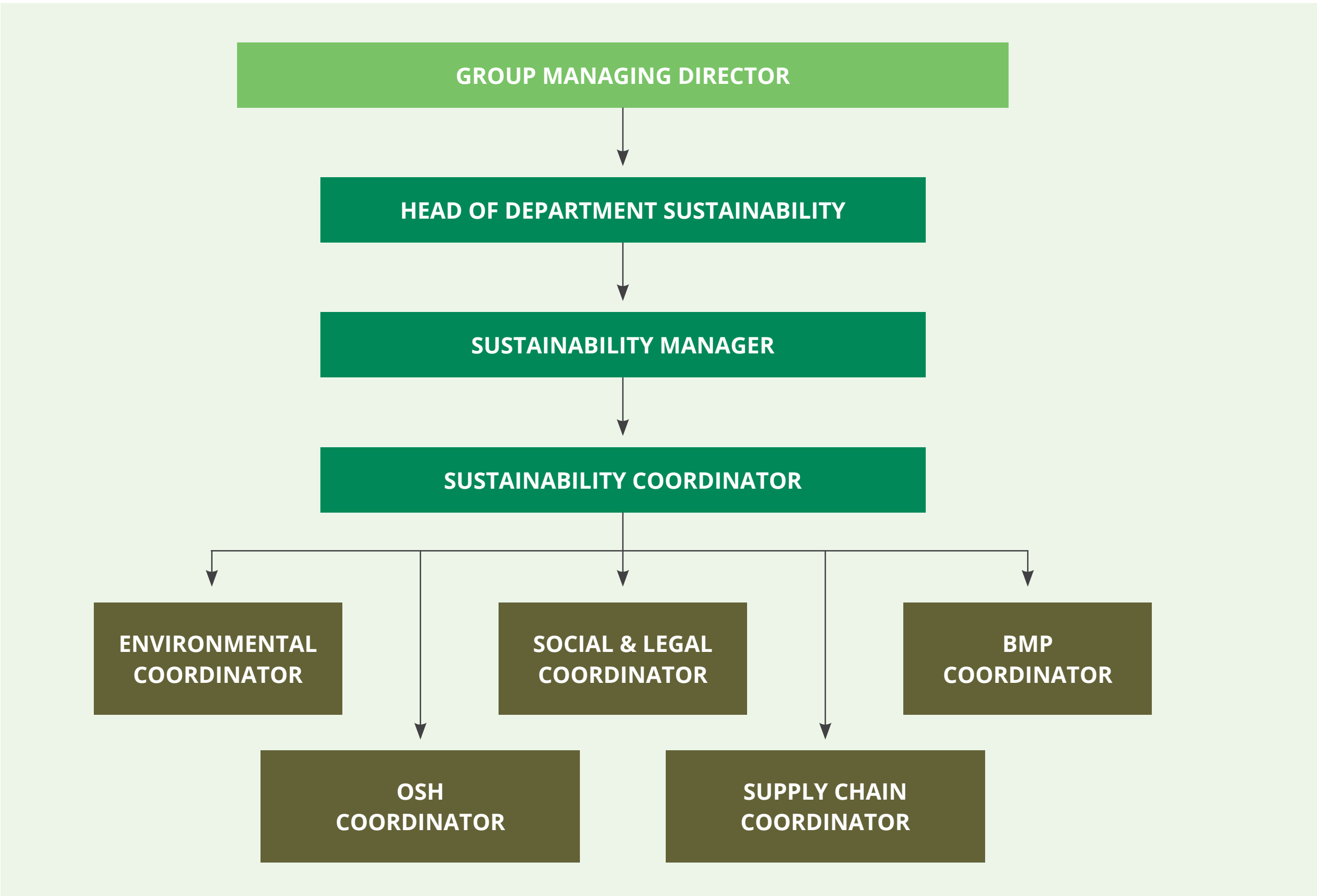
GOVERNANCE

To further demonstrate our commitment towards sustainability, the Group has set up a department specifically dedicated to managing sustainability issues with regard to our oil palm activities. Headed by the Head of Sustainability, the department pays comprehensive attention to the principles, criteria and mandatory requirements under the Malaysian Sustainable Palm Oil ("MSPO"), ISPO and RSPO certification regimes.

In addition, through the Group Managing Director, the Board of Directors ("Board") delegates the responsibility of managing day-to-day operations in accordance with the standards for social and ethical practices that have been set out in the Group Human Resource Manual. Since we operate in different countries, our policies are to meet the rules, needs and cultural practices in these countries. However effective sustainability practices that the Group has honed can be applied to all operations everywhere in the world.

The Board has set specific sustainability objectives and the timelines in which to achieve them such as the RSPO, MSPO and ISPO certification of its mills and estates. The objectives and timelines are monitored closely by the Group Managing Director, given their importance in directing the way we carry out our activities.

Safety and health issues are managed by a Safety & Health Committee in the respective estates and mills. The Group also has in place an Audit Committee which oversees risk policies, profiles and registers and is assisted by the Internal Audit Department.



The Board is ultimately responsible for implementing TSH's Code of Ethics which is applicable to Directors, officers and employees of the Group. The Corporate Disclosure Policy and Procedures outlines the policies and processes for communications with shareholders, analysts as well as investors to ensure the effectiveness and compliance with the applicable laws, rules and regulations.

RISK MANAGEMENT

The Group focuses on managing two types of risks, 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 Group Managing Director.

Operational risks are inherent in the activities within the different business units or subsidiaries of the Group. These risks are the responsibility of the various business units or department heads. However, the Group impresses on all its employees that everyone at TSH is responsible for good risk management.

KEY RISKS IN 2019

Price Fluctuations

Crude Palm Oil ("CPO") prices tend to be cyclical and fluctuate in accordance with the global supply and demand of major oils and fats; and edible oil prices such as soybean, sunflower and rapeseed oil which are substitutes for palm oil.

Although the movement in CPO prices is beyond TSH's control, TSH mitigates the adverse effect of fluctuation in CPO and palm kernel prices by entering into short-term forward contracts with its major customers to fix prices as a hedge against fluctuations and managing its cost downwards. In addition, the management constantly analyses and monitors the global demand patterns and trends for oils and fats, particularly palm oil to make prompt and informed decisions regarding its CPO sales.

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 oilseeds is more immediate and severe. 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 programmes as well as hamper harvesting and logistic activities.

TSH has implemented several measures to alleviate problems associated with unfavourable weather conditions i.e. floods and dry weather. For example, to mitigate issues arising from floods, TSH has adopted measures to construct bunds and water gates in low lying areas. During the dry weather, fire patrols are constantly on guard for any potential fire hazards and all palm oil mills and housing quarters are equipped with fire fighting equipment as an emergency safety measure. Fire fighting training was conducted by the government agencies in all units in ensuring preparedness during the dry weather. Socialisation was carried out to local villagers on the fire hazard and potential damages to the environment.

Competing Mills

TSH sources its supplies of fresh fruit bunches ("FFB") from its oil palm plantation, private estates and smallholders who have estates situated near TSH's palm oil mills. TSH has a long history of sourcing FFB from outgrowers and in the process has built close rapport with them. Nonetheless, moving forward, TSH will be undertaking more planting in Sabah and Indonesia to boost supply of FFB for its own mills. Our FFB production will also increase in the coming years as our immature area comes into harvesting and young matured area reaches peak yielding age.

Sustainability Statement

KEY RISKS IN 2019 (CONT'D)

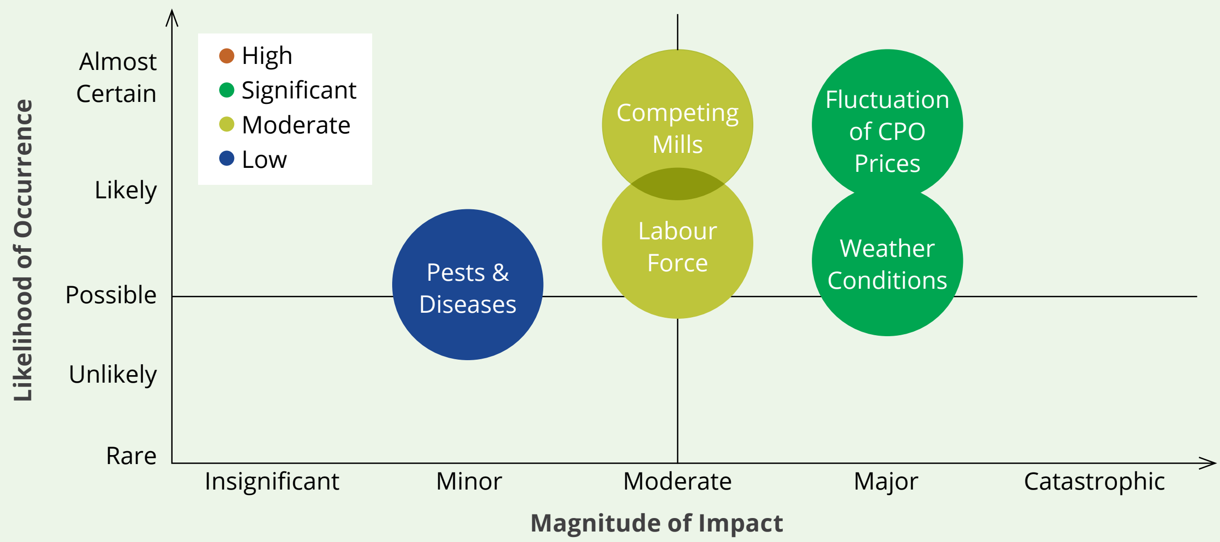
Labour Force

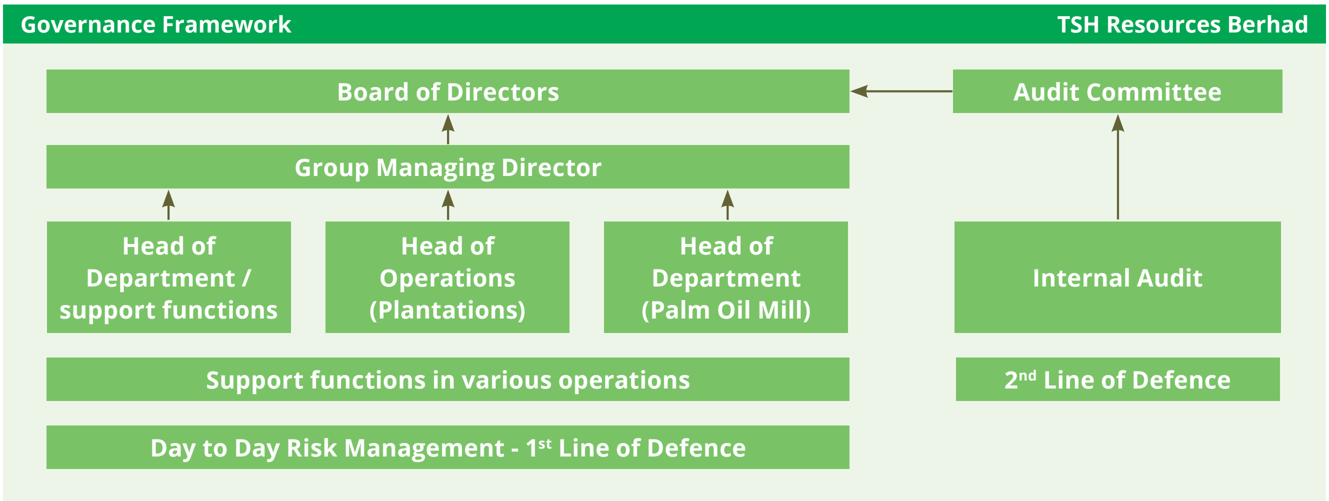
TSH adopts measures to ensure the retention of efficient employees by providing formal training, standard operating procedures, competitive remuneration, housing and amenities and a harmonious working environment. TSH is currently in the process of mechanising certain field operations to reduce dependency on labour. To date, TSH has not encountered any serious labour shortage or any significant labour dispute that could cause a major disruption in its daily operations. In addition, TSH has also appointed very experienced estate managers to manage the estates and has also set up a Plantation Training Academy in Kalimantan Tengah, with the purpose of recruiting and training suitable local workers to mitigate any labour shortage and maintain operating standards.

Pests and Diseases

Preventive measures adopted by TSH to eliminate outbreak of pests and diseases include planting of beneficial plants to attract predators of insect pests, use of baits and natural predators of rodents, such as barn owls. Pesticide will only be utilised in case of major outbreak. In addition, TSH also provides continuous education to its employees on the latest pest control methods, adopting and implementing good field hygiene and integrated pest management practices. Since the commencement of TSH's business operations, TSH has not experienced any outbreak of pest infection that has a significant impact on its daily operations. TSH has engaged a Visiting Advisor to monitor and improve the Pest Management Practise in all estates. SOP on planting of beneficial plants is in place and implemented in all estates.

Residual Risk Profile **TSH Resources Berhad**





SUSTAINABILITY IN PRACTICE

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

A) Sound environmental management

We promote sustainable forestry practices and the use of renewable resources. Our efforts are underlined by an ongoing commitment towards certification and standards. TSH complies with the Environmental Impact Assessment ("EIA") requirements of projects and other regulations on safety and the environment. We are also committed towards nurturing our supply chain.

B) Human capital

TSH recognises that human capital is a key asset to sustained growth. The Group recognises the contributions of employees and is committed to treating all employees equally and paying them fairly according to their skills, performance and local market conditions. The Group also provides periodic training and opportunities for professional development. Besides that, there is open grievance and whistle blowing channel made available in TSH website and the complainant can be remained as anonymous upon request. We also have zero tolerance for harassment of any kind in the workplace.

C) Occupational Safety & Health ("OSH")

TSH strives to have zero accidents by providing safe working conditions and sets up a Safety & Health Committee and an Emergency Response Team ("ERT") for each operating unit to further embed a safety culture within the Group. Employees are continuously trained and socialised with safety procedures while business operations are subjected to regular safety and health reviews.

Firefighting training in collaboration with PT Indonesia Jasa Katiga at PT Farinda Bersaudara

Firefighting training at Maju Sawit estate

Department of Occupational Safety and Health (DOSH) inspection at Landquest estate

D) Community

TSH funds and supports a wide range of welfare, educational and health programmes to help the underprivileged. The Group also provides research grants and, in line with its policy, works with wildlife conservation bodies to protect rare, threatened or endangered species.

Blood donation at Ong Yah Ho estate

KEY SUSTAINABILITY-RELATED POLICIES

All policies and statements in English, Bahasa Indonesia and Bahasa Melayu are in place and have been distributed to all estates.

ECONOMIC

- Board Charter
- Code of Ethics
- Corporate Disclosure Policy and Procedures
- TSH Corporate Governance Guidelines
- Transparency Policy Statement
- Whistle-Blowing Policy
- Sustainability Information Request Procedure

ENVIRONMENTAL

- Environment Policy Statement

SOCIAL

- Child Labour Policy Statement
- Equal Opportunity & Discrimination Policy Statement
- Freedom of Association Policy Statement
- Good Agricultural Practices ("GAP")
- Human Rights & Responsible Business Practices Policy
- Reproductive Rights Policy Statement
- Safety and Health Policy Statement
- Sexual Harassment Policy Statement
- Group Human Resource Manual

SCOPE

This Statement covers the Group's operations within Malaysia and Indonesia, encompassing estates, processing mills, power plants and forest management which accounted for about 90% of the Group's total operating revenue in 2019.

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

STAKEHOLDER ENGAGEMENT

TSH 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 strives to conduct 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. However, it is the Group's aspiration to release information in formats that can be easily accessed, understood and analysed by all stakeholders.

TSH also aims to improve its long-term relationships. TSH's website provides easy access to the latest information on the Group's financials and operations as well as the direction of the Group. Email links are included 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"), EIA and High Conservation Value ("HCV") reports. A stakeholder list is also available for all established estates in Indonesia.

Sustainability Statement

At the corporate level, the secretarial department spearheads 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 communication methods are regularly assessed, through information requests, to ensure that they are transparent and effective.

Stakeholder Group	Engagement Platforms	Issues Raised in FY2019	Response to issues and outcomes
Employees	• Multichannel engagement	• Safety • Health improvements • Housing improvements • Minimum wage	• New houses built and continuous repairs carried out • All employees in mills and estates are provided with yearly medical check up • Quality safety equipment is sourced and provided for all employees • Minimum wage is practised in all units
Communities	• Town hall meetings • Community development programmes • Various other formal and informal engagement	• Community programme meeting • Progress on Plasma Scheme • Land-related claims and compensation	• Various community development initiatives • Plasma Scheme cooperative meeting minutes filed in the respective Indonesia estates • Assessments such as SIA and HCV 5 and HCV 6 were carried-out to determine the customary land owners and minimise land conflicts
Trade Unions	• Welfare committee and/ or trade union meeting	• Minimum wage and piece rate policy • Freedom of Association • Housing • Medical	• Minimum wage policy in place. Ongoing discussions with unions on improvement issues • Welfare Committee meetings are held every quarter
Civil Society	• Multichannel engagement	• Human rights issues including wages, and housing issues related to one of our subsidiaries	• Issues addressed through grievance procedure, consultative meetings and Welfare Committee
Government	• Multichannel engagement	• Fire prevention requirements (Indonesia national agenda)	• Equipment required in compliance with requirement by the Ministry of Environment and Forestry in Indonesia and Fire and Rescue Department and Forestry Department in Malaysia
Suppliers	• Scheme smallholders	• Financing and oil palm plantation management • Developing small time oil palm smallholders in Indonesia through training and material aid	• Meet targets for local suppliers
Media	• Multichannel engagement	• Financial and community information reported in various media platforms	• Meet commitment for transparency

Stakeholder Group	Engagement Platforms	Issues Raised in FY2019	Response to issues and outcomes
Industry e.g. RSPO, Malaysian Palm Oil Association ("MPOA"), Malaysian Palm Oil Board ("MPOB"), ISPO and MSPO Certificate	• Multichannel engagement	• Annual Communication of Progress ("ACOP") report for RSPO	• ACOP report submitted for every year • Commitment to ISPO and MSPO Certification

External stakeholder meeting at Lahad Datu region

External stakeholder meeting at Tawau region

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.

Marketplace

In line with TSH's commitment to be environmentally responsible, we are focused on improving the traceability of our palm oil to ensure that it is sourced from estates that operate ethically and implement sound environment practices. As part of this effort, we are pursuing the ISPO and RSPO certification for our entities. Our commitment is underlined by our membership in the RSPO.

- **Commitment to Certification**

  In order to ensure that our operations are benchmarked to global standards, the Group became an RSPO member in November 2014. All our business units have committed to achieving RSPO certification by year 2021. Further, the Group achieved 100% MSPO Certification for all our units in Malaysia in 2019. The Group is committed in achieving ISPO Certification for all our Indonesia units.

  Status Updates

Description	2016	2017	2018	2019	Total
Number of RSPO-certified estates	1	2	4	2	9
Number of RSPO-certified mills	1	1	1	2	5

- **Plasma Scheme**

  The Plasma Scheme is designed to develop scheme smallholders among the local community in Indonesia. Under the scheme, government agencies, business or cooperatives help develop smallholders through different ways such as by providing them seed stock, fertilisers, pesticides, training and loans. Our objective is to assist the cooperative scheme smallholders through services and the management of their oil palm properties. Todate, TSH has assisted in establishing 14 Smallholder Cooperatives under the Plasma Scheme in Indonesia.

Sustainability Statement

TSH's role in the scheme

- managing the plantation for scheme smallholders
- educating the cooperative scheme smallholders on oil palm planting and business
- assisting the scheme smallholders to obtain financing for their projects
- educating and assisting scheme smallholders in implementing sustainable business practices

- **Supply Chain Management**

As a responsible Group, we work to ensure that the materials and components we use in our entire supply chain such as raw oil palm bunches and fertilisers can be traced to sources.

We also strive to ensure that we source as much of our materials as possible from local suppliers so as to empower and boost the surrounding economy. In 2019, 100% of suppliers were local suppliers.

For the estates under our management, we strictly adhere to all local labour regulations and ensure that there is zero tolerance for forced labour and child labour. This is done through field audits and inspections of our plantations and of the estates managed by scheme smallholders who supply to us. We also perform audits to ensure that our estates and those of our suppliers comply with local environmental regulations especially when it comes to waste management and land clearing.

Environment

As a plantation company, TSH works to ensure that its operations are environmentally responsible, and that adequate steps are taken to protect and effectively manage risks that may adversely impact the surrounding environment. Our Environment Policy Statement governs how we deal with greenhouse gas ("GHG") emissions, waste management and biodiversity issues. We also have a zero burning policy for all our operations.

The Group actively recycles and manages waste, monitors and minimises 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 GHG emissions.

The Group will carry out a combined High Carbon Stock (HCS) and HCV analysis prior to any new development. We have conducted EIAs for all our Indonesian plantations and Sabah estates that were established after September 1999.

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

- **Waste-to-Energy**

At TSH, we believe that nothing from our oil palm plantations should go to waste. Our bio-integration complex in Kunak, Sabah, exemplifies this by producing renewable energy from oil palm waste. Liquid and solid by-products from the palm oil mills are processed by the complex's biomass and biogas plants and turned into electricity and industrial steam.

Apart from tapping the commercial value of oil palm waste for the Group, TSH is contributing to the country's electricity needs through renewable sources. The biomass plant has a renewable energy power purchase agreement ("REPPA") with Sabah Electricity Sdn. Bhd. to supply up to 10MW of green electricity to Sabah. The biomass plant is also the first in the country that is connected to the national grid. The green electricity sold to the grid helps offset power that is generated from fossil fuels. In 2019, 52,893,830 Kw (2018: 52,492,630 Kw) was sent to the grid. In this way, TSH is working to reduce our carbon footprint.

i) **Biomass Power**

The integrated complex is powered by renewable green energy from a 14MW biomass cogeneration plant. The plant generates electricity and industrial steam from solid by-products from the mill.

ii) **Biogas Power**

The biogas power section of the complex generates electricity from waste water produced from the palm oil milling process which is commonly known as Palm Oil Mill Effluent ("POME"). Energy is harvested from the POME through an aerobic activated sludge process and this treats the POME discharge to make it less environmentally harmful. Another key component in the process is the recovery of methane gas which is then used to generate electricity. This reduces greenhouse gas emissions from the milling process.

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

- **Emissions**

  The Group has taken initiatives to reduce carbon, N_2O (Nitrogen Oxide) and CH_4 (Methane) by utilising mill waste such as decanter wastes and POME as organic fertiliser as well as relying on bio-gas generators and steam engines instead of diesel generators for electricity supply.

  We will continue to take steps to improve our carbon footprint. In this regard, we are monitoring and tracking the GHG emissions from our operations.

- **Water Management**

  i) TSH maintains riparian boundaries to prevent freshwater contamination. We maintain an area of natural riverside vegetation – known as 'riparian reserves' – along both sides of a river that acts as a buffer between our plantations and the water source.

  ii) To ensure that we stay within environmentally accepted limits, lab assessments of the river water are done and analysed every six months.

  iii) We constantly strive to maintain efficiency of water usage in our mill operations.

Average Water Usage

	m^3 per mt of FFB processed
2017	1.18
2018	1.16
2019	1.13

- **Sustainable Forestry**

  The forest ecosystems which surround our facilities are important to TSH and we continuously work with state agencies and non-government organisations to ensure that we minimise harm to the environment and also treat degraded areas. We have implemented enrichment planting and silviculture treatment initiatives under Sabah's Forest Management Unit ("FMU") Programme. Our land development practices also meet strict environmental conditions to avoid harming biodiversity. Our use of sustainable wood materials has been accredited by the Forest Stewardship Council.

  TSH was awarded the Compliance Certificate Award 2018 by the Sabah Forestry Department in July 2019 for its efforts in reforestation. TSH has received this award for 10 consecutive years.

i) Forest Rehabilitation

On 10 September 1997, TSH was awarded a 100-year licence by the Sabah government to carry out natural forest management works including rehabilitating, conserving and industrial tree planting on 123,385 ha of forest in Ulu Tungud, Sabah. The award was under a Sustainable Forest Management License Agreement and the area is now known as the FMU 4. In 2019, total area rehabilitated was 2,729 ha and to date, about 26,729 ha of logged areas in the forest have been rehabilitated through enrichment planting and silviculture.

ii) Forest Conservation

As part of efforts to manage and enhance Sabah's natural resources, the Group had on 11 November 2015 signed a memorandum of understanding with the Sabah government to surrender approximately 30,000 ha of land in the Ulu Tungud Forest Reserve which is in the Meliau range. This represents 24% of FMU4 and it has been set aside for preserving the ecosystem of the forest and protecting its rich flora and fauna which are some of the most bio-diverse and unique in the world.

Some 172 species of birds call the Meliau range their home and we are working with local and international non-governmental organisations (NGO), and the Sabah Forestry Department to study its biodiversity and ecology.

TSH will bear 50% of the costs and expenses for this project. As part of our commitment, currently we have 76 native staff and workers from the "Ansuan" and "Pinangah" tribes working on our Natural Forest Management programme.

iii) Biodiversity

TSH 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 programme that involves conducting a pest census and growing plants which are natural habitats for predators that feed on leaf-eating pests.

Sustainability Statement

Workplace

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

We also put in place civil and labour rights protections to further look after their welfare, and embed a culture of rewarding them according to merit. It is hoped that these measures will create a workplace where our employees feel dignified and respected no matter their ethnicity, religion, political beliefs, gender or age.

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

- **Human Rights**

  TSH is fully committed to operating in an ethical and responsible manner, and to eradicate human rights violations throughout its supply chain. Our Human Rights & Responsible Business Practices Policy covers elements of anti-bribery, anti-corruption and forced labour. One of the policy's main objectives is to emphasise the importance of Free, Prior and Informed Consent. The impediment of these rights whether through bribery or through the fraudulent use of funds will not be tolerated. The Group will not do business with those who violate the rights of others, such as by using forced or child labour.

  We uphold an individual's right to be treated fairly and decently, and as a proactive measure, we have established a formal grievance mechanism so that complaints of mistreatment and abuse can be reported. The mechanism covers complaints on labour practices and human rights, and also comes with a remediation process.

  i) Freedom of Association

  TSH respects and recognises the right of its employees to freedom of association.

  The Group also respects the collective bargaining process so as to lift the morale of employees and enhance productivity and industrial relations. As a proactive gesture, the Group has established Workplace Welfare Committees to represent employees and provide them a structured communication channel when a union is not present.

  ii) Maternal Care

  The Group is fully committed to supporting 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 and breast-feeding employees are given adequate days off, more frequent breaks and work re-assignments.

  iii) Child Labour

  TSH is strongly against the use of children for work and is fully committed to eradicating the occurrence of child labour in its workforce, which includes employees, contractors, volunteers and any other comparable form that constitutes as labour according to local and international laws, within its Group.

  iv) Sexual Harassment

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

- **Workforce Diversity**

  TSH strongly believes in 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 efforts to create an environment in which personnel can develop and apply the widest possible range of competencies and solutions without biased oppression or coercion.

  In order to achieve this goal, the Group promotes the right to work and advancement on the basis of merit, ability, potential, and experience that is free from prejudice. The Group is strongly against the discrimination of any person based on age, race, caste, nationality, religion, disability, gender, sexual orientation, union membership and political affiliation. When appointing an employee, the Group through its management personnel will always evaluate and match the criteria of employees based on experience, expertise, professionalism, technical skills, specialist knowledge, time commitment, character, integrity, potential contribution and perceived ability to work cohesively with other employees.

Sustainability Statement

Description	2017	2018	2019
Employee Breakdown			
Total Number	8,992	8,270	8,036
Turnover Rate (%)	3.29%	1.87%	1.88%
Gender			
• *Female*	2,934	2,392	2,074
• *Male*	6,058	5,878	5,962
Number of women in Management			
• *Board of Directors*	1	2	2
• *Management*	44	43	33
• *Executive*	94	114	105
Age Group			
• *< 30*	3,177	2,729	2,385
• *30-50*	5,458	5,110	5,172
• *> 50*	357	431	479

- **Occupational Safety and Health**

TSH is committed to maintaining high safety and health standards within its workforce, contractors, volunteers and visitors within the Group. To achieve this objective, each operation unit has established a Safety & Health Committee which is responsible for cultivating safe working practices and behaviour. A series of in-house training programmes on safety and health have also been conducted by committee members and external experts. Hazard Identification Risk Assessment and Controls ("HIRAC") processes are reviewed regularly and communicated to employees and contractors. OSH Awareness Campaigns are also conducted every year in all units. Trainings in relation to fire fighting drill, emergency response and personal protective equipment are conducted in all units. Safety induction is carried out for all new employees to ensure awareness and compliance.

The Group provides adequate health care such as medical check-ups yearly for all workers and twice a year for those handling chemicals, pesticide, fertiliser and who operate the chemical premix station. The estates and mills have a clinic staffed with either medical officers or visiting medical officers, hospital assistants, nurses and midwife. A fully equipped ambulance is also on stand-by to assist in transferring the workers to medical facilities. Besides protective clothing, workers are trained to handle pesticides in a safe manner. In addition, a HIRAC system and related facilities are in place to cut down on hazards. In 2019, TSH made a commitment of stopping the usage of the chemical "paraquat" in all its units in Indonesia. TSH has ceased using "paraquat" in Malaysia since 2002.

Loss Time Injury Frequency Rate ("LTIFR") 2019

FATALITY	LTIFR*
0	10.08

** Incidents/1 million man-hours worked*

Ambulance in estates in Indonesia

Sustainability Statement

Clinic in Sumatra Barat, Indonesia

- **Training and Development**

  We nurture a conducive learning culture for all our employees – from the lowest general worker to the senior manager – equipping them with the knowledge and skills to effectively perform and overcome the challenges in our industry. This is done through dedicated training courses such as those described below.

  - The Plantation Training Centre that was established in 2005 in Palangkaraya, Central Kalimantan, is a strong platform to spearhead our expansion in Indonesia. The centre shares best practices among field assistants and cadets that can be adopted in all our new estates. Besides providing a pool of talent for our expansion, in the long run, the knowledge gained improves the productivity of the plantation's management. The centre has successfully churned out a large number of graduates, all of whom have started out on rewarding career in our plantations.

  - Our annual training for employees includes topics such as code of conduct and business ethics, resource/environmental management, equal opportunity or non-discrimination practices, grievance mechanisms and remediation processes, human rights, child labour, forced labour, and occupational safety and health.

  - Training on the management approach of TSH Group namely One Approach, which spells out inter alia the Group's philosophy of management by objectives focusing on the foundation, building blocks and processes for the effective execution of roles by employees.

  - Training on the all-encompassing Group Human Resource Manual which spells out the benefits, rules and regulations and policies for our employees.

  - Our Indonesian estates and mills conduct daily safety briefings for workers.

  - Field workers are trained in SOP.

  - Ong Yah Ho estate is provided with a Community Learning Centre.

Briefing on Information Security Awareness for Tawau office staff

Below are internal training programmes conducted in Indonesia from year 2017 to 2019 and category of employees benefited from these programmes:

	No. of trainees		
Type of Training	**2017**	**2018**	**2019**
Training on SOP Operation, leadership, effective communication and technical for Mandore & FFB Checkers	-	245	187
Induction training on SOP & System	40	46	18
Refresher training on SOP	126	-	-
Refresher training on SOP-Finance	-	14	-
Refresher training on Operation	-	37	-
Refresher training on Estate Management System & Estate Planning & Checkroll	89	54	193
Occupational Safety and Health Experts (Ahli K3 Umum)	20	-	-
Training on One Approach	-	-	117
Sustainability Policy Training on Child Labour and Opportunities and Discrimination	-	-	29
Training on chemical handling	-	-	239
Total	275	396	783

	No. of trainees		
Category of Employees	**2017**	**2018**	**2019**
Mandores & FFB checkers	-	245	187
Field Assistants	91	37	29
Cadets	13	10	33
Manager Estate Above/Senior Assistant Manager/Assistant Manager	121	90	251
Mill Staff, Executive/Admin Staff/AM HR/KTU/Admin Manager	50	14	44
Workers	-	-	239
Total	275	396	783

Regular performance and career development reviews were conducted throughout the Group. We offer feedback, coaching and on-the-job experiences to enable our employees to continuously work on the development of their competencies and skills. We also provide opportunities to employees for discussing career plans so that they can experience career satisfaction and feel more engaged and empowered in their respective roles.

i) Succession Planning

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

- **Employee Engagement and Benefits and Well-being**

i) Engagement

TSH understands that non-work activities and programmes are important to employee well-being and morale, and the Group continues to engage with employees through a variety of activities and celebrations in 2019. These include, amongst others:

Sustainability Statement

- Advocacy & Health Screening Programme held on 18 March 2019 at Tawau region in collaboration with SOCSO officers, police traffic and clinic to create health and safety awareness.

- Celebration of Labour Day in both estates of LKSK and Landquest on 8 May 2019.

- Employee Team Building activities - sports events, games, outings, gatherings etc help to foster relationships amongst peers and family members. These activities keep employees energised, knitted closely and created a healthy working environment and a happy working & family life.

Labour and sport day at Ong Yah Ho estate

Team building for Kuala Lumpur headquarter

Sustainability Statement

Indonesia estates KPI scorers visiting Kuala Lumpur Headquarter and Kuala Lumpur city

Family Day & Outbound training held by PT. Andalas Wahana Berjaya

Football tournament held by PT. Sarana Prima Multi Niaga

Team building for Jakarta office

- Karaoke singing competition participated by employees of PT. Andalas Wahana Berjaya.

Sustainability Statement

- Celebration of Israk & Miraj held by PT. Andalas Wahana Berjaya.

- Staff birthday party celebration at TSH Kuala Lumpur for all employees held every quarter in year 2019.
- Chinese New Year, Hari Raya, Deepavali & Christmas open house celebration held at staff cafeteria right before/after the occasion holiday period for all TSH Kuala Lumpur employees in 2019.

Chinese New Year celebration

Sustainability Statement

Hari Raya & Quarter 2 birthday celebration

Deepavali celebration

ii) Benefits and Welfare

TSH provides a host of benefits that enhances the welfare of our workers especially those staying in our plantations or who work close to them. These benefits include physical facilities such as housing, schools, sports grounds, child crèches, treated water supply and places of worship. Non-physical benefits include sports club memberships, insurance coverage and a well-being programme.

Community

As a responsible corporate citizen, TSH strives to contribute to the surrounding community particularly children and the underprivileged. Each individual business units/divisions has a Community Development Department which manages community projects and contributions. In addition, community programmes in Indonesia are based on guidelines from the Agriculture Ministry and the community's needs.

- **Community Giving and Charity**

  TSH has contributed to various philanthropic causes and organisations throughout 2019 such as Saan Yak Nak Meditation Centre, Shelter Home for Children, Sabah.

In addition, our estates in Indonesia have actively supported many community programmes as part of our initiatives to improve the livelihood of the surrounding community. In particular, TSH has placed great emphasis on education, disaster relief and/or preparedness, arts, culture and heritage, sports and health, religious activities and infrastructure development. Some of these initiatives carried out in 2019 are shown below:

Scholarship presentation to the local community primary school students

Sustainability Statement

Donation to local community

Donation of building material for the construction of places of worship

Providing sports equipment to the local community

Assistance in building infrastructure to the local community i.e roads and drain

Assistance to build the local pre-school (kindergarten)

Assistance to the local mosque

Corporate Structure

PALM SEGMENT

100%	TSH Plantation Sdn. Bhd.
100%	TSH Plantation Management Sdn. Bhd.
100%	TSH Palm Products Sdn. Bhd.
50%	TSH-Wilmar Sdn. Bhd.
42%	RT Plantations Sdn. Bhd.
51%	LKSK Sdn. Bhd.
70%	PT. Andalas Agro Industri
70%	PT. Andalas Wahana Berjaya
90%	PT. Sarana Prima Multi Niaga
21.94%	Innoprise Plantations Berhad
90%	PT. Teguh Swakarsa Sejahtera
69.77%	PT. Laras Internusa
90%	PT. Farinda Bersaudara
90%	PT. Mitra Jaya Cemerlang
90%	PT. Bulungan Citra Agro Persada
90%	PT. Munte Waniq Jaya Perkasa
90%	PT. Perkebunan Sentawar Membangun
90%	PT. Andalas Wahana Sukses
90%	PT. Prima Usaha Sukses
56.68%	Landquest Sdn. Bhd.

OTHERS SEGMENT

100%	Ekowood International Berhad
100%	Ekowood Malaysia Sdn. Bhd.
100%	Ekowood (USA) Inc.
100%	TSH Bio-Energy Sdn. Bhd.
100%	TSH Bio-Gas Sdn. Bhd.
100%	TSH Biotech Sdn. Bhd.
100%	CocoaHouse Sdn. Bhd.
50%	TSH-Wilmar (BF) Sdn. Bhd.

NOTES:

- The companies reflected above are operating subsidiaries/associated company/joint venture.
- The full list of companies under the TSH Group is set out in Note 23 to the Financial Statements.

Our People and Faces

Our People and Faces

Corporate Information

BOARD OF DIRECTORS

DATUK (DR.) KELVIN TAN AIK PEN
Chairman, Non-Independent Non-Executive Director

DATO' AIK SIM, TAN
Group Managing Director

DATO' JASMY BIN ISMAIL
Independent Non-Executive Director

SELINA BINTI YEOP JUNIOR @ LOPE
Independent Non-Executive Director

NATASHA BINTI MOHD ZULKIFLI
Independent Non-Executive Director

YAP BOON TECK
Independent Non-Executive Director

TAN AIK KIONG
Group Executive Director

CHEW SIEW YENG
Independent Non-Executive Director

TAN AIK YONG
Executive Director

LIM FOOK HIN
Non-Independent Non-Executive Director

AUDIT COMMITTEE

YAP BOON TECK
Chairman/Independent Non-Executive Director
(Member of the Malaysian Institute of Accountants)

DATO' JASMY BIN ISMAIL
Member/Independent Non-Executive Director

CHEW SIEW YENG
Member/Independent Non-Executive Director
(Member of the Malaysian Institute of Accountants)

LIM FOOK HIN
Member/Non-Independent Non-Executive Director
(Member of the Malaysian Institute of Certified Public Accountants)

NOMINATION COMMITTEE

SELINA BINTI YEOP JUNIOR @ LOPE
Chairperson/Independent Non-Executive Director

YAP BOON TECK
Member/Independent Non-Executive Director

LIM FOOK HIN
Member/Non-Independent Non-Executive Director

REMUNERATION COMMITTEE

DATO' JASMY BIN ISMAIL
Chairman/Independent Non-Executive Director

CHEW SIEW YENG
Member/Independent Non-Executive Director

LIM FOOK HIN
Member/Non-Independent Non-Executive Director

COMPANY SECRETARY

CHOW YEEN LEE (MAICSA 7047480)

REGISTERED OFFICE

Level 10, Menara TSH
No. 8 Jalan Semantan
Damansara Heights
50490 Kuala Lumpur
Tel : +603-2084 0888
Fax : +603-2084 0828
E-mail : tsh@tsh.com.my

AUDITORS

BDO PLT (LLP 0018825-LCA & AF 0206)
Level 8, BDO @ Menara CenTARa
360 Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur
Tel : +603-2616 2888
Fax : +603-2616 3190/3191

PRINCIPAL BANKERS

Cooperatieve Centrale Raiffeisen - Boerenleenbank B.A (Rabobank)

HSBC Bank Malaysia Berhad

Kuwait Finance House (M) Berhad

Malayan Banking Berhad

OCBC Bank Malaysia Berhad

RHB Bank Berhad

Standard Chartered Bank Malaysia Berhad

United Oversea Bank (M) Berhad

SHARE REGISTRAR

BOARDROOM SHARE REGISTRARS SDN. BHD.
11th Floor, Menara Symphony
No. 5 Jalan Prof. Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor Darul Ehsan
Tel : +603-7890 4700
Fax : +603-7890 4670
E-mail : BSR.Helpdesk@boardroomlimited.com

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

COMPANY WEBSITE

www.tsh.com.my

Profile of Board of Directors

DATUK (DR.) KELVIN TAN AIK PEN

Chairman, Non-Independent Non-Executive Director

AGED 62

Datuk (Dr.) Kelvin Tan Aik Pen is the Chairman, Non-Independent Non-Executive Director of the Company. He has been a Director of TSH since his appointment to the Board on 17 January 1986. He also sits on the board of a number of private companies.

He has more than thirty two (32) years experience in resource based industry, which includes extensive working knowledge of international trade practices. He was the Chairman of the Malaysian Cocoa Board for 8 consecutive years from 1997 to 2004 and trustee of the Borneo Conservation Trust Sabah from 2010 to 2013. He was appointed to the Board of Directors of University Malaysia Sabah from August 2017 to January 2020. He also serves as Honorary Director of Sabah Chinese High School. As recognition for his many contributions to environmental conservation and forestry, he was conferred an Honorary Doctorate in Philosophy (Agroforestry) by Universiti Malaysia Sabah on 3 September 2006.

He is the brother of Dato' Aik Sim, Tan, Tan Aik Kiong and Tan Aik Yong.

ADDITIONAL INFORMATION:

That Datuk (Dr.) Kelvin Tan Aik Pen has:

(i) no conflict of interest with the Company;

(ii) no conviction for any offences within the past five (5) years; and

(iii) not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

Profile of Board of Directors

DATO' AIK SIM, TAN

Group Managing Director

AGED 56

Dato' Aik Sim, Tan was appointed as Group Managing Director on 1 January 2009 after serving as Chief Executive Officer since 1 September 2006. He was appointed to the Board of Directors of the Company on 27 February 1992. He is also the Group Managing Director of Ekowood International Berhad ("Ekowood") and sits on the board of various subsidiary companies of TSH. He obtained Bachelor's Degrees in both Economics and Engineering from Monash University, Australia in 1988.

He joined the Group in 1989 and over the years was heavily involved in its various business units and their operations. He had a major hand in setting up CocoaHouse Sdn Bhd's manufacturing facilities and its operations and played a leading role in the listing of TSH in 1994.

He was appointed the Chief Executive Officer of Ekowood in 1994 to spearhead the establishment of the integrated timber complex from a green field site. He was subsequently appointed its Group Managing Director in 2009 and played a pivotal role in its rapid growth, elevating it into an international and award-winning brand to be reckoned within the engineered hardwood flooring industry.

He has also played a big part in the development of the Group's oil palm business, in particular, its expansion into Indonesia which has significantly enlarged the Group's operations. In addition as Group Managing Director, he also charts the strategy for sustainable long-term growth of the Group.

He is the brother of Datuk (Dr.) Kelvin Tan Aik Pen, Tan Aik Kiong and Tan Aik Yong.

ADDITIONAL INFORMATION:

That Dato' Aik Sim, Tan has:

(i) no conflict of interest with the Company;

(ii) no conviction for any offences within the past five (5) years; and

(iii) not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

Profile of Board of Directors

DATO' JASMY BIN ISMAIL

Independent Non-Executive Director

AGED 56

Dato' Jasmy bin Ismail was appointed as an Independent Non-Executive Director of TSH on 4 June 2014. He also serves as the Chairman of the Remuneration Committee and member of the Audit Committee.

He obtained his Chartered Institute of Logistics and Transport in United Kingdom and Master of Science (Msc) in Transport Management from City University, London.

In 1988, Dato' Jasmy joined IBM Malaysia and held various positions within the Sales and Marketing Division, responsible mainly for the Public Sector and Financial Service Industries. Prior to leaving IBM Malaysia, he was the Executive Assistant to the Chief Executive Officer of IBM Malaysia.

Dato' Jasmy joined CCAAP Technologies Sdn. Bhd. as General Manager in 1996. He was also the Executive Director of New Technology & Innovation Sdn. Bhd.

In 2000, Dato' Jasmy co-founded Symphony Global Technologies Sdn. Bhd. and was involved in the formulation of Symphony House Berhad which was then listed on Bursa Malaysia Securities Berhad in 2003. He was the Chief Executive of Symphony's Technology Services Division. He also served as the Chairman of Symphony BCSIS Sdn. Bhd., a joint-venture company with OCBC Singapore's subsidiary, BCS Information Systems Pte. Ltd. ("BCSIS") and held the position until 2007. He was also an Independent Non-Executive Director of Malaysia Building Society Berhad up to February 2018. Presently, he is the Chief Executive of SGT International Sdn. Bhd. and a director of several other private limited companies.

He is currently an Independent Non-Executive Director of Symphony Life Berhad and Naza TTDI Sdn. Bhd. He is also an appointed Council Member of Badminton Association of Malaysia.

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

ADDITIONAL INFORMATION:

That Dato' Jasmy bin Ismail has:

(i) no conflict of interest with the Company;

(ii) no conviction for any offences within the past five (5) years; and

(iii) not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

Profile of Board of Directors

SELINA BINTI YEOP JUNIOR @ LOPE

Independent Non-Executive Director

AGED 51

Selina binti Yeop Junior @ Lope was appointed as an Independent Non-Executive Director of TSH on 14 August 2015. She also serves as the Chairman of the Nomination Committee.

Selina Yeop Jr. is the Chief Executive Officer of Salina & Associates PR Sdn. Bhd., a boutique Public Relations agency based in Selangor, Malaysia. She is an active member of the British Malaysia Chamber of Commerce and was instrumental in the launch of its women's wing.

She started her career at Chase Perdana Bhd in Kuala Lumpur as Head of Corporate Communications, following her stint at advertising giant Peter Beaumont & Friends, Kuala Lumpur. She has received the Pingat Ahli Mahkota Perak from Sultan Azlan Shah in 2008 for her numerous contributions to the field of Public Relations in the State.

She has co-authored two books entitled "The IPO Debut" and "Small & Medium Success Stories" in aid of underserved single mothers.

She does not have any family relationship with any other Director and/or other major shareholder of the Company.

ADDITIONAL INFORMATION:

That Selina binti Yeop Junior @ Lope has:

(i) no conflict of interest with the Company;

(ii) no conviction for any offences within the past five (5) years; and

(iii) not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

NATASHA BINTI MOHD ZULKIFLI

Independent Non-Executive Director

AGED 45

Natasha binti Mohd Zulkifli was appointed as an Independent Non-Executive Director of TSH on 2 July 2018. She studied in Kuala Lumpur, New Zealand and London, obtaining a law degree from the London School of Economics (LSE) with a special focus on European Union and international law.

Natasha is a Director at YTL Construction in Malaysia. She is part of the project team that is building the new 192km electrified double track rail link for the Malaysian government, in the state of Johor. Natasha has extensive experience in the Malaysian public transport space, having worked previously at Prasarana Malaysia Berhad ("Prasarana") as Head of International Relations where she initiated collaborations and partnerships with international public transport players to further enhance Prasarana and its standing in the international public transport world.

Prior to joining Prasarana, Natasha served as Special Officer to the Chief Executive Officer at Malaysia's Land Public Transport Commission (SPAD).

Given her deep interest to strengthen human capital development in the Malaysian rail space, in 2017 Natasha founded Women in Rail Malaysia, a not-for-profit entity which was established to support and promote equality and diversity within the Malaysian rail industry. She is passionate about driving Women in Rail Malaysia for the benefit of women not just currently working within the industry but to also promote the Malaysian rail space as a career of choice to young women studying in secondary school and in universities.

Natasha also previously ran the Malaysia-Europe Forum (MEF) as its Executive Director. The MEF was set up to improve economic relations and bilateral understanding between Malaysia and Europe in areas relating to business and trade. Under Natasha's leadership, MEF carried out business roundtables and dialogues in Kuala Lumpur, London, Brussels, Vienna, Munich, Paris and Madrid.

From 2012 - 2015 Natasha sat as Malaysia's representative on the Asia Low Emission Development Strategies (LEDS) Partnership Steering Committee, which is a voluntary regional network set up by US AID to support and promote low-emission development across Asia and the Pacific region.

Between 2015 and 2019 Natasha represented Malaysia on the Business Women's Working Group in the ASEAN Business Advisory Council (ASEAN-BAC). ASEAN-BAC was established by the ASEAN Heads of Government to provide private sector feedback and guidance to boost ASEAN's efforts towards economic integration.

In 2019 the German government recognized Natasha as one of the 'Remarkable Women in Transport', officially recognizing her as a female change-maker and highlighting her contribution to sustainable mobility solutions.

With her zest for life and all things rail, in 2019 Natasha founded the Asia-Pacific Rail Innovation Collaboration (APRIC), a not-for-profit organization incorporated in Hong Kong, to connect rail industry players and innovators to further advance the adoption of new and innovative technologies in the urban railway sector across China and ASEAN.

She does not have any family relationship with any other Director and/or other major shareholder of the Company.

ADDITIONAL INFORMATION:

That Natasha binti Mohd Zulkifli has:

(i) no conflict of interest with the Company;

(ii) no conviction for any offences within the past five (5) years; and

(iii) not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

Profile of Board of Directors

YAP BOON TECK

Independent Non-Executive Director

AGED 65

Yap Boon Teck was appointed as an Independent Non-Executive Director of TSH on 15 December 2015. He also serves as the Chairman of the Audit Committee and member of the Nomination Committee.

He obtained his professional accounting qualification from the Association of Chartered Certified Accountants (ACCA), United Kingdom. He is a member of the Malaysian Institute of Accountants.

He started his career with a small to medium size accounting and audit firms in the United Kingdom and medium to large local accounting and audit firms in Kuala Lumpur. While in public practice, Mr. Yap has gained experience in auditing both private and public companies mainly in finance and banking, property developments and manufacturing sectors.

He joined the MBf Group of Companies in November 1983 as an accountant and subsequently held various positions within the Group which included, property, insurance & financial services and manufacturing. Prior to leaving MBf Group in August 2003, he was the President-Corporate of MBf Holdings Berhad and MBf Capital Berhad.

In August 2003, he was appointed as Executive Director of Metroplex Berhad before he left in March 2006 to join Malaysian Land Properties Sdn. Bhd. where he served as the Group General Manager, overseeing management of the completed projects such as building management, shopping centre and hotels. He was also involved in the negotiation to purchase a major property and responsible for the various departments within the company, namely personnel, legal, finance and accounting and general administration.

In March 2011, he joined KIP Group of Companies as Chief Executive Officer. He resigned from the KIP Group of Companies on 31 May 2017.

He joined Malaysia Land Properties Sdn. Bhd. as a Managing Director-Asset Management on 1 June 2018.

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

ADDITIONAL INFORMATION:

That Yap Boon Teck has:

(i) no conflict of interest with the Company;

(ii) no conviction for any offences within the past five (5) years; and

(iii) not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

Profile of Board of Directors

TAN AIK KIONG

Group Executive Director

AGED 60

Tan Aik Kiong is the Group Executive Director of TSH. He was appointed to the Board of Directors of TSH on 25 November 1987. He sits on the board of various subsidiary companies of TSH and holds directorship in other private limited companies. He is currently the Managing Director of Innoprise Plantations Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad.

He obtained a Masters Degree in Civil Engineering, majoring in Construction Management, from the Oklahoma State University, United States of America. Prior to joining the Company, he was attached to Prudential Bache Ltd., an established brokerage and commission house and subsequently with Ameroid Services Pte. Ltd., an independent warehousing company in Singapore.

He is the brother of Datuk (Dr.) Kelvin Tan Aik Pen, Dato' Aik Sim, Tan and Tan Aik Yong.

ADDITIONAL INFORMATION:

That Tan Aik Kiong has:

(i) no conflict of interest with the Company;

(ii) no conviction for any offences within the past five (5) years; and

(iii) not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

Profile of Board of Directors

CHEW SIEW YENG

Independent Non-Executive Director

Chew Siew Yeng was appointed as an Executive Director of TSH on 1 January 2013. On 1 November 2016, he was re-designated as Non-Independent Non-Executive Director following his retirement as Chief Financial Officer after 8 years of service. On 1 November 2018, he was re-designated as Independent Non-Executive Director. He also serves as a member of the Audit Committee and Remuneration Committee.

He started his career with an international accounting firm, PricewaterhouseCoopers from 1979 until 1994. During this period, he was attached to Audit and Business Advisory, Business Centre and Management Consultancy divisions with wide experiences covering all sectors of industries in private and listed companies. In 1995, he joined a listed company, AMDB Bhd as the Group Financial Controller until 2007 with his last position as Senior General Manager- Corporate Services/ Finance and Chief Risk Officer. During this period, his main responsibilities included serving on the EXCO/Board of AMDB Group of companies and financial management involving supervision of the Group Finance functions, merger and acquisition, risk management, treasury and tax functions.

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

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

ADDITIONAL INFORMATION:

That Chew Siew Yeng has:

(i) no conflict of interest with the Company;

(ii) no conviction for any offences within the past five (5) years; and

(iii) not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

Profile of Board of Directors

TAN AIK YONG

Executive Director

AGED 51

Tan Aik Yong was appointed as an Executive Director of the Company on 1 February 2016. He was previously an Alternate Director since 4 July 2003.

He is a non-practising barrister with a degree in Bachelor of Laws (LLB) from Queen Mary College, University of London. He qualified as a Chartered Financial Analyst (CFA) in 1998. His career started with a law firm in Kuala Lumpur and had since spent 10 years in investment banking activities in the region. He was a senior manager in United Overseas Bank Group prior to joining TSH Group to handle investment planning, corporate and financing matters in 2002.

He also holds directorship in other private limited companies.

He is the brother of Datuk (Dr.) Kelvin Tan Aik Pen, Dato' Aik Sim, Tan and Tan Aik Kiong.

ADDITIONAL INFORMATION:

That Tan Aik Yong has:

(i) no conflict of interest with the Company;

(ii) no conviction for any offences within the past five (5) years; and

(iii) not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

Profile of Board of Directors

LIM FOOK HIN

Non-Independent
Non-Executive Director

Lim Fook Hin was appointed as an Executive Director of TSH on 9 May 1997. On 1 February 2016, he was re-designated as Non-Independent Non-Executive Director. He also serves as a member of the Audit Committee, Remuneration Committee and Nomination Committee. He is currently a Director of Ekowood International Berhad. He also sits on the board of some subsidiary companies within the TSH Group and 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 Company Secretary.

He joined BAL Plantation Sdn. Bhd. in 1981 as Financial Controller until 1993. His main responsibility included financial management, merger and acquisition and commodity marketing. He was Chief Executive of United Palm Oil Industries PLC ("UPOIC"), a company listed on the Stock Exchange of Thailand before joining TSH in 1997. He was also the Executive Director of Innoprise Plantations Berhad and held the position until August 2019.

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

ADDITIONAL INFORMATION:

That Lim Fook Hin has:

(i) no conflict of interest with the Company;

(ii) no conviction for any offences within the past five (5) years; and

(iii) not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

Profile of Key Senior Management

Michael Wong Chung Hau

Chief Financial Officer of TSH Resources Berhad

AGED 54

MICHAEL WONG is a member of the Malaysian Institute of Accountants, CPA Australia and ICAEW's Corporate Finance Faculty. He holds a Bachelor of Commerce (Honours) from the University of Melbourne, Australia.

He was appointed as Chief Financial Officer of the Group on 9 January 2018. He has 30 years of working experience in accounting, corporate finance, auditing and corporate advisory. Immediately prior to joining the Company, he was the Chief Financial Officer of Warisan TC Holdings Berhad. Prior to that, he had also served as Director of Corporate Finance at Deloitte Corporate Advisory Services Sdn. Bhd. where he led various engagements, including mergers and acquisitions, operational restructurings, feasibility studies and valuations.

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 5 years. He has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

Munireternam Muniandy

Group General Manager, Operations of TSH Resources Berhad

AGED 50

M. MUNIRETERNAM is the Group General Manager of TSH Group, having joined the Company on the 2 July 2018.

He has a Bachelors in Economics from his alma mater i.e. University of Malaya.

Having vast experience in the plantation industry (25 years to be exact), Munireternam has worked for various companies such as Golden Hope Plantations Berhad, Sime Darby Plantation Berhad and Olam International Limited (Singapore) prior to joining TSH Group. Given the nature of his job, Munireternam has been exposed to a wide spectrum of plantation operations ranging from land clearing to harvesting and processing in Malaysia and Africa. In addition to oil palm, he also has experience in managing cocoa and rubber plantation from planting till processing.

He also has vast experience in mechanisation of the plantation activities especially for oil palm plantation of FFB evacuation system through changes in work processes resulting in higher labor and machine productivity, improve earnings, retaining skilled workforce, optimise utilisation of resources and be cost effective.

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 5 years. He has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

Profile of Key Senior Management

Pang Thau Yin

General Manager, Research and Development of TSH Resources Berhad

AGED 59

PANG THAU YIN was appointed as General Manager, Research & Development on 1 October 2007. He obtained his BSc Hons in Agricultural Science from the University of Nottingham, United Kingdom.

Prior to joining the Company, he was a Chief Research Officer in the research and development department of a major plantation group. He has 33 years of experience in plantation crop research and advisory.

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 5 years. He has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

Goh Kian Yin

Regional Financial Controller in Indonesia

AGED 40

GOH KIAN YIN joined the Group as Regional Financial Controller on 4 January 2016. He holds a Bachelors Degree in Accounting from La Trobe University, Australia and is a member of CPA Australia.

His work experience spans 17 years in several public listed and multinational companies in corporate finance, accounting, and taxation within various industries. Prior to joining the Company, he held senior positions in the finance division of GMG Global Ltd, a Singapore based integrated natural rubber producer, with primary focus on the production and supply of premium natural rubber products to the European, American and Asian markets. He is responsible for leading the development and execution of the Group's long term strategy for its operation in Africa and Indonesia. He has served as Director in IMC Plantation Group of Companies in Indonesia. He started his career with RSM International in Malaysia.

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 5 years. He has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

Mohd Faudzi bin Ahmad

General Manager, Estates for Sumbar, Indonesia

AGED 64

MOHD FAUDZI joined the Group as Asst. General Manager, Estates for Sumbar, Indonesia on 12 November 2011 and was promoted to become General Manager, Estates on 1 January 2015. He has more than 40 years of experience in plantation management in Peninsular Malaysia, Sabah, Kalimantan and Sumatera. The companies he was previously attached to includes Sime Darby Plantation Sdn. Bhd., Kulim (M) Bhd and IOI Plantation Services Sdn. Bhd. His responsibilities consisted of managing oil palm estates, field maintenance, preventive maintenance for roads and vehicles, labour management, preparation of estate budgets and work programmes, implementation of financial control and estate operation activities to leading, training and motivating subordinates and workforce.

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 5 years. He has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

Dominic Chong Yu

General Manager, Operations

AGED 47

DOMINIC CHONG has been a General Manager in Ekowood since 2014. He graduated from the University of Leeds with a degree in Mechanical Engineering in 1995. After a brief stint in the steel business, Dominic spent the next 10 years of his career in engineering, project management and regional operational roles with the Linde Group. He then went on to head South Pacific Chemical Industries Sdn Bhd and Nippon Industrial Gases Pte Ltd before joining Ekowood.

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 5 years. He has not been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

Corporate Governance Overview Statement

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

The Board is therefore committed to high standards of corporate governance and business practices. Accordingly, the Board has adopted TSH Corporate Governance Guidelines ("TSH Guidelines") to assist the Board in the exercise of its responsibilities. The TSH Guidelines, along with the terms of reference ("TORs") of the Board and Board Committees provide the framework for corporate governance at TSH. The Board periodically reviews the TSH Guidelines and TORs to ensure its relevance and it was last updated on 23 August 2018.

The Board is pleased to present this Statement, an overview of TSH's corporate governance practices during the financial year with reference to the 3 Principles which are set out in the Malaysian Code on Corporate Governance 2017 ("Code"):

(1) Board leadership and effectiveness;
(2) Effective audit and risk management; and
(3) Integrity in corporate reporting and meaningful relationship with stakeholders.

PRINCIPLE 1: 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 TSH's shareholders and supervising executive management's conduct of the Group's affairs within a controlled authority framework, which is designed to enable all aspects of operation are 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 TSH's website at www.tsh.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 TSH'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 and Nomination Committee. Each Board Committee has defined TORs, which can be found on TSH's website.

Clear Functions of the Board and Management

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

The Board plays an active role in the development of the Group's strategic plan with a view to maximising shareholder value and promoting sustainability. This includes review, comment and provide 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 of 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 to public 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 TSH's website at www.tsh.com.my.

Company Secretary

The Board is supported by a qualified Company Secretary who is a member of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA"). The Company Secretary ensures 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 Secretary, whose appointment and removal is a matter for the Board, to whom the Company Secretary is 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 TSH 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 Director's 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.

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 TSH Guidelines are disclosed in the CG Report.

TSH 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 TSH'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 in February 2010 that outlines the principles underpinning the policy and grievance procedures. This policy aims to encourage the reporting of any misconduct, wrongdoings, corruption and instances of fraud, waste, and/or abuse involving the resources of the Group, in good faith, with the confidence that employees making such reports will, to the extent possible, be protected from reprisal.

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

II. Board Composition and Independence

TSH Board currently consists of 10 members, 5 Independent Non-Executive Directors including 2 female Directors, 2 Non-Executive Directors, one of whom is the Chairman and 3 Executive Directors, including Group Managing Director. The Board composition complies with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements") that requires a minimum of 2 Directors or one-third of the Board, whichever is higher, to be independent directors.

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

Annual Assessment of Independent Directors

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

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

For the financial year ended 31 December 2019, each of the 5 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 5 Independent Non-Executive Directors of the Company, namely Dato' Jasmy bin Ismail, Selina binti Yeop Junior @ Lope, Natasha binti Mohd Zulkifli, Yap Boon Teck and Chew Siew Yeng 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.

Notwithstanding the above, as at the date of this Statement, none of the Independent Directors has served more than 9 years on the Board.

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 Board, through its Nomination Committee will continue to review the balance, experience and skills of the Board, paying attention to the Board's gender diversity.

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 and age mix of our workforce (palm bio-integration and forest management divisions) is disclosed on page 21 of the Sustainability Statement 2019.

Appointment of new Directors

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

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

(a) the Group 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 contacts 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, Group Managing Director or Executive Directors.

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

- skills, knowledge, expertise and experience;
- character, integrity and professionalism;
- perceived ability to work cohesively with other members of the Board;
- number of directorships and other external obligations which may affect the Director's commitment, including time commitment and value contribution;
- diversity in age, gender and experience/background; and
- such other relevant factors as may be determined by the Nomination Committee which would contribute to the Board's collective skills,

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

There is no change to the composition of the Board during the financial year.

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

Name	27/02/19	27/05/19	22/08/19	25/11/19	Total
Datuk (Dr.) Kelvin Tan Aik Pen	✓	✓	✓	✓	4/4
Dato' Aik Sim, Tan	✓	✓	✓	✓	4/4
Dato' Jasmy bin Ismail	-	✓	✓	✓	3/4
Selina binti Yeop Junior @ Lope	✓	✓	✓	✓	4/4
Natasha binti Mohd Zulkifli	✓	✓	✓	✓	4/4
Yap Boon Teck	-	✓	✓	✓	3/4
Tan Aik Kiong	✓	✓	✓	✓	4/4
Chew Siew Yeng	✓	✓	✓	✓	4/4
Tan Aik Yong	✓	✓	✓	✓	4/4
Lim Fook Hin	✓	✓	✓	✓	4/4

The Directors' commitment to carry out their duties and responsibilities is affirmed by their attendance at the Board meetings held during the financial year ended 31 December 2019. In addition to the above, all Directors of the Company have complied with the Listing Requirements of not holding more than 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 TSH Group, TSH 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.

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

IV. Board Committees

Nomination Committee

The Board has established a Nomination Committee on 26 June 2001 and currently comprises 2 Independent Non-Executive Directors and 1 Non-Independent Non-Executive Director. The Nomination Committee is chaired by a Senior Independent Director as follows:

- Selina binti Yeop Junior @ Lope (Chairperson)
- Yap Boon Teck
- Lim Fook Hin

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 Committee's TORs was carried out in February 2018. Details of its TORs are available on TSH'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 2019 are disclosed in the CG Report.

The Directors who are due for retirement and re-election pursuant to Clause 100 of the Company's Constitution are Datuk (Dr.) Kelvin Tan Aik Pen, Dato' Aik Sim, Tan and Dato' Jasmy bin Ismail. The Nomination Committee has recommended their re-election at the forthcoming AGM.

Future priorities of the Nomination Committee include the following:

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

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

Remuneration Committee

The Board has established a Remuneration Committee on 26 June 2001 and currently comprises 2 Independent Non-Executive Directors and 1 Non-Independent Non-Executive Director as follows:

- Dato' Jasmy bin Ismail (Chairman)
- Chew Siew Yeng
- Lim Fook Hin

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

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

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.

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

Details of the remuneration of the Directors of the Company for the financial year under review are disclosed in the CG Report.

PRINCIPLE 2: EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committee

As at the date of this report, the Audit Committee comprises 4 members, all of whom are Non-Executive Directors with a majority of them being Independent Directors. The Audit Committee is chaired by an Independent Non-Executive 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.tsh.com.my and its report is set out in the ensuing pages of this Annual Report.

The Company's financial statements for the year ended 31 December 2019 are prepared in accordance with the provisions of the Companies Act 2016 and applicable financial reporting standards in Malaysia. The Board is responsible to ensure that the financial statements give a true and fair view and balanced and understandable assessment of the state of affairs of the Company and of the Group. The Statement of Directors' Responsibilities in respect of the preparation of the annual audited financial statements is set out in the ensuing pages of this Annual Report.

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

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

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

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

Assessment of Suitability and Independence of External Auditors

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

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

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

Risk Management and Internal Audit

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

The Board has established framework & 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. Risk management is an on-going process facilitated by Internal Audit. The assessments together with mitigating measures are presented to the Audit Committee on quarterly basis for deliberation.

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

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

- whether the systems in place are being followed;
- risk register at every meeting as on-going process for risk identification, assessment and mitigation 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 Head of 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 3: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Stakeholder Engagement

TSH Group is committed to engaging all stakeholders in a timely, effective and transparent manner. The Group has established a comprehensive website at www.tsh.com.my, which includes a dedicated section on Investor Relations, to support its communication with the investment community. Investor queries may be directed to our Executive Director, Frederick Tan Aik Yong at fredtan@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 Statement 2019.

Corporate Disclosure Policy

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

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

Leverage on Information Technology

The Company maintains a website at www.tsh.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 Non-Executive Director, Selina binti Yeop Junior @ Lope. 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 Chairmen of the Audit, Nomination and Remuneration Committees were also available to provide meaningful response to any question raised by shareholders.

In line with Practice 12.1 of the Code, the Notice of the 39th AGM was issued at least 28 days before the AGM date. 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. The Chairman also shared with the shareholders on the Company's responses to questions submitted in advance of the AGM by the Minority Shareholders Watch Group (MSWG). 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.

ADDITIONAL COMPLIANCE INFORMATION

1. Utilisation of Proceeds

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

2. Audit and Non-Audit Fees

The amount of fees paid or payable to the external auditors and its affiliates in relation to the audit and non-audit services rendered to the Company and the Group for the financial year ended 31 December 2019 are as follows:

	Group (RM)	Company (RM)
Audit fees	788,000	144,000
Non-audit fees	39,000	11,000

3. Material Contracts

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

Corporate Governance Overview Statement

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

At the last AGM of the Company held on 28 May 2019, the Company had obtained a mandate from its shareholders ("Shareholders Mandate") to allow the Company and/or its subsidiaries to enter into Recurrent Related Party Transactions of a Revenue or Trading Nature ("Recurrent Transactions"). In accordance with Paragraph 10.09(2)(b) of the Listing Requirements, details of the Recurrent Transactions conducted during the financial year ended 31 December 2019 pursuant to the Shareholders' Mandate are as follows:

Name of Companies	Related Parties	Class of Related Party	Nature of Recurrent Transactions	Aggregate value of transactions made during the financial year (RM)
TSH Plantation Sdn. Bhd. ("TSHP") and TSH Plantation Management Sdn. Bhd. ("TSHPM") (Seller)	TSH-Wilmar Sdn. Bhd. ("TSH-W") (Buyer)	TSH-W is a joint venture company in which TSH Resources Berhad ("TSH") holds 50% equity interest. Datuk (Dr.) Kelvin Tan Aik Pen is a Director and substantial shareholder of TSH. He was a director of TSH-W. Tan Aik Kiong is a Director and shareholder of TSH and also holds directorships in TSHP, TSHPM and TSH-W. Dato' Aik Sim, Tan and Tan Aik Yong are Directors and shareholders of TSH. Tan Aik Yong is also a director of TSH-W. Both Dato' Aik Sim, Tan and Tan Aik Yong are persons connected to Datuk (Dr.) Kelvin Tan Aik Pen and Tan Aik Kiong. Tan Soon Hong, Ong Yah Ho, Tan Ah Seng, Tan Aik Choon, Tan Ek Huat, Tan Aik Hwa and Chin Chui Fong are shareholders of TSH and persons connected to Datuk (Dr.) Kelvin Tan Aik Pen and Tan Aik Kiong. Ong Yah Ho, Tan Aik Choon, Tan Ek Huat and Tan Aik Hwa are also directors of certain TSH subsidiaries.	Sale of crude palm oil	278,549,130
TSHP and TSHPM (Seller)	TSH-W (Buyer)	Same as disclosed above	Sale of palm kernel	35,813,421
TSHPM (Buyer)	Serijaya Industri Sdn. Bhd. ("SJI") (Seller)	SJI is a wholly-owned subsidiary of Innoprise Plantations Berhad ("Innoprise"). TSH is a substantial shareholder of Innoprise. Datuk (Dr.) Kelvin Tan Aik Pen is a shareholder of Innoprise and substantial shareholder and Director of TSH. He was a Director of Innoprise and SJI. Tan Aik Kiong is a Director of TSH, TSHPM and shareholder of TSH. He is also a shareholder of Innoprise and director of Innoprise and SJI. Dato' Aik Sim, Tan and Tan Aik Yong are Directors and shareholders of TSH. Both of them are persons connected to Datuk (Dr.) Kelvin Tan Aik Pen and Tan Aik Kiong. Tan Soon Hong, Ong Yah Ho, Tan Ah Seng, Tan Aik Choon, Tan Ek Huat, Tan Aik Hwa and Chin Chui Fong are shareholders of TSH and persons connected to Datuk (Dr.) Kelvin Tan Aik Pen and Tan Aik Kiong. Ong Yah Ho, Tan Aik Choon, Tan Ek Huat and Tan Aik Hwa are also directors of certain TSH subsidiaries.	Purchase of fresh fruit bunches	842,193

This Statement has been reviewed and approved by the Board of Directors on 27 February 2020.

Statement on Risk Management and Internal Control

The Board of Directors of TSH ("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.

Set out below is the Board's Statement on Risk Management and Internal Control which outlines the nature and state of internal control of the Group during the year under review, and up to the date of this Annual Report.

Board Responsibility

The Board affirms its overall responsibility for the establishment of the Group's system of internal control as well as periodically reviewing its adequacy and integrity to safeguard shareholders' investments, customers' interests and Group assets. However, such a system can only reduce but not eliminate the possibility of poor judgment in decision making, human error, occurrences of unforeseeable events and circumvention of controls by employees. Accordingly, such a system can be expected to provide only reasonable but not absolute assurance against material misstatement, operational failures and fraudulent activities. The concept of reasonable assurance also recognises that the cost of control procedures should not exceed the expected benefits.

Risk Management

Risk management is regarded by the Board as an important aspect of the Group's operations with the objective of maintaining a sound system of internal control to ensure that the Group's assets are well protected and shareholders' value are enhanced.

TSH has established an Enterprise Risk Management framework. The framework provides a structured approach towards identifying, measuring, managing, monitoring and reporting key risks affecting the Group's business operations. Key risks identified are assessed for their likelihood and impact should the risks materialise. Upon identifying, assessing and prioritizing the risks, steps have to be taken to mitigate them. These procedures are subjected to review periodically to cater for process changes and changing risks.

Within the framework, the Board retains the overall risk management responsibility by performing risk oversight and delegate day-to-day decisions to the Group Managing Director and Senior Management team. Besides, the Group Internal Auditors also independently examine and verify the risk management framework for its completeness and reliability.

Taking into cognizance Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018 that will come into force in June 2020, the Group has commissioned a consultant to assist management in reviewing and strengthening existing policies, in particular to ensure adequate procedures are in place to further mitigate risks of bribery and corruption. In this connection, a programme is also in place to cascade the policies and procedures to all employees in the entire Group through awareness workshops, training and compliance monitoring.

Internal Control

The process is periodically reviewed by the Board through the Audit Committee and is guided by the publication – Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers issued by the Taskforce on Internal Control.

The key processes that the Directors have established with regards to the system of internal control are as follows:-

- Organisational structure with defined reporting line.
- Clearly documented standard operating procedures covering key processes are adopted. These established procedures define the level of authorities and lines of responsibilities from operating units up to the Group corporate level to ensure accountabilities for risk management and control activities.
- Corporate policy on zero tolerance pertaining to fraud and criminal breach of trust.
- Comprehensive budgeting and forecasting system is established. Each operating unit submits a budget annually for approval by the Board. The actual results are reported, analysed and monitored against the budget.
- Comprehensive management and financial information are provided to the Board to facilitate decision making.

- Regular Board and Management meetings to assess performance of key Management staff.

- Regular Board and Management meetings to assess the Group's performance and continually monitor the adequacy and integrity of the internal control framework.

- 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 review the effectiveness of the control procedures in place and to ensure accurate and timely financial management reporting.

- The Group's internal audit department reports directly to the Audit Committee. Upon conducting reviews on the system of internal control and effectiveness of processes that are in place, internal audit reports are prepared and presented to the Audit Committee on a quarterly basis or earlier, as appropriate.

- 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.

- Internal audit department also conducts subsequent follow-up review to ensure Management has dealt with audit recommendations and taken appropriate actions satisfactorily.

Review of the Statement by External Auditors

The external auditors have performed limited assurance procedure on the Statement on Risk Management and Internal Control pursuant to the scope set out in Audit Assurance and Practice Guide 3 ("AAPG 3"), *Guidance for Auditors on Engagements to report on the Statement on Risk Management and Internal Control included in the Annual Report* issued by the Malaysia Institute of Accountants ("MIA") for inclusion in the Annual Report of the Group for the year ended 31 December 2019, and reported to the Board that nothing has come to their attention that causes them to believe the Statement on Risk Management and Internal Control 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 on Risk Management and Internal Control 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 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 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 Group Managing Director and the Chief Financial Officer that the risk management and internal control system is in place and operating effectively.

This Statement on Risk Management and Internal Control does not cover associate and joint ventures where the internal control systems of these companies are managed by the respective management teams.

This Statement has been reviewed and approved by the Board on 5 May 2020.

Audit Committee Report

The Board is pleased to present the following report on the Audit Committee and its activities for the financial year ended 31 December 2019.

AUDIT COMMITTEE COMPOSITION AND MEETINGS

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

Yap Boon Teck	Chairman, Independent Non-Executive Director (Member of the Malaysian Institute of Accountants)
Dato' Jasmy bin Ismail	Member, Independent Non-Executive Director
Chew Siew Yeng	Member, Independent Non-Executive Director (Member of the Malaysian Institute of Accountants)
Lim Fook Hin	Member, Non-Independent Non-Executive Director (Member of the Malaysian Institute of Certified Public Accountants)

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

Name	27/02/19	04/04/19	27/05/19	22/08/19	25/11/19	Total
Yap Boon Teck	-	✓	✓	✓	✓	4/5
Dato' Jasmy bin Ismail	-	✓	✓	✓	✓	4/5
Chew Siew Yeng	✓	✓	✓	✓	✓	5/5
Lim Fook Hin	✓	✓	✓	✓	✓	5/5

During the financial year, the Audit Committee had engaged on a continuous basis with senior management, Head of Internal Audit 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 Audit Committee member.

TERMS OF REFERENCE

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

The Audit Committee is governed by its terms of reference which will be periodically reviewed and updated. The last review was done on 27 February 2018 and the revised terms of reference is made available on the Company's website at www.tsh.com.my.

REVIEW OF THE AUDIT COMMITTEE

An annual assessment and evaluation on the performance and effectiveness of the Audit Committee was undertaken by the Board of Directors through its Nomination Committee for the financial year ended 31 December 2019. The Audit Committee was assessed based on the following 6 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.

i) Composition and quality
ii) Process and procedures
iii) Communications and information

Audit Committee Report

iv) Oversight of the financial reporting process including internal controls
v) Oversight of audit functions
vi) 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

During the year, 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 ("IFRSs"), 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 TSH, the Chief Financial Officer 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 TSH 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, IFRSs and Listing Requirements.

2. External Audit

During the year under review, the Audit Committee had 3 meetings and 2 private sessions with Messrs BDO PLT. The private sessions were held without the presence of the Executive Directors, management or internal auditors. The Audit Committee reviewed with Messrs BDO PLT on matters relating to the audit of the statutory accounts, audit report and recommendations made by them in their management letter and the adequacy of management's responses thereto. The Audit Committee also reviewed the non-audit services provided by Messrs BDO PLT and the aggregate amount of fees paid to them taking into consideration of 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.

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

Audit Committee Report

In April 2019, the Audit Committee evaluated the performance of the external auditors based on 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 his 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 BDO PLT as external auditors of the Company. At the last AGM held on 28 May 2019, the shareholders had approved the re-appointment of Messrs BDO PLT as auditors of the Company.

In November 2019, the Audit Committee reviewed the 2019 audit planning memorandum prepared by Messrs BDO PLT outlining their scope of work, approach which includes the procedures to be performed by the external auditors during their annual visits to the Group's estates/mills/power plants in Sabah, 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.

A similar evaluation on the performance of Messrs BDO PLT was carried out by the Audit Committee in April 2020 and the Audit Committee recommended the re-appointment of Messrs BDO PLT as external auditors of the Company for the financial year ending 31 December 2020.

The Audit Committee shall continue to review KAMs raised by the external auditors as part of its focus areas for 2020 in addition to its routine business.

3. Internal Audit

The Audit Committee reviewed and approved the annual audit plan for 2019 having regard to the adequacy of scope and coverage of the activities of the Group. The internal audit team conducted the audit activities based on the audit plan approved by the Audit Committee.

The Head of Internal Audit 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 evaluation 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 Chief Financial Officer 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 Head of Internal Audit 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 in July 2001 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 Head of Internal Audit 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:

1. 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.

2. 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.

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

4. Ascertained the level of compliance with established policies and procedures of the Company.

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

Statement of Directors’ Responsibilities in respect of the Audited Financial Statements

The Board of Directors is required under Paragraph 15.26(a) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements (“Listing Requirements”) to issue a statement on its responsibility in the preparation of the annual audited financial statements.

The Directors are required by the Companies Act 2016 (“the Act”) to prepare financial statements for the financial year which give a true and fair view of the financial positions of the Group and of the Company as at 31 December 2019 and of their financial performance and cash flows for the year then ended.

In preparing the financial statements, the Directors have:

- applied the appropriate and relevant accounting policies on a consistent basis;
- made judgements and estimates that are reasonable and prudent; and
- prepared the annual audited financial statements in accordance with applicable Financial Reporting Standard in Malaysia, the provision of the Act and the Listing Requirements.

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 each company and which enable them to ensure that the financial statements comply with the provisions of the Act.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Group and the Company to prevent and detect fraud and other irregularities.

2019 FINANCIAL STATEMENTS

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Directors' Report

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding, oil palm cultivation and forest plantation. The principal activities of the subsidiaries are stated in Note 23 to the financial statements and are primarily involved in oil palm cultivation and processing. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	45,625	40,181
Attributable to:		
Owners of the Company	44,280	40,181
Non-controlling interests	1,345	-
	45,625	40,181

DIVIDENDS

Dividends paid, declared or proposed by the Company since the end of the previous financial year were as follows:

	Company RM'000
In respect of the financial year ended 31 December 2018	
First and final single tier dividend of 1.0 sen per ordinary share, paid on 20 June 2019	13,818

At the forthcoming Annual General Meeting, a first and final single tier dividend in respect of the financial year ended 31 December 2019 of 1.0 sen per ordinary share will be proposed for shareholders' approval in accordance with the Company's Constitution. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2020.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

ISSUE OF SHARES AND DEBENTURES

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

Directors' Report

TREASURY SHARES

At the Annual General Meeting held on 28 May 2019, the shareholders of the Company by an ordinary resolution renewed the mandate given to the Company to repurchase its own shares based, amongst others, on the following terms:

(i) The number of shares to be repurchased and/or held as treasury shares shall not exceed 10% of its existing issued and paid-up share capital of the Company;

(ii) The amount to be utilised for the repurchase of own shares by the Company shall not exceed the total retained earnings of RM249,350,000 based on the latest audited financial statements as at 31 December 2018; and

(iii) The Directors may retain the shares so repurchased as treasury shares and/or retain part of the shares so repurchased as treasury shares and cancel the remainder and/or distribute them as share dividend or may resell the treasury shares and/or cancel them and/or transfer all or part of the treasury shares for purposes of an employees' share scheme and/or as purchase consideration in a manner they deem fit in accordance with the provisions of the Companies Act 2016 in Malaysia and listing requirements and applicable guidelines of Bursa Malaysia Securities Berhad.

During the financial year, the Company repurchased 1,625,000 of its issued ordinary shares from the open market at prices between RM0.88 and RM0.90 per ordinary share. The total consideration paid for the repurchase was RM1,459,000. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016.

As at 31 December 2019, the Company had 1,629,000 ordinary shares held as treasury shares with a carrying amount of RM1,467,000. The details of treasury shares are disclosed in Note 34 to the financial statements.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

DIRECTORS

The Directors who have held office during the financial year and up to the date of this report are as follows:

TSH Resources Berhad

Tan Aik Pen
Tan Aik Sim
Dato' Jasmy Bin Ismail
Selina Binti Yeop Junior @ Lope
Natasha Binti Mohd Zulkifli
Yap Boon Teck
Tan Aik Kiong
Chew Siew Yeng
Tan Aik Yong
Lim Fook Hin

DIRECTORS (continued)

Subsidiaries of TSH Resources Berhad

Pursuant to Section 253(2) of the Companies Act 2016 in Malaysia, the Directors of the subsidiaries of TSH Resources Berhad during the financial year and up to the date of this report are as follows:

Tan Aik Pen
Tan Aik Sim
Datuk Jaswant Singh Kler
Lim Fook Hin
Tan Aik Kiong
Tan Aik Yong
Tan Ek Huat
Tan Aik Hwa
Tan Aik Choon
Asgari Bin Tun Mohd Fuad Stephens
Bedi Bin Maikas
Chen Chu Chai @ Anthony Tsen Sui Lin
Lemoi Binti Masilim
Lok Huey Ming
Datuk Dr. Abdul Razak Bin Mohd Ali
Raden Harry Zulnardy
Karsidi
Faudzi Bin Ahmad
Iban Bragado Lafuente
Michael Wong Chung Hau
Michelle L. Brantley
Fiona Lane
Renatha Philoé
Darwin Arriega
Haji Abdul Wahab
Ke Jek Tiang
Ferly Versady
Mudappathi Sugunan Nair
Peter Dodoo
Wong Twee Jong
Wan Nor Azmi Bin Mat Esa
Tan Sze Lian Celine
Paul Lim Joo Heng

Ong Yah Ho	(Appointed on 18 April 2019)
Iry M Karangkas	(Appointed on 15 August 2019)
Ainahwati Binti Abd Sani	(Appointed on 15 August 2019)
John bin Sindin	(Appointed on 31 December 2019)
Ahmad Kamal bin Abd Hamid	(Resigned on 24 July 2019)
Mapiati Bin Sullit	(Resigned on 15 August 2019)
Jeriol @ Douglas Joinol	(Resigned on 15 August 2019)

Directors' Report

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares of the Company and of its related corporations during the financial year ended 31 December 2019 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows:

	Number of ordinary shares			
	Balance as at 1.1.2019	**Acquired**	**Disposed**	**Balance as at 31.12.2019**
Shares in the Company				
Direct interests:				
Tan Aik Pen	169,006,517	22,112,800	-	191,119,317
Tan Aik Sim	53,303,664	67,900	-	53,371,564
Tan Aik Kiong	55,376,695	62,000	-	55,438,695
Tan Aik Yong	53,904,817	44,900	-	53,949,717
Lim Fook Hin	1,602,000	-	-	1,602,000
Indirect interests:				
Tan Aik Kiong	27,125	-	-	27,125
Lim Fook Hin	4,500,000	-	-	4,500,000
Chew Siew Yeng	210,000	-	-	210,000

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than those benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than deemed benefits arising from related party transactions as disclosed in Note 42 to the financial statements.

There were no arrangements during and at the end of the financial year, to which the Company is a party, which had the object of enabling the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' REMUNERATION

The details of Directors' remuneration are disclosed in Note 14 to the financial statements.

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

The Group and the Company did not effect any Directors' and officers' liability insurance during the financial year. There were no indemnity given to or insurance effected for the auditors of the Group and of the Company during the financial year.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

(a) Before the financial statements of the Group and of the Company were prepared, 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 had satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

(b) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than insurance claims received arising from fire amounted to RM38,256,000 as disclosed in Note 45 to the financial statements.

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

(c) The Directors are not aware of any circumstances:

(i) which would render the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent;

(ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and

(iii) 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) In the opinion of the Directors:

(i) there has not arisen any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and

(ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

(III) AS AT THE DATE OF THIS REPORT

(e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.

(f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.

(g) The Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

Directors' Report

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Significant event during the financial year is disclosed in Note 45 to the financial statements.

SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Significant event subsequent to the end of the reporting period is disclosed in Note 46 to the financial statements.

AUDITORS

The auditors, BDO PLT (LLP0018825-LCA & AF 0206), have expressed their willingness to continue in office.

The details of auditors' remuneration of the Company and its subsidiaries for the financial year ended 31 December 2019 are disclosed in Note 12 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors.

....

Tan Aik Sim
Director

....

Tan Aik Yong
Director

Kuala Lumpur
5 May 2020

Statement By Directors

In the opinion of the Directors, the financial statements set out on pages 75 to 179 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

....	....
Tan Aik Sim	**Tan Aik Yong**
Director	Director

Kuala Lumpur
5 May 2020

Statutory Declaration

I, Michael Wong Chung Hau (CA 10383), being the officer primarily responsible for the financial management of TSH Resources Berhad, do solemnly and sincerely declare that the financial statements set out on pages 75 to 179 are, to the best of my knowledge and belief, 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 at	)	
Kuala Lumpur, this	)	
5 May 2020	)	**Michael Wong Chung Hau**

Before me:

Siti Nurbaya binti Mohd Bisharuddin
No. W738
Commissioner for Oaths
(Pesuruhjaya Sumpah)

Kuala Lumpur

Independent Auditors' Report

To The Members of TSH Resources Berhad (Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of TSH Resources Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, 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 then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 75 to 179.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

a. Impairment of trade receivables and plasma receivables

As at 31 December 2019, the Group had trade receivables and plasma receivables amounted to RM23,691,000 and RM57,525,000 respectively, which were net of impairment losses of RM10,333,000 and RM9,336,000 respectively. The details of trade receivables and plasma receivables and their credit risks have been disclosed in Note 27(a) and Note 27(b)(ii) to the financial statements respectively.

We determined this to be a key audit matter because it requires management to exercise significant judgement in determining the probability of default by trade receivables and plasma receivables, appropriate forward looking information i.e. Gross Domestic Product (GDP) and crude palm oil prices, significant increase in credit risk and estimated cash flows recoverable in worst-case scenarios.

Audit response

Our audit procedures, with the involvement of the component auditors, included the following:

<u>Impairment assessment of trade receivables</u>

(i) recomputed the probability of default using historical data and forward looking information adjustment applied by the Group;

(ii) recomputed the correlation coefficient between the macroeconomic indicators set by the Group and historical credit losses to determine the appropriateness of the forward-looking information used by the Group; and

Independent Auditors’ Report

To The Members of TSH Resources Berhad (Incorporated in Malaysia) (continued)

Key Audit Matters (continued)

a. Impairment of trade receivables and plasma receivables (continued)

Audit response (continued)

Our audit procedures, with the involvement of the component auditors, included the following (continued):

Impairment assessment of trade receivables (continued)

(iii) inquired of management to assess the rationale underlying the relationship between the forward-looking information and expected credit losses; and

(iv) evaluated basis used by management in determining cash flows recoverable in worst-case scenarios, where applicable.

Impairment assessment of plasma receivables

(i) evaluated assessments performed by management and assessed adequacy of expected credit losses based on expected cash flows recoverable from plasma receivables, which were derived from expectation of repayment patterns from plasma receivables, either through funding from banks and/or cash flows through sales of fresh fruit bunches;

(ii) assessed and evaluated reasonableness of discount rate used in calculating the present value of non-current plasma receivables over their expected repayment periods;

(iii) recomputed the probability of default using historical data and forward looking information adjustment applied by the Group;

(iv) assessed the appropriateness of the indicators of significant increase in credit risk applied by the management and the resultant basis for classification of exposure into respective stages; and

(v) evaluated basis used by management in determining cash flows recoverable in worst-case scenarios, where applicable.

b. Impairment of amounts due from subsidiaries

As at 31 December 2019, amounts due from subsidiaries of the Company were RM986,017,000, which were net of impairment losses of RM20,295,000 as disclosed in Note 27 to the financial statements.

We determined this to be a key audit matter because it requires management to exercise significant judgement in determining the probability of default by subsidiaries, appropriate forward looking information, significant increase in credit risk and estimated cash flows recoverable in worst-case scenarios.

Audit response

Our audit procedures included the following:

(i) recomputed probability of default using historical data and forward looking adjustment applied by the Company;

(ii) assessed the appropriateness of the indicators of significant increase in credit risk applied by the management and the resultant basis for classification of exposure into respective stages;

(iii) evaluated basis used by management in determining cash flows recoverable in worst case scenarios, where applicable; and

(iv) assessed actual loss events subsequent to the end of reporting period for its relationship with the indicators of significant increase in credit risk applied by management.

Independent Auditors' Report

To The Members of TSH Resources Berhad (Incorporated in Malaysia) (continued)

Key Audit Matters (continued)

c. Impairment assessment of the carrying amount of investments in subsidiaries

As stated in Note 23(b) to the financial statements, certain subsidiaries are loss making and the carrying amount of investments in these subsidiaries was RM214,730,000 as at 31 December 2019, which was net of impairment losses of RM8,862,000. As these subsidiaries are loss making, an impairment indicator arose and the management has performed impairment assessments on these subsidiaries.

We determined this to be a key audit matter because it requires management to exercise significant judgement and estimates about the future results and key assumptions applied to cash flow projections of the subsidiaries. In this instance, the recoverable amount is based on value-in-use. These key assumptions include forecast growth in future revenue and budgeted gross profit margins, growth rates, terminal values as well as determining an appropriate pre-tax discount rate used for each subsidiary.

Audit response

Our audit procedures included the following:

(i) challenged assessment of management that no further impairment losses on investments was required based on recoverable amounts of the subsidiaries;

(ii) compared cash flow projections against recent performance and assessed and evaluated the key assumptions used in the projections by comparing to actual gross profit margins and growth rates;

(iii) compared prior period projections to actual outcomes to assess reliability of management forecasting process;

(iv) verified budgeted gross profit margins, growth rates and terminal values by assessing evidence available to support these key assumptions;

(v) verified pre-tax discount rate used for each subsidiary by comparing to weighted average cost of capital of the Group and relevant risk factors; and

(vi) performed sensitivity analysis of our own to stress test the key assumptions in the impairment model.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Independent Auditors' Report

To The Members of TSH Resources Berhad (Incorporated in Malaysia) (continued)

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 MFRSs, IFRSs 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 ability of the Group and of the Company 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 ISAs 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 ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) 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.

(b) 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 internal control of the Group and of the Company.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company 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.

(e) 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.

(f) 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.

Independent Auditors' Report

To The Members of TSH Resources Berhad (Incorporated in Malaysia) (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 23 to the financial statements.

Other Matters

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

BDO PLT
LLP0018825-LCA & AF 0206
Chartered Accountants

Tang Seng Choon
02011/12/2021 J
Chartered Accountant

Kuala Lumpur
5 May 2020

Statements of Comprehensive Income

For The Financial Year Ended 31 December 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	6	838,894	906,441	73,194	92,707
Cost of sales	7	(582,366)	(619,941)	(3,533)	(4,620)
Gross profit		256,528	286,500	69,661	88,087
Other items of income					
Interest income	8	15,863	8,184	55,372	54,862
Dividend income	9	9	169	9	169
Other income	10	68,465	29,256	38,281	5,247
Other items of expenses					
Marketing and distribution costs		(31,536)	(33,712)	-	-
Administrative expenses		(137,783)	(134,699)	(44,017)	(51,255)
Finance costs	11	(52,941)	(44,036)	(63,767)	(63,720)
Other expenses		(63,783)	(37,249)	(15,775)	(64,014)
Share of profit of associate, net of tax		1,953	2,235	-	-
Share of profit of joint ventures, net of tax		17,231	5,015	-	-
Profit/(Loss) before tax	12	74,006	81,663	39,764	(30,624)
Taxation	15	(28,381)	(29,739)	417	6,635
Profit/(Loss) for the financial year		45,625	51,924	40,181	(23,989)
Other comprehensive income/(loss)					
Item that may be reclassified subsequently to profit or loss:					
Foreign currency translations	15(d)	40,363	(58,492)	-	-
Item that may not be reclassified subsequently to profit or loss:					
Remeasurements of net defined benefit liabilities	15(d)	(432)	870	-	-
Share of other comprehensive income of associate	15(d)	1	-	-	-
Other comprehensive income/(loss) for the financial year,net of tax		39,932	(57,622)	-	-
Total comprehensive income/(loss) for the financial year		85,557	(5,698)	40,181	(23,989)

Statements of Comprehensive Income

For The Financial Year Ended 31 December 2019 (continued)

		Group		Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) attributable to:					
Owners of the Company		44,280	40,462	40,181	(23,989)
Non-controlling interests		1,345	11,462	-	-
		45,625	51,924	40,181	(23,989)
Total comprehensive income/(loss) attributable to:					
Owners of the Company		81,336	(13,150)	40,181	(23,989)
Non-controlling interests		4,221	7,452	-	-
		85,557	(5,698)	40,181	(23,989)
Earnings per share attributable to owners of the Company (sen per share):					
Basic	16	3.21	2.93		
Diluted	16	3.21	2.93		

The accompanying notes form an integral part of the financial statements.

Statements of Financial Position

As At 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	18	1,755,382	1,937,077	71,126	122,239
Right-of-use assets	19	433,736	-	50,997	-
Biological assets	20	402,716	400,571	320,846	325,503
Land use rights	21	-	182,511	-	-
Intangible assets	22	56,880	56,172	-	-
Investments in subsidiaries	23	-	-	878,311	895,924
Investment in an associate	24	80,492	79,588	61,259	61,259
Investments in joint ventures	25	78,412	69,181	20,750	20,750
Deferred tax assets	26	13,838	14,606	-	-
Other receivables	27	59,914	79,081	957,529	862,550
Investment securities	28	50	50	50	50
		2,881,420	2,818,837	2,360,868	2,288,275
Current assets					
Biological assets	20	9,304	5,086	92	82
Inventories	29	172,366	200,008	2,300	3,066
Trade and other receivables	27	56,810	52,417	34,632	124,087
Other current assets	30	5,870	21,113	20	27
Tax recoverable		13,338	11,175	18	18
Investment securities	28	6	8	6	8
Derivative assets	32	166	799	-	-
Cash and bank balances	33	125,854	108,003	38,563	36,734
		383,714	398,609	75,631	164,022
TOTAL ASSETS		3,265,134	3,217,446	2,436,499	2,452,297
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	34	740,512	740,512	740,512	740,512
Treasury shares	34	(1,467)	(8)	(1,467)	(8)
Other reserves	35	(190,095)	(227,583)	-	-
Retained earnings	36	890,032	860,195	275,709	249,350
		1,438,982	1,373,116	1,014,754	989,854
Non-controlling interests		135,738	131,517	-	-
TOTAL EQUITY		1,574,720	1,504,633	1,014,754	989,854

Statements of Financial Position

As At 31 December 2019 (continued)

		Group		Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
LIABILITIES					
Non-current liabilities					
Loans and borrowings	37	896,149	792,637	501,149	362,637
Retirement benefits	38	18,140	16,084	-	-
Other payables	39	-	-	395,000	425,859
Hire purchase payables	40	-	99	-	-
Lease liabilities	19	2,038	-	24	-
Deferred tax liabilities	26	131,669	138,202	23,641	24,058
		1,047,996	947,022	919,814	812,554
Current liabilities					
Loans and borrowings	37	535,648	663,118	359,683	467,814
Trade and other payables	39	99,297	99,088	142,178	182,075
Hire purchase payables	40	-	30	-	-
Derivative liabilities	32	5,295	689	42	-
Lease liabilities	19	892	-	28	-
Current tax payable		1,286	2,866	-	-
		642,418	765,791	501,931	649,889
TOTAL LIABILITIES		1,690,414	1,712,813	1,421,745	1,462,443
TOTAL EQUITY AND LIABILITIES		3,265,134	3,217,446	2,436,499	2,452,297

The accompanying notes form an integral part of the financial statements.

Statements of Changes In Equity

For The Financial Year Ended 31 December 2019

2019	Note	Equity, total RM'000	Equity attributable to owners of the Company, total RM'000	Share capital RM'000 (Non-distributable)	Treasury shares RM'000 (Non-distributable)	Retained earnings RM'000 (Distributable)	Other reserves, total RM'000 (Non-distributable)	Capital reserve RM'000	Foreign currency translation reserve RM'000	Share of associate reserve RM'000	Non-controlling interests RM'000
Group											
Balance as at 1 January 2019, as previously reported		1,504,633	1,373,116	740,512	(8)	860,195	(227,583)	9,630	(237,312)	99	131,517
Effect on adoption of MFRS 16	43.2	(193)	(193)	-	-	(193)	-	-	-	-	-
As restated		1,504,440	1,372,923	740,512	(8)	860,002	(227,583)	9,630	(237,312)	99	131,517
Profit for the financial year		45,625	44,280	-	-	44,280	-	-	-	-	1,345
Other comprehensive income/(loss)											
Foreign currency translations		40,363	37,487	-	-	-	37,487	-	37,487	-	2,876
Remeasurements of net defined benefit liabilities	15(d)	(432)	(432)	-	-	(432)	-	-	-	-	-
Share of other comprehensive income of associate	35	1	1	-	-	-	1	-	-	1	-
Other comprehensive income/(loss) for the financial year, net of tax		39,932	37,056	-	-	(432)	37,488	-	37,487	1	2,876
Total comprehensive income for the financial year		85,557	81,336	-	-	43,848	37,488	-	37,487	1	4,221
Transactions with owners											
Purchase of treasury shares	34	(1,459)	(1,459)	-	(1,459)	-	-	-	-	-	-
Dividends paid on ordinary shares	17	(13,818)	(13,818)	-	-	(13,818)	-	-	-	-	-
Total transactions with owners		(15,277)	(15,277)	-	(1,459)	(13,818)	-	-	-	-	-
Balance as at 31 December 2019		1,574,720	1,438,982	740,512	(1,467)	890,032	(190,095)	9,630	(199,825)	100	135,738

Statements of Changes In Equity

For The Financial Year Ended 31 December 2019 (continued)

				Attributable to owners of the Company							
				Non-distributable		Distributable	Non-distributable				
2018	Note	Equity, total RM'000	Equity attributable to owners of the Company, total RM'000	Share capital RM'000	Treasury shares RM'000	Retained earnings RM'000	Other reserves, total RM'000	Capital reserve RM'000	Foreign currency translation reserve RM'000	Share of associate reserve RM'000	Non-controlling interests RM'000
Group											
Balance as at 1 January 2018		1,538,947	1,413,902	740,512	(8)	846,499	(173,101)	9,630	(182,830)	99	125,045
Profit for the financial year		51,924	40,462	-	-	40,462	-	-	-	-	11,462
Other comprehensive (loss)/income											
Foreign currency translations		(58,492)	(54,482)	-	-	-	(54,482)	-	(54,482)	-	(4,010)
Remeasurements of net defined benefit liabilities	15(d)	870	870	-	-	870	-	-	-	-	-
Other comprehensive (loss)/income for the financial year, net of tax		(57,622)	(53,612)	-	-	870	(54,482)	-	(54,482)	-	(4,010)
Total comprehensive (loss)/ income for the financial year		(5,698)	(13,150)	-	-	41,332	(54,482)	-	(54,482)	-	7,452
Transactions with owners											
Dividends paid on ordinary shares	17	(27,636)	(27,636)	-	-	(27,636)	-	-	-	-	-
Dividend paid to non-controlling interests		(980)	-	-	-	-	-	-	-	-	(980)
Total transactions with owners		(28,616)	(27,636)	-	-	(27,636)	-	-	-	-	(980)
Balance as at 31 December 2018		1,504,633	1,373,116	740,512	(8)	860,195	(227,583)	9,630	(237,312)	99	131,517

Statements of Changes In Equity

For The Financial Year Ended 31 December 2019 (continued)

			← Non-distributable	→	Distributable
2019	Note	Equity, total RM'000	Share capital RM'000	Treasury shares RM'000	Retained earnings RM'000
Company					
Balance as at 1 January 2019, as previously reported		989,854	740,512	(8)	249,350
Effect on adoption of MFRS 16	43.2	(4)	-	-	(4)
As restated		989,850	740,512	(8)	249,346
Profit for the financial year		40,181	-	-	40,181
Other comprehensive income for the financial year, net of tax		-	-	-	-
Total comprehensive income for the financial year		40,181	-	-	40,181
Transactions with owners					
Purchase of treasury shares	34	(1,459)	-	(1,459)	-
Dividends paid on ordinary shares	17	(13,818)	-	-	(13,818)
Total transactions with owners		(15,277)	-	(1,459)	(13,818)
Balance as at 31 December 2019		1,014,754	740,512	(1,467)	275,709

Statements of Changes In Equity

For The Financial Year Ended 31 December 2019 (continued)

			← Non-distributable	→	Distributable
2018	**Note**	**Equity, total RM'000**	**Share capital RM'000**	**Treasury shares RM'000**	**Retained earnings RM'000**
Company					
Balance as at 1 January 2018		1,041,479	740,512	(8)	300,975
Loss for the financial year		(23,989)	-	-	(23,989)
Other comprehensive income for the financial year, net of tax		-	-	-	-
Total comprehensive loss for the financial year		(23,989)	-	-	(23,989)
Transactions with owners					
Dividends paid on ordinary shares	17	(27,636)	-	-	(27,636)
Total transactions with owners		(27,636)	-	-	(27,636)
Balance as at 31 December 2018		989,854	740,512	(8)	249,350

The accompanying notes form an integral part of the financial statements.

Statements of Cash Flows

For The Financial Year Ended 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before tax		74,006	81,663	39,764	(30,624)
Adjustments for:					
Amortisation of biological assets	20	1,181	1,181	1,181	1,181
Amortisation of land use rights	21	-	6,449	-	-
Bad debts written off		90	199	90	11
Depreciation of property, plant and equipment		87,809	73,683	3,817	5,364
Depreciation of right-of-use assets	19	10,170	-	476	-
Dividend income	9	(9)	(169)	(9)	(169)
Fair value loss/(gain) on forward currency contracts		1,279	(311)	-	-
Fair value loss on investment securities		2	19	2	19
Fair value loss on commodity future contracts		3,960	5,501	42	45
Gain on disposal of property, plant and equipment		(1,449)	(644)	(1,049)	(30)
Impairment losses on:					
- cost of investments in subsidiaries	23(b)	-	-	104	89
- property, plant and equipment	18	-	39	-	-
- trade receivables	27(a)	4,013	277	-	-
- other receivables	27(b)	922	2,223	-	8
- amounts due from subsidiaries	27(c)	-	-	4,464	3,859
Interest expense	11	52,941	44,036	63,767	63,720
Interest income	8	(15,863)	(8,184)	(55,372)	(54,862)
Inventories written back	29	(2,369)	(184)	-	-
Inventories written down	29	4,698	45	-	-
Inventories written off	29	18,564	2,034	7	144
Loss/(Gain) from fair value adjustment of forest planting expenditure	20	1,393	(4,562)	6,036	12,917
Loss/(Gain) on remeasurement of financial guarantee contracts	39(c)	12	(28)	(379)	(476)
Loss on striking off of subsidiaries	23(c)	-	-	17	-
Net (gain)/loss from fair value adjustment of fresh fruit bunches	20	(4,769)	2,709	(10)	140
Net loss on redemption of short-term funds		-	100	-	100
Net unrealised foreign exchange (gain)/loss		(5,695)	(6,184)	(26,733)	22,791
Property, plant and equipment written off	18	5,260	575	-	349
Share of profit of associate		(1,953)	(2,235)	-	-
Share of profit of joint ventures		(17,231)	(5,015)	-	-
Waiver of debts owing by subsidiaries		-	-	190	185
Waiver of debts owing to subsidiaries		-	-	-	(273)
Write back of impairment losses on:					
- property, plant and equipment	18	(148)	-	-	-
- trade receivables	27(a)	(1,638)	(789)	-	-
- other receivables	27(b)	(3,424)	(1,927)	-	-
- amounts due from subsidiaries	27(c)	-	-	(6,422)	(60)
Total adjustments		137,746	108,838	(9,781)	55,052

Statements of Cash Flows

For The Financial Year Ended 31 December 2019 (continued)

		Group		Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
Operating cash flows before changes in working capital		211,752	190,501	29,983	24,428
Changes in working capital					
Decrease/(Increase) in inventories		5,181	7,400	759	(1,504)
(Increase)/Decrease in receivables		(5,543)	29,769	43,982	(34,490)
Increase/(Decrease) in payables		1,424	(6,693)	(70,375)	(27,195)
Increase in retirement benefits obligations		1,072	1,828	-	-
Total changes in working capital		2,134	32,304	(25,634)	(63,189)
Cash flows from/(used in) operations		213,886	222,805	4,349	(38,761)
Interest paid		-	-	(27,137)	(29,174)
Income tax paid		(39,082)	(49,968)	-	-
Income tax refunded		7,352	68	-	-
Net cash flows from/(used in) operating activities		182,156	172,905	(22,788)	(67,935)
CASH FLOWS FROM INVESTING ACTIVITIES					
Addition of right-of-use assets		(3,005)	-	-	-
Additional investments in subsidiaries	23	-	-	(9,117)	(5,166)
Dividends received from:					
- associate	24(d)	1,050	3,152	-	-
- joint ventures	25(c)	8,000	9,000	-	-
- short term investments	9	9	169	9	169
Forest planting expenditure		(4,411)	(6,196)	(2,352)	(3,291)
Interest received	8	15,863	8,184	55,372	54,862
(Placements)/Withdrawals of pledged deposits		(116)	1,355	-	-
Proceeds from disposal of property, plant and equipment		1,729	1,022	1,211	38
Purchase of land use rights	21	-	(2,475)	-	-
Purchase of property, plant and equipment		(97,198)	(144,925)	(4,472)	(2,567)
Redemption of non-cumulative redeemable convertible preference shares	23	-	-	-	1,820
Placements of short-term funds		-	(100)	-	(100)
Withdrawals/(Placement) of deposits with maturity of over 3 months		822	(1,506)	828	(2,917)
Net cash flows (used in)/from investing activities		(77,257)	(132,320)	41,479	42,848

Statements of Cash Flows

For The Financial Year Ended 31 December 2019 (continued)

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid	17	(13,818)	(27,636)	(13,818)	(27,636)
Dividends paid to non-controlling interests		-	(980)	-	-
Interest paid		(52,763)	(44,036)	(36,626)	(34,546)
Net repayments of bankers' acceptances		(24,335)	(14,291)	-	-
Net drawdowns of foreign currency import loan		54	28	-	-
Net (repayments)/drawdowns of revolving credits		(119,873)	82,802	(123,373)	82,803
Net repayments of Sukuk Ijarah Medium Term Notes		(25,000)	-	-	-
Net repayments of Sukuk Musyarakah Medium Term Notes		-	(50,000)	-	-
Net drawdowns/(repayments) of term loans		148,934	(12,503)	158,934	(2,503)
Net repayments of hire purchase payables		-	(28)	-	-
Payments of lease interest	19(k)	(178)	-	(4)	-
Payments of lease liabilities	19(k)	(823)	-	(27)	-
Purchase of treasury shares	34	(1,459)	-	(1,459)	-
Net cash flows (used in)/from financing activities		(89,261)	(66,644)	(16,373)	18,118
Net increase/(decrease) in cash and cash equivalents		15,638	(26,059)	2,318	(6,969)
Effects of exchange rate changes		1,473	(2,002)	339	(445)
Cash and cash equivalents as at beginning of financial year		99,843	127,904	33,817	41,231
Cash and cash equivalents as at end of financial year	33(d)	116,954	99,843	36,474	33,817

The accompanying notes form an integral part of the financial statements.

Notes to the Financial Statements

31 December 2019

1. CORPORATE INFORMATION

TSH Resources Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Level 10, Menara TSH, No. 8 Jalan Semantan, Damansara Heights, 50490 Kuala Lumpur.

The principal place of business of the Company is located at Bangunan TSH, TB 9, KM 7, Apas Road, 91000 Tawau, Sabah.

The consolidated financial statements for the financial year ended 31 December 2019 comprise the Company and its subsidiaries and the interests of the Group in an associate and joint ventures. These financial statements are presented in Ringgit Malaysia ("RM"), which is also the functional currency of the Company. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 5 May 2020.

2. PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding, oil palm cultivation and forest plantation. The principal activities of the subsidiaries are stated in Note 23 to the financial statements and are primarily involved in oil palm cultivation and processing. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

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

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRS during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial year are disclosed in Note 43.1 to the financial statements.

The Group and the Company applied MFRS 16 *Leases* for the first time during the current financial year, using the cumulative effect method as at 1 January 2019. Consequently, the comparative information were not restated and are not comparable to the financial information of the current financial year.

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

3. BASIS OF PREPARATION (continued)

The Group has positive cash flows from its business activities and has sufficient credit facilities in place to meet its operational requirements (as disclosed further in Note 5(b)(ii) to the financial statements), notwithstanding that the Group and the Company have net current liabilities of RM258,704,000 and RM426,300,000 respectively as at 31 December 2019. In addition, the Group and the Company carried out cash flows review for the next twelve (12) months to ensure that the business operations have sufficient funds available to meet their obligations as and when they fall due. Historical results of the treasury management show that the Group and the Company have the ability to meet their obligations as and when they fall due and the Group and the Company have not defaulted on any obligations due or payable to financial institutions or creditors.

The Directors are confident that the Group will continue to operate profitably and generate sufficient cash flows from operations in the foreseeable future, together with continuous financial support from the lenders and shareholders.

4. SEGMENT INFORMATION

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

(i) Palm products - the operation of oil palm plantations, manufacture and sale of crude palm oil and palm kernel; and

(ii) Others - manufacture and sale of downstream wood products, operation of a forest management unit, manufacture, sale and trading of cocoa products, and generation and supply of electricity from biomass plants.

Except as indicated above, no other business units has been aggregated to form the above reportable operating segments.

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), income taxes, share of profit of associate and share of profit of joint ventures are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm’s length basis in a manner similar to transactions with third parties.

Notes to the Financial Statements

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4. SEGMENT INFORMATION (continued)

	Palm products		Others		Adjustment and eliminations			Per consolidated financial statements	
	2019	2018	2019	2018	2019	2018		2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	Notes	RM'000	RM'000
Revenue									
External customers	724,786	769,461	114,108	136,980	-	-		838,894	906,441
Inter-segment	21,722	23,573	-	-	(21,722)	(23,573)	(a)	-	-
Total revenue	746,508	793,034	114,108	136,980	(21,722)	(23,573)		838,894	906,441
Results									
Interest income	96,999	101,931	547	406	(81,683)	(94,153)		15,863	8,184
Dividend income	9	169	-	-	-	-		9	169
Depreciation and amortisation	(83,349)	(69,152)	(15,811)	(12,161)	-	-		(99,160)	(81,313)
Share of profit of associate	1,953	2,235	-	-	-	-		1,953	2,235
Share of profit of joint ventures	11,604	557	5,627	4,458	-	-		17,231	5,015
Other material non-cash items	10,483	(65)	(31,228)	1,302	-	-	(b)	(20,745)	1,237
Segment profit	90,638	123,931	31,907	31,564	(48,539)	(73,832)	(c)	74,006	81,663
Assets:									
Additions to non-current assets	91,462	157,970	19,334	13,364	-	-	(d)	110,796	171,334
Segment assets	2,255,843	2,232,671	760,536	748,294	248,755	236,481	(e)	3,265,134	3,217,446
Segment liabilities	10,317	22,796	103,159	82,846	1,576,938	1,607,171	(f)	1,690,414	1,712,813

4. SEGMENT INFORMATION (continued)

Notes: Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements.

(a) Inter-segment revenues are eliminated on consolidation.

(b) Other material non-cash items consist of the following items as presented in the respective notes to the financial statements:

	2019 RM'000	2018 RM'000
Fair value (loss)/gain on forward currency contracts	(1,279)	311
Fair value loss on commodity future contracts	(3,960)	(5,501)
Gain on disposal of property, plant and equipment	1,449	644
Inventories written back	2,369	184
Inventories written down	(4,698)	(45)
Inventories written off	(18,564)	(2,034)
(Loss)/Gain from fair value adjustment of forest planting expenditure	(1,393)	4,562
Net gain/(loss) from fair value adjustment of fresh fruit bunches	4,769	(2,709)
Net (impairment losses)/write back on trade receivables	(2,375)	512
Net unrealised foreign exchange gain	5,695	6,184
Net write back/(impairment losses) on other receivables	2,502	(296)
Property, plant and equipment written off	(5,260)	(575)
	(20,745)	1,237

(c) The following items are added to/(deducted from) segment profit to arrive at "Profit before tax" presented in the statements of comprehensive income:

	2019 RM'000	2018 RM'000
Share of profit of associate	1,953	2,235
Share of profit of joint ventures	17,231	5,015
Finance costs	(52,941)	(44,036)
Unallocated corporate expenses	(14,782)	(37,046)
	(48,539)	(73,832)

(d) Additions to non-current assets consist of:

	2019 RM'000	2018 RM'000
Property, plant and equipment	103,072	153,127
Biological assets	4,719	6,628
Land use rights	-	11,579
Right-of-use assets - land use rights	3,005	-
	110,796	171,334

Notes to the Financial Statements

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4. SEGMENT INFORMATION (continued)

(e) The following items are added to segment assets to arrive at total assets reported in the statements of financial position:

	2019 RM'000	2018 RM'000
Investment in an associate	80,492	79,588
Investments in joint ventures	78,412	69,181
Tax recoverable	13,338	11,175
Deferred tax assets	13,838	14,606
Unallocated amounts	62,675	61,931
	248,755	236,481

(f) The following items are added to segment liabilities to arrive at total liabilities reported in the statements of financial position:

	2019 RM'000	2018 RM'000
Deferred tax liabilities	131,669	138,202
Loans and borrowings	1,431,797	1,455,755
Unallocated amounts	13,472	13,214
	1,576,938	1,607,171

Geographical information

Revenues and segment assets information based on the geographical location of customers and assets respectively are as follows:

	Revenues		Segment assets	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Malaysia	369,604	443,909	1,446,691	1,456,653
Indonesia	393,498	362,375	1,812,673	1,751,883
Europe	4,726	11,988	4,765	4,947
United States of America	60,191	64,977	299	2,841
Others	10,875	23,192	706	1,122
	838,894	906,441	3,265,134	3,217,446

5. CAPITAL AND FINANCIAL RISK MANAGEMENT

(a) Capital management

The objectives of the Group's capital management are to ensure that it maintains a good credit rating and healthy capital ratios in order to support a balanced growth objective in its business, maintain an optimal capital structure to reduce the cost of capital and ultimately maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the free cash flow position. To achieve this objective, the Group may adjust the Group internal plans in its expansion of plantation land areas and plantation programme. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2019 and 31 December 2018.

The Group monitors capital using a debt/equity ratio, which among other things is aimed at ensuring its financial covenant under the current banking facilities of 1.5 level is met. In addition, over the near to medium term, the Group seeks to maintain a net debt/equity ratio at below 1.0 level.

	Group		**Company**	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Loans and borrowings	1,431,797	1,455,755	860,832	830,451
Less: Cash and bank balances (Note 33)	(125,854)	(108,003)	(38,563)	(36,734)
Net debt	1,305,943	1,347,752	822,269	793,717
Total equity	1,574,720	1,504,633	1,014,754	989,854
Debt*/equity ratio	0.91	0.97	0.85	0.84
Net debt/equity ratio	0.83	0.90	0.81	0.80

* *Represents loans and borrowings.*

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Malaysia Securities Berhad, the Group is required to maintain a consolidated shareholders' equity of not less than or equals to twenty-five percent (25%) of the issued and paid-up capital and such shareholders' equity is not less than RM40,000,000. The Group has complied with this requirement for the financial year ended 31 December 2019.

(b) Financial risk management

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

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Directors, Chief Financial Officer and Head of Finance. The audit committee provides independent oversight to the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial years, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

Notes to the Financial Statements

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5. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management (continued)

(i) Credit risk

The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances), the Group and the Company 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.

Information regarding credit enhancements for trade and other receivables and credit risk concentration profiles has been disclosed in Note 27 to the financial statements.

(ii) Liquidity risk

The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and financial 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.

Management continuously strive to re-balance the Group's short term and long term borrowings to reflect the long nature of the Group's business. While there is still a net current liabilities position as at 31 December 2019, the Group has RM528,300,000 in unused credit facilities. For the financial year ending 31 December 2020, the Group expects to achieve further liquidity position improvement due to:

i) cash flow generated from operations;

ii) reduction in new planting activities; and

iii) targeted conversion of short term borrowings to long term borrowings.

At the end of the reporting period, approximately 37% (2018: 46%) of the Group's loans and borrowings will mature in less than one year based on the carrying amount reflected in the financial statements.

The analysis of financial instruments by remaining contractual maturities is disclosed in Notes 19, 32, 37, 39 and 40 to the financial statements respectively.

(iii) Interest rate risk

The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings. The Group's policy is to manage interest cost using a mix of fixed and floating rate debts.

The interest rate profile and sensitivity analysis of interest rate risk have been disclosed in Notes 19, 27, 33, 37, 39 and 40 to the financial statements respectively.

5. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management (continued)

(iv) Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, which are United States Dollars (USD), Australian Dollars (AUD), Sterling Pound (GBP), Euro (EUR), Indonesia Rupiah (IDR) and Singapore Dollar (SGD). The foreign currencies in which these transactions are denominated are mainly USD.

Approximately 91% (2018: 89%) of the Group's sales and 91% (2018: 91%) of cost of sales are denominated in the respective functional currencies of the Group entities. The Group's trade receivable and trade payable balances at the end of the reporting period have similar exposures.

The Group may require its operating entities to use forward currency contracts to eliminate the currency exposures on any individual transactions for which payment is anticipated more than one month after the Group has entered into a firm commitment for a sale or purchase. The forward currency contracts must be in the same currency as the hedged item. It is the Group's policy not to enter into forward contracts until a firm commitment is in place. It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

At 31 December 2019, the Group hedged 69% (2018: 56%) of its foreign currency denominated sales, for which firm commitments existed at the end of the reporting period, extending to September 2020 (2018: July 2019).

The currency exposure profiles of financial assets and financial liabilities are as follows:

Group	USD RM'000	AUD RM'000	GBP RM'000	EUR RM'000	IDR RM'000	SGD RM'000
2019						
Financial assets in foreign currencies						
Trade and other receivables	3,539	415	20	1,056	74,699	123
Other current assets	-	-	-	-	635	5
Cash and bank balances	7,744	-	-	-	84,176	664
Financial liabilities in foreign currencies						
Loans and borrowings	(438,810)	-	-	(6,263)	-	(15)
Trade and other payables	(5,868)	(1)	-	(41)	(36,279)	(878)

Notes to the Financial Statements

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5. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management (continued)

(iv) Foreign currency risk (continued)

The currency exposure profiles of financial assets and financial liabilities are as follows (continued):

Group	USD RM'000	AUD RM'000	GBP RM'000	EUR RM'000	IDR RM'000	SGD RM'000
2018						
Financial assets in foreign currencies						
Trade and other receivables	5,729	2,258	2,685	3,317	18,503	617
Other current assets	-	-	-	-	16,786	-
Cash and bank balances	1,163	-	-	35	66,695	150
Financial liabilities in foreign currencies						
Loans and borrowings	(383,956)	-	-	(94)	-	-
Trade and other payables	(6,852)	(12)	-	(2,534)	(35,854)	870

Company	USD RM'000	IDR RM'000
2019		
Financial assets in foreign currencies		
Trade and other receivables	-	889,383
Cash and bank balances	7,743	17,736
Financial liabilities in foreign currencies		
Loans and borrowings	438,770	-
Trade and other payables	4,927	-

Company	USD RM'000	IDR RM'000
2018		
Financial assets in foreign currencies		
Trade and other receivables	-	862,556
Cash and bank balances	1,059	13,465
Financial liabilities in foreign currencies		
Loans and borrowings	383,904	-
Trade and other payables	4,927	858

5. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management (continued)

(iv) Foreign currency risk (continued)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's and Company's profit/(loss) net of tax to a reasonably possible change in the USD, GBP, EUR, AUD and IDR exchange rates against the respective functional currency of the Group entities, with all other variables held constant.

		Profit/(Loss) net of tax			
		Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
USD/RM	- strengthened by 5%	(16,469)	(14,654)	(16,566)	(14,735)
	- weakened by 5%	16,469	14,654	16,566	14,735
GBP/RM	- strengthened by 5%	1	102	-	-
	- weakened by 5%	(1)	(102)	-	-
AUD/RM	- strengthened by 5%	16	85	-	-
	- weakened by 5%	(16)	(85)	-	-
EUR/RM	- strengthened by 5%	28	30	-	-
	- weakened by 5%	(28)	(30)	-	-
IDR/RM	- strengthened by 5%	671	509	34,470	33,256
	- weakened by 5%	(671)	(509)	(34,470)	(33,256)

(v) Market price risk

The Group is exposed to equity price risk arising from its investment in quoted equity instruments. The quoted equity instruments in Malaysia are listed on the Bursa Malaysia and are classified as held for trading.

The sensitivity analysis of market price risk has been disclosed in Note 28 to the financial statements.

6. REVENUE

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue from contracts with customers:				
- Sales of oil palm products	724,785	769,461	3,818	6,054
- Sales of cocoa beans and cocoa products	54,364	58,045	-	-
- Sales of ramets	1,522	2,114	-	-
- Sales of timber and latex	6,121	4,106	6,121	4,106
- Sales of wood products	28,049	47,296	-	-
- Revenue from installation services	1,221	1,664	-	-
- Revenue from supply of electricity	22,832	23,755	-	-
	838,894	906,441	9,939	10,160

Notes to the Financial Statements

31 December 2019

6. REVENUE (continued)

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Other revenue				
- Management fees	-	-	21,722	23,573
- Dividend income from subsidiaries, associate and joint ventures	-	-	41,533	58,974
	838,894	906,441	73,194	92,707
Timing of revenue recognition				
Products and services transferred over time	1,221	1,664	-	-
Products and services transferred at a point in time	837,673	904,777	9,939	10,160
	838,894	906,441	9,939	10,160

Disaggregation of revenue from contracts with customers has been presented in the operating segments, Note 4 to the financial statements, which has been presented based on geographical location from which the sale transactions originated.

(a) Sales of goods and supply of electricity

Revenue from sales of goods and supply of electricity are recognised at a point in time when the products have been transferred or the services have been rendered to the customers and coincides with the delivery of products and services and acceptance by customers.

There is no right of return and warranty provided to the customers on the sales of products and services rendered.

There is no significant financing component in the revenue arising from sales of products and services rendered as the sales or services are made on the normal credit terms not exceeding twelve (12) months.

(b) Service contracts - Installation services rendered

Revenue from service contracts is measured at the fixed transaction price agreed under the agreement.

Revenue from service contracts is recognised over the period of the contract using the input method by reference to the costs incurred for work performed to date against the estimated costs to completion if control of the asset transfers over time.

If control of asset transfers at a point in time, revenue is recognised at a point in time when the customer obtains control of the asset.

Significant judgement is required in determining performance obligations, transaction price allocation and costs in applying the input method to recognise revenue over time.

The Group identifies performance obligations that are distinct and material, which are judgmental in the context of contract. Transaction prices were determined based on estimated margins prior to its allocation to the identified performance obligation. The Group also estimated total contract costs in applying the input method to recognise revenue over time.

6. REVENUE (continued)

(c) Management fees

Management fees are recognised of when services are rendered.

(d) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

7. COST OF SALES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cost of inventories sold	572,642	609,718	3,533	4,620
Installation service costs	1,243	1,464	-	-
Cost of services rendered	8,481	8,759	-	-
	582,366	619,941	3,533	4,620

8. INTEREST INCOME

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest income from:				
Amounts due from subsidiaries	-	-	54,501	54,029
Plasma receivables	11,568	4,065	-	-
Short-term deposits	4,295	4,098	871	833
Others	-	21	-	-
	15,863	8,184	55,372	54,862

Interest income

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

9. DIVIDEND INCOME

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Dividend income from:				
Short term investments (unquoted in Malaysia)	9	169	9	169

Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

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10. OTHER INCOME

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Bad debts recovered	1,947	-	-	-
Fair value gain on forward currency contracts	-	311	-	-
Gain from fair value adjustment of forest planting expenditure (Note 20)	-	4,562	-	-
Gain on disposal of property, plant and equipment	1,449	644	1,049	30
Gain on remeasurement of financial guarantees contracts (Note 39(c))	-	28	379	476
Inventories written back (Note 29)	2,369	184	-	-
Insurance claims received	41,702	281	-	-
Management fee	1,679	2,176	-	-
Net gain from fair value adjustment of fresh fruit bunches (Note 20)	4,769	-	10	-
Net gain on foreign exchange				
- realised	539	-	-	-
- unrealised	5,695	6,184	26,733	-
Realised gain on commodity future contracts	-	7,961	-	154
Realised gain on forward currency contracts	-	1,050	-	-
Rental income	1,198	874	3,327	3,047
Sales of scrap iron	143	235	-	-
Waiver of debts owing to subsidiaries	-	-	-	273
Write back of impairment losses on:				
- property, plant and equipment (Note 18)	148	-	-	-
- trade receivables (Note 27(a))	1,638	789	-	-
- other receivables (Note 27(b))	3,424	1,927	-	-
- amounts due from subsidiaries (Note 27(c))	-	-	6,422	60
Miscellaneous	1,765	2,050	361	1,207
	68,465	29,256	38,281	5,247

<u>Rental income</u>

Rental income is recognised on a straight line basis over the period of tenancy.

11. FINANCE COSTS

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Interest expenses on:				
Amounts due to subsidiaries	-	-	27,137	29,174
Bank overdrafts	119	131	-	-
Bankers' acceptances	5,306	6,918	-	-
Lease liabilities	178	-	4	-
Revolving credits	19,881	16,234	19,578	15,851
Term loans	18,442	20,604	17,924	19,577
Others	369	22	-	-
	44,295	43,909	64,643	64,602
Islamic financing distribution payment:				
Sukuk Ijarah Medium Term Notes	14,648	14,926	-	-
Sukuk Murabahah Medium Term Notes	7,830	7,830	-	-
Sukuk Musyarakah Medium Term Notes	-	556	-	-
	22,478	23,312	-	-
Total finance costs	66,773	67,221	64,643	64,602
Less: Interest expense capitalised in bearer plants and forest planting expenditure (Note 18(f) and Note 20(a))	(13,832)	(23,185)	(876)	(882)
Net finance costs	52,941	44,036	63,767	63,720

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.

Interest expense capitalised under bearer plants of the Group amounted to RM12,758,000 (2018: RM22,303,000) and under biological assets of the Group and of the Company amounted to RM1,074,000 (2018: RM882,000) and RM876,000 (2018: RM882,000) respectively at interest rates ranging from 3.00% to 6.20% (2018: 2.35% to 5.58%).

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12. PROFIT/(LOSS) BEFORE TAX

Other than those disclosed elsewhere in the financial statements, the following items have been included in arriving at profit/(loss) before tax:

		Group		Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
Amortisation of biological assets	20	1,181	1,181	1,181	1,181
Amortisation of land use rights	21	-	6,449	-	-
Auditors' remuneration:					
- statutory audits:					
- current year		788	757	144	137
- under provision in prior years		11	23	-	6
- other services					
- current year		39	38	11	10
Bad debts written off		90	199	90	11
Depreciation of property, plant and equipment		87,809	73,683	3,817	5,364
Depreciation of right-of-use assets	19	10,170	-	476	-
Employee benefits expense	13	103,541	106,524	26,154	31,659
Fair value loss on commodity future contracts		3,960	5,501	42	45
Fair value loss on forward currency contracts		1,279	-	-	-
Fair value loss on investment securities		2	19	2	19
Impairment losses on:					
- cost of investments in subsidiaries	23(b)	-	-	104	89
- property, plant and equipment	18	-	39	-	-
- trade receivables	27(a)	4,013	277	-	-
- other receivables	27(b)	922	2,223	-	8
- amounts due from subsidiaries	27(c)	-	-	4,464	3,859
Inventories written down	29	4,698	45	-	-
Inventories written off	29	18,564	2,034	7	144
Loss from fair value adjustment of fresh fruit bunches	20	-	2,709	-	140
Loss from fair value adjustment of forest planting expenditure	20	1,393	-	6,036	12,917
Loss on redemption of short-term funds		-	100	-	100
Loss on remeasurement of financial guarantee contracts	39(c)	12	-	-	-
Loss on striking off of subsidiaries	23(c)	-	-	17	-
Net loss on foreign exchange:					
- realised		-	17,283	-	18,490
- unrealised		-	-	-	22,791
Non-Executive Directors' remuneration	14	2,531	2,743	724	1,020
Property, plant and equipment written off	18	5,260	575	-	349
Realised loss on commodity future contracts		5,678	-	-	-
Realised loss on forward currency contracts		11	-	11	-
Rental expenses					
- premises		101	1,186	10	10
Waiver of debts owing by subsidiaries		-	-	190	185

13. EMPLOYEE BENEFITS EXPENSE

		Group		Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
Wages and salaries		98,513	108,163	23,957	29,350
Contributions to defined contribution plan		4,976	5,283	2,940	2,993
Social security contributions		7,551	7,355	176	185
Increase in liability for defined benefit plan	38	4,766	3,907	-	-
		115,806	124,708	27,073	32,528
Less: Amount capitalised in bearer plants	18(f)	(11,054)	(17,198)	(439)	(216)
Less: Amount capitalised in forest planting expenditure	20(a)	(1,211)	(986)	(480)	(653)
		103,541	106,524	26,154	31,659

Included in employee benefits expense of the Group and of the Company are Executive Directors' remuneration amounting to RM5,644,000 (2018: RM6,876,000) and RM5,570,000 (2018: RM6,797,000) respectively as further disclosed in Note 14 to the financial statements.

14. DIRECTORS' REMUNERATION

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

		Group		Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
Executive:					
Salaries and bonus		5,039	6,139	4,973	6,069
Other emoluments		605	737	597	728
Total Executive Directors' remuneration (excluding benefits-in-kind)	13	5,644	6,876	5,570	6,797
Estimated money value of benefits-in-kind		798	604	798	605
Total Executive Directors' remuneration (including benefits-in-kind)		6,442	7,480	6,368	7,402

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14. DIRECTORS' REMUNERATION (continued)

The details of remuneration receivable by Directors of the Company during the financial year are as follows (continued):

		Group		Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
Non-Executive:					
Fees		198	195	180	177
Salaries		1,458	1,436	-	-
Other emoluments		875	1,112	544	843
Total Non-Executive Directors' remuneration (excluding benefits-in-kind)	12	2,531	2,743	724	1,020
Estimated money value of benefits-in-kind		500	454	500	454
Total Non-Executive Directors' remuneration (including benefits-in-kind)		3,031	3,197	1,224	1,474
Total Directors' remuneration		9,473	10,677	7,592	8,876

The number of Directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of Directors	
	2019	2018
Executive Directors:		
RM1,300,001 - RM1,350,000	1	1
RM1,800,001 - RM1,850,001	1	-
RM2,050,001 - RM3,000,000	-	1
RM3,300,001 - RM3,350,000	1	-
RM4,100,001 - RM4,150,000	-	1
Non-Executive Directors:		
Below RM50,000	5	6
RM400,001 - RM450,000	1	-
RM450,001 - RM500,000	-	1
RM2,350,001 - RM2,400,000	1	-
RM2,500,001 - RM2,550,000	-	1

15. TAXATION

(a) Major components of taxation

The major components of taxation for the financial years ended 31 December 2019 and 31 December 2018 are:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Statements of comprehensive income:				
Current income tax:				
- Malaysian income tax	12,708	12,200	-	-
- Foreign tax	15,689	23,048	-	-
	28,397	35,248	-	-
(Over)/Under provision in prior years:				
- Malaysian income tax	(469)	434	-	-
- Foreign tax	5,856	(144)	-	-
	5,387	290	-	-
Deferred tax (Note 26)				
- Origination and reversal of temporary differences	(6,816)	(6,371)	(1,516)	(7,287)
- Under provision in prior years	1,413	572	1,099	652
	(5,403)	(5,799)	(417)	(6,635)
Taxation recognised in profit and loss	28,381	29,739	(417)	(6,635)

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

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15. TAXATION (continued)

(b) Reconciliation between taxation and accounting profit/(loss)

The reconciliation between taxation and the product of accounting profit/(loss) multiplied by the applicable corporate tax rate for the years ended 31 December 2019 and 31 December 2018 are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit/(Loss) before tax	74,006	81,663	39,764	(30,624)
Tax at Malaysian statutory tax rate of 24% (2018: 24%)	17,761	19,599	9,544	(7,350)
Different tax rates in other countries	654	664	-	-
Adjustments:				
Non-deductible expenses	8,550	11,046	19,047	27,885
Income not subject to taxation	(3,342)	(1,082)	(30,107)	(27,822)
Share of profit of associate	(469)	(536)	-	-
Share of profit of joint ventures	(4,135)	(1,204)	-	-
Effect of utilisation of previously unrecognised tax losses and unabsorbed allowances	(1,152)	(327)	-	-
Effect of different tax rate for small and medium scale company	(87)	(176)	-	-
Effect of investment cost in subsidiaries eligible for tax deduction	(1,032)	(1,224)	-	-
Deferred tax assets not recognised	4,833	2,117	-	-
Under provision of income tax expense in prior years	5,387	290	-	-
Under provision of deferred tax in prior years	1,413	572	1,099	652
Taxation recognised in profit and loss	28,381	29,739	(417)	(6,635)

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

15. TAXATION (continued)

(c) Value-added tax ("VAT")

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

(i) Where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable, and

(ii) Receivables and payables that are stated with the amount of VAT included.

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

(d) Tax effect on each component of other comprehensive income is as follows:

	Before tax RM'000	Tax effect RM'000	After tax RM'000
Group			
At 31 December 2019			
Item that may be reclassified to profit or loss in subsequent periods:			
Foreign currency translations	40,363	-	40,363
Item that may not be reclassified to profit or loss in subsequent periods:			
Remeasurement of net retirement benefit obligations	(581)	149	(432)
Share of other comprehensive income of associate	1	-	1
At 31 December 2018			
Item that may be reclassified to profit or loss in subsequent periods:			
Foreign currency translations	(58,492)	-	(58,492)
Item that may not be reclassified to profit or loss in subsequent periods:			
Remeasurement of net retirement benefit obligations	870	-	870

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16. EARNINGS PER ORDINARY SHARE

(a) Basic

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

	Group 2019	Group 2018
Profit attributable to owners of the Company used in the computation of basic or diluted earnings per share (RM'000)	44,280	40,462
Weighted average number of ordinary shares in issue* ('000)	1,381,101	1,381,798
Basic earnings per ordinary share (sen)	3.21	2.93

* *The weighted average number of shares for the financial year 2019 takes into account of the weighted average effects of treasury shares transactions.*

(b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

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

17. DIVIDENDS

	Group and Company	
	2019 RM'000	2018 RM'000
Recognised during the year:		
First and final single tier dividend for financial year ended 31 December 2018 of 1.0 sen per ordinary shares	13,818	-
First and final single tier dividend for financial year ended 31 December 2017 of 2.0 sen per ordinary shares	-	27,636
	13,818	27,636

At the forthcoming Annual General Meeting, a first and final single tier dividend in respect of the financial year ended 31 December 2019 of 1.0 sen per ordinary share will be proposed for shareholders' approval in accordance with the Company's Constitution. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2020.

18. PROPERTY, PLANT AND EQUIPMENT

Group	Note	Long term leasehold land RM'000	Bearer plants RM'000	Plantation infrastructure RM'000	Buildings RM'000	Motor vehicles RM'000	Plant, machinery and equipment RM'000	Furniture, fittings and renovation RM'000	Assets under construction RM'000	Total RM'000
2019										
Carrying amount										
Balance as at 1 January 2019, as previously reported		220,641	1,178,863	65,521	279,868	8,911	139,516	35,923	7,834	1,937,077
Effect on adoption of MFRS 16	43.2	(220,641)	-	-	-	(138)	-	-	-	(220,779)
As restated		-	1,178,863	65,521	279,868	8,773	139,516	35,923	7,834	1,716,298
Additions		-	61,892	556	4,039	402	10,301	541	25,341	103,072
Disposals		-	-	-	-	(153)	(127)	-	-	(280)
Write-offs		-	(41)	-	(2,196)	(11)	(2,875)	(136)	(1)	(5,260)
Reclassifications		-	-	10,844	5,163	1,122	179	(564)	(16,744)	-
Depreciation charged for the financial year		-	(36,776)	(9,300)	(15,596)	(3,672)	(25,856)	(1,396)	-	(92,596)
Reversal of impairment loss		-	-	-	-	-	-	-	148	148
Exchange differences		-	28,551	1,313	2,998	99	847	27	165	34,000
Balance as at 31 December 2019		-	1,232,489	68,934	274,276	6,560	121,985	34,395	16,743	1,755,382

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18. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Long term leasehold land RM'000	Bearer plants RM'000	Plantation infrastructure RM'000	Buildings RM'000	Motor vehicles RM'000	Plant, machinery and equipment RM'000	Furniture, fittings and renovation RM'000	Assets under construction RM'000	Total RM'000
2018									
Carrying amount									
Balance as at 1 January 2018	223,974	1,146,570	49,892	222,181	12,300	116,451	37,200	108,073	1,916,641
Additions	-	98,864	1,674	22,532	3,781	10,971	1,301	14,004	153,127
Disposals	-	-	-	-	(293)	(83)	(2)	-	(378)
Write-offs	-	(377)	-	(68)	-	(68)	(39)	(23)	(575)
Reclassifications	-	-	23,887	50,785	(2,014)	39,598	(382)	(111,874)	-
Depreciation charged for the financial year	(3,333)	(23,489)	(8,089)	(13,441)	(4,600)	(26,264)	(2,080)	-	(81,296)
Impairment loss	-	-	-	-	-	-	-	(39)	(39)
Exchange differences	-	(42,705)	(1,843)	(2,121)	(263)	(1,089)	(75)	(2,307)	(50,403)
Balance as at 31 December 2018	220,641	1,178,863	65,521	279,868	8,911	139,516	35,923	7,834	1,937,077

18. **PROPERTY, PLANT AND EQUIPMENT (continued)**

Group	At 31.12.2019 Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment losses RM'000	Carrying amount RM'000
Bearer plants	1,433,196	(200,707)	-	1,232,489
Plantation infrastructure	114,826	(45,892)	-	68,934
Buildings	381,879	(107,603)	-	274,276
Motor vehicles	53,812	(47,252)	-	6,560
Plant, machinery and equipment	446,369	(324,384)	-	121,985
Furniture, fittings and renovation	62,935	(27,482)	(1,058)	34,395
Assets under construction	201,648	-	(184,905)	16,743
	2,694,665	(753,320)	(185,963)	1,755,382

Group	At 31.12.2018 Cost RM'000	Accumulated depreciation RM'000	Accumulated impairment losses RM'000	Carrying amount RM'000
Long term leasehold land	234,298	(13,657)	-	220,641
Bearer plants	1,346,044	(167,181)	-	1,178,863
Plantation infrastructure	101,292	(35,771)	-	65,521
Buildings	372,534	(92,666)	-	279,868
Motor vehicles	61,214	(52,303)	-	8,911
Plant, machinery and equipment	442,816	(303,300)	-	139,516
Furniture, fittings and renovation	65,037	(28,056)	(1,058)	35,923
Assets under construction	192,887	-	(185,053)	7,834
	2,816,122	(692,934)	(186,111)	1,937,077

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18. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Note	Long term leasehold land RM'000	Bearer plants RM'000	Plantation infrastructure RM'000	Buildings RM'000	Motor vehicles RM'000	Plant, machinery and equipment RM'000	Furniture, fittings and renovation RM'000	Assets under construction RM'000	Total RM'000
2019										
Carrying amount										
Balance as at 1 January 2019, as previously reported		51,718	4,605	11,532	44,082	3,123	1,976	3,234	1,969	122,239
Effect on adoption of MFRS 16	43.2	(51,718)	-	-	-	-	-	-	-	(51,718)
As restated		-	4,605	11,532	44,082	3,123	1,976	3,234	1,969	70,521
Additions		-	4,296	-	21	187	247	121	30	4,902
Disposals		-	-	-	-	(64)	(98)	-	-	(162)
Reclassifications		-	-	-	14	-	10	-	(24)	-
Depreciation charged for the financial year		-	(678)	(168)	(1,155)	(1,064)	(549)	(521)	-	(4,135)
Balance as at 31 December 2019		-	8,223	11,364	42,962	2,182	1,586	2,834	1,975	71,126

18. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Long term leasehold land RM'000	Bearer plants RM'000	Plantation infrastructure RM'000	Buildings RM'000	Motor vehicles RM'000	Plant, machinery and equipment RM'000	Furniture, fittings and renovation RM'000	Assets under construction RM'000	Total RM'000
2018									
Carrying amount									
Balance as at 1 January 2018	52,489	4,562	11,699	44,221	4,338	1,890	3,661	2,784	125,644
Additions	-	1,343	-	15	177	630	276	258	2,699
Disposals	-	-	-	-	(3)	(5)	-	-	(8)
Write-offs	-	(340)	-	-	-	(9)	-	-	(349)
Reclassifications	-	-	-	1,014	-	59	-	(1,073)	-
Depreciation charged for the financial year	(771)	(960)	(167)	(1,168)	(1,389)	(589)	(703)	-	(5,747)
Balance as at 31 December 2018	51,718	4,605	11,532	44,082	3,123	1,976	3,234	1,969	122,239

Notes to the Financial Statements

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18. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	At 31.12.2019 Cost RM'000	Accumulated depreciation RM'000	Carrying amount RM'000
Bearer plants	23,689	(15,466)	8,223
Plantation infrastructure	13,262	(1,898)	11,364
Buildings	55,986	(13,024)	42,962
Motor vehicles	14,001	(11,819)	2,182
Plant, machinery and equipment	13,360	(11,774)	1,586
Furniture, fittings and renovation	12,193	(9,359)	2,834
Assets under construction	1,975	-	1,975
	134,466	(63,340)	71,126

Company	At 31.12.2018 Cost RM'000	Accumulated depreciation RM'000	Carrying amount RM'000
Long term leasehold land	54,462	(2,744)	51,718
Bearer plants	24,688	(20,083)	4,605
Plantation infrastructure	13,262	(1,730)	11,532
Buildings	55,951	(11,869)	44,082
Motor vehicles	17,789	(14,666)	3,123
Plant, machinery and equipment	13,239	(11,263)	1,976
Furniture, fittings and renovation	12,072	(8,838)	3,234
Assets under construction	1,969	-	1,969
	193,432	(71,193)	122,239

(a) All items of property, plant and equipment are initially recorded at cost. After initial recognition, property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

(b) In the previous financial year, the Group had assessed and classified land use rights of the Group as finance leases based on the extent to which risks and rewards incidental to ownership of the land resided with the Group arising from the lease term. Consequently, the Group had classified the unamortised upfront payment for land use rights as finance leases in accordance with MFRS 117 *Leases*.

The Group has reassessed and reclassified long term leasehold land to right-of-use assets during the financial year as disclosed in Note 19 to the financial statements.

(c) Leasehold land were depreciated over their remaining leases which range from 38 years to 912 years.

Bearer plants are living plants that are used in the production or supply of agriculture produce for more than one period and have remote likelihood of being sold as agriculture produce, except for incidental scrap sales. The bearer plants that are available for use are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes plantation expenditure, which represents the total cost incurred from land clearing to the point of harvesting. The mature bearer plants are depreciated over their remaining useful lives of twenty-two (22) to twenty-five (25) years on a straight-line basis. The immature bearer plants are not depreciated until such time when they are available for use.

18. PROPERTY, PLANT AND EQUIPMENT (continued)

(c) (continued)

Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Plantation infrastructure	4%
Buildings	2%
Motor vehicles	10% to 20%
Plant, machinery and equipment	7% to 33%
Furniture, fittings and renovation	5% to 10%

Assets under construction are stated at cost and not depreciated as the assets are not yet available for use.

(d) In the previous financial year, included in property, plant and equipment of the Group was motor vehicle with net carrying amount of RM138,000 held under hire purchase arrangements.

(e) Depreciation capitalised under bearer plants and biological assets during the financial year was as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Property, plant and equipment				
Bearer plants (Note 18(f))	4,479	7,181	110	132
Biological assets				
Forest planting expenditure (Note 20(a))	308	432	208	251

(f) Included in bearer plants during the financial year are:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Depreciation of property, plant and equipment (Note 18(e))	4,479	7,181	110	132
Depreciation of right-of-use assets (Note 19(d))	1,395	-	320	-
Depreciation of land use rights (Note 21)	-	1,021	-	-
Interest expense (Note 11)	12,758	22,303	-	-
Employee benefits expenses (Note 13)	11,054	17,198	439	216

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18. PROPERTY, PLANT AND EQUIPMENT (continued)

(g) Management estimates the useful lives of plant and machinery to be between 3 to 14 years. These are common life expectancies applied in the palm oil and woods industries. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

Sensitivity analysis for depreciation rate

	Group	
	2019	**2018**
	RM'000	**RM'000**
Depreciation rate		
- increased by 10%	(2,586)	(2,626)
- decreased by 10%	2,586	2,626

(h) The Group assessed whether there were any indicators of impairment of property, plant and equipment during the financial year. In doing this, management considered the current environment and performance of the Cash Generating Units ("CGUs"). Management considered the losses in certain subsidiaries in the current financial year as impairment indicators.

A CGU's recoverable amount is based on value-in-use. Management has made estimates about the future results and key assumptions applied to cash flow projections of the CGUs. These key assumptions are applied to cash flow projections of the CGUs and include forecast growth in future revenues and budgeted gross profit margins, as well as determining an appropriate pre-tax discount rate and growth rates.

The disclosures of the key inputs and assumptions are set out as follows:

(i) The pre-tax discount rate applied to the cash flow projections are as follows:

	2019	**2018**
	%	**%**
Pre-tax discount rates	7.00 - 9.00	7.00 - 9.00

(ii) The calculations of value-in-use for the CGU are most sensitive to the following assumptions:

Budgeted gross profit margins - Gross profit margins are based on historical profit margin achieved. These are increased over the budget period for anticipated efficiency improvements.

Pre-tax discount rates - Discount rates reflect the current market assessment of the risks specific to each CGU. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals.

In the previous financial year, an impairment loss on property, plant and equipment amounting to RM39,000 had been recognised during the financial year due to the recoverable amount of the property, plant and equipment in the CGU, which was determined based on cash flow projection, was lower than its carrying amount.

During the financial year, a reversal of impairment loss of RM148,000 has been recognised by the Group due to discount received on the asset under construction, which had been fully impaired in the previous financial years.

19. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group and the Company as lessee

Right-of-use assets

Group	Long term leasehold land RM'000	Land use rights RM'000	Short term leasehold land RM'000	Equipment RM'000	Buildings RM'000	Motor vehicle RM'000	Total RM'000
2019							
Carrying amount							
At 1 January 2019, as previously reported	-	-	-	-	-	-	-
Effect on adoption of MFRS 16 (Note 43.2)	220,641	215,165	807	78	2,486	138	439,315
As restated	220,641	215,165	807	78	2,486	138	439,315
Additions	-	3,005	142	-	-	-	3,147
Depreciation charged for the financial year	(2,424)	(8,181)	(114)	(30)	(781)	(35)	(11,565)
Exchange differences	-	2,839	-	-	-	-	2,839
At 31 December 2019	218,217	212,828	835	48	1,705	103	433,736

Notes to the Financial Statements

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19. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

The Group and the Company as lessee (continued)

Right-of-use assets (continued)

Group	At 31.12.2019 Cost RM'000	Accumulated depreciation RM'000	Carrying amount RM'000
Long term leasehold land	234,298	(16,081)	218,217
Land use rights	291,824	(78,996)	212,828
Short term leasehold land	1,466	(631)	835
Equipment	145	(97)	48
Buildings	2,972	(1,267)	1,705
Motor vehicle	176	(73)	103
	530,881	(97,145)	433,736

Company	Long term leasehold land RM'000	Equipment RM'000	Total RM'000
2019			
Carrying amount			
At 1 January 2019, as previously reported	-	-	-
Effect on adoption of MFRS 16 (Note 43.2)	51,718	75	51,793
As restated	51,718	75	51,793
Depreciation charged for the financial year	(770)	(26)	(796)
At 31 December 2019	50,948	49	50,997

Company	At 31.12.2019 Cost RM'000	Accumulated depreciation RM'000	Carrying amount RM'000
Long term leasehold land	54,462	(3,514)	50,948
Equipment	130	(81)	49
	54,592	(3,595)	50,997

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19. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

The Group and the Company as lessee (continued)

Lease liabilities

Group	Short term leasehold land RM'000	Equipment RM'000	Buildings RM'000	Motor vehicle RM'000	Total RM'000
2019					
Carrying amount					
At 1 January 2019, as previously reported	-	-	-	-	-
Effect on adoption of MFRS 16 (Note 43.2)	3,056	83	343	129	3,611
As restated	3,056	83	343	129	3,611
Additions	142	-	-	-	142
Lease payments	(842)	(34)	(90)	(35)	(1,001)
Interest expense	152	4	17	5	178
At 31 December 2019	2,508	53	270	99	2,930

Company	Equipment RM'000	Total RM'000
2019		
Carrying amount		
At 1 January 2019, as previously reported	-	-
Effect on adoption of MFRS 16 (Note 43.2)	79	79
As restated	79	79
Lease payments	(31)	(31)
Interest expense	4	4
At 31 December 2019	52	52

Represented by:	Group 2019 RM'000	Company 2019 RM'000
Non-current liabilities	2,038	24
Current liabilities	892	28
Total lease liabilities	2,930	52
Lease liabilities owing to financial institutions	99	-
Lease liabilities owing to non-financial institutions	2,831	52
	2,930	52

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19. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

The Group and the Company as lessee (continued)

(a) The right-of-use assets are initially measured at cost, which comprise the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date of the leases.

After initial recognition, right-of-use assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any, and adjusted for any re-measurement of the lease liabilities.

The right-of-use assets are depreciated on the straight-line basis over the earlier of the estimated useful lives of the right-of-use assets or the end of the lease term. The principal depreciation periods are as follows:

Long term leasehold land	over the remaining lease period from 37 to 911 years
Land use rights	over the lease period from 20 to 30 years
Short term leasehold land	over the lease period from 4 to 20 years
Equipment	over the lease period from 2 to 6 years
Buildings	over the lease period from 2 to 6 years
Motor vehicle	over the lease period of 5 years

(b) Included in land use rights of the Group are prepayments amounting to RM32,494,000, which the Group has yet to obtain the titles to use the rights as at the end of the reporting period.

(c) The Group and the Company have certain leases of machineries with lease term of 12 months or less, and low value leases of office equipment of RM5,000 and below. The Group and the Company apply the "short-term lease" and "lease of low-value assets" exemptions for these leases.

(d) Depreciation capitalised under bearer plants during the financial year is as follows:

	Group 2019 RM'000	Company 2019 RM'000
Property, plant and equipment		
Bearer plants (Note 18(f))	1,395	320

(e) The following are the amounts recognised in profit or loss:

	Group 2019 RM'000	Company 2019 RM'000
Depreciation charge of right-of-use assets (included in cost of sales and administrative expenses)	10,170	476
Interest expense on lease liabilities (included in finance costs)	178	4
Expense relating to short-term leases (included in administration expenses)	101	10
Expense relating to leases of low-value assets (included in administration expenses)	8	-
	10,457	490

19. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

The Group and the Company as lessee (continued)

(f) At the end of the financial year, the Group and the Company had total cash outflow for leases of RM1,001,000 and RM31,000 respectively.

(g) The Group and the Company lease several lease contracts that include extension and termination options. These are used to maximise operational flexibility in terms of managing the assets used in the operations of the Group and the Company. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

The following are the undiscounted potential future rental payments that are not included in the lease term:

Group and Company	Within five years RM'000	Total RM'000
2019		
Extension options expected not to be exercised	25	25

(h) The following table sets out the carrying amounts, the weighted average incremental borrowing rates and the remaining maturities of the lease liabilities of the Group and the Company:

Group	Weighted average incremental borrowing rate per annum %	Within one year RM'000	One to two years RM'000	Two to five years RM'000	More than five years RM'000	Total RM'000
31 December 2019						
Lease liabilities						
Fixed rates	2.35% - 5.58%	892	1,135	498	405	2,930

Company	Weighted average incremental borrowing rate per annum %	Within one year RM'000	One to two years RM'000	Two to five years RM'000	More than five years RM'000	Total RM'000
31 December 2019						
Lease liabilities						
Fixed rate	5.58%	28	15	9	-	52

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19. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

The Group and the Company as lessee (continued)

(i) Sensitivity analysis for lease liabilities as at the end of the reporting period is not presented as fixed rate instruments are not affected by change in interest rate.

(j) The table below summarises the maturity profile of the lease liabilities of the Group and the Company at the end of the reporting period based on contractual undiscounted repayment obligations as follows:

Group	On demand or within one year RM'000	One to five years RM'000	More than five years RM'000	Total RM'000
31 December 2019				
Lease liabilities	1,023	1,807	504	3,334

Company	On demand or within one year RM'000	One to five years RM'000	More than five years RM'000	Total RM'000
31 December 2019				
Lease liabilities	30	25	-	55

(k) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities from financing activities to the statements of financial position and statements of cash flows are as follows:

	Lease liabilities	
	Group RM'000	Company RM'000
At 1 January 2019, as previously reported	-	-
Effect on adoption of MFRS 16 (Note 43.2)	3,611	79
As restated	3,611	79
Additions	142	-
Cash flows		
- Payments of lease liabilities	(823)	(27)
- Payments of lease interest	(178)	(4)
Non-cash flows		
- Interest expenses	178	4
At 31 December 2019	2,930	52

19. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

The Group and the Company as lessor

The Group and the Company have entered into non-cancellable lease agreements on certain properties, mainly for own use, for terms of between one (1) to five (5) years and renewable at the end of the lease period subject to an increase clause.

The Group and the Company have aggregate future minimum lease receivable as at the end of each reporting period as follows:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Not later than 1 year	955	676	1,036	777
Later than 1 year but not later than 5 years	1,539	840	1,636	1,053
	2,494	1,516	2,672	1,830

20. BIOLOGICAL ASSETS

Group	Forest planting expenditure (At fair value) RM'000	Forest planting expenditure (At cost) RM'000	Total RM'000
Non-current assets			
At cost/valuation			
At 1 January 2019	307,283	95,650	402,933
Additions during the year	4,719	-	4,719
Loss from fair value adjustment	(1,393)	-	(1,393)
At 31 December 2019	310,609	95,650	406,259
At 1 January 2018	296,093	95,650	391,743
Additions during the year	6,628	-	6,628
Gain from fair value adjustment	4,562	-	4,562
At 31 December 2018	307,283	95,650	402,933
Accumulated amortisation			
At 1 January 2019	-	(2,362)	(2,362)
Amortisation for the year:			
Recognised in profit or loss (Note 12)	-	(1,181)	(1,181)
At 31 December 2019	-	(3,543)	(3,543)
At 1 January 2018	-	(1,181)	(1,181)
Amortisation for the year:			
Recognised in profit or loss (Note 12)	-	(1,181)	(1,181)
At 31 December 2018	-	(2,362)	(2,362)
Net carrying amount:			
At cost/valuation			
At 31 December 2019	310,609	92,107	402,716
At 31 December 2018	307,283	93,288	400,571

Notes to the Financial Statements

31 December 2019

20. BIOLOGICAL ASSETS (continued)

Company	Forest planting expenditure (At fair value) RM'000	Forest planting expenditure (At cost) RM'000	Total RM'000
Non-current assets			
At cost/valuation			
At 1 January 2019	232,215	95,650	327,865
Additions during the year	2,560	-	2,560
Loss from fair value adjustment	(6,036)	-	(6,036)
At 31 December 2019	228,739	95,650	324,389
At 1 January 2018	241,590	95,650	337,240
Additions during the year	3,542	-	3,542
Loss from fair value adjustment	(12,917)	-	(12,917)
At 31 December 2018	232,215	95,650	327,865
Accumulated amortisation			
At 1 January 2019	-	(2,362)	(2,362)
Amortisation for the year:			
Recognised in profit or loss (Note 12)	-	(1,181)	(1,181)
At 31 December 2019	-	(3,543)	(3,543)
At 1 January 2018	-	(1,181)	(1,181)
Amortisation for the year:			
Recognised in profit or loss (Note 12)	-	(1,181)	(1,181)
At 31 December 2018	-	(2,362)	(2,362)
Net carrying amount:			
At cost/valuation			
At 31 December 2019	228,739	92,107	320,846
At 31 December 2018	232,215	93,288	325,503

20. BIOLOGICAL ASSETS (continued)

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Current assets				
At fair value				
Fresh fruit bunches				
At beginning of financial year	5,086	7,825	82	222
Changes in fair value less costs to sell	4,769	(2,709)	10	(140)
Exchange differences	(551)	(30)	-	-
At end of financial year	9,304	5,086	92	82

The nature and purpose of each category of biological assets are as follows:

(a) Forest planting expenditure

(i) Forest planting expenditure represents Industrial Timber Plantation expenses incurred on the development of the Group's Sustainable Forest Management Project under a Sustainable Forest Management License Agreement with the State Government of Sabah, in respect of a long term concession for 93,000 hectares of timber land under Forest Management Unit at Ulu Tungud, Sabah. This is carried at its fair value with changes in fair value recognised in profit or loss.

During the current financial year, the Group had carried out a valuation exercise to reflect the fair value of the Group's forest planting expenditure within the Industrial Timber Plantation area. The latest valuation exercise was conducted by CH Williams Talhar & Wong, with a valuation report dated 20 January 2020 for the valuation as at 31 December 2019.

For areas beyond the Industrial Timber Plantation, direct and related cost incurred and capitalised under biological assets will be amortised over the remaining concession period.

(ii) Included in forest planting expenditure incurred during the financial year are:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant plant and equipment (Note 18(e))	308	432	208	251
Interest expense (Note 11)	1,074	882	876	882
Employee benefits expenses (Note 13)	1,211	986	480	653

Notes to the Financial Statements

31 December 2019

20. BIOLOGICAL ASSETS (continued)

The nature and purpose of each category of biological assets are as follows (continued):

(a) Forest planting expenditure (continued)

(iii) The methods and assumptions used by management to determine fair values are as follows:

Investment method is adopted to value forest planting expenditure within the Industrial Timber Plantation area. For rubber, the annual income from latex is estimated based on yield and long term average price of the crop. Thereafter, the cost of production is deducted and the net income is derived. In the final year, the value of rubberwood that could be harvested from the old rubber trees to be felled before replanting is added. The whole income flow from latex and from the rubberwood in the last year is then capitalised using the net present value, discounted at the appropriate rate of return for the remaining cropping life of the rubber trees to obtain the value of the present crops.

For the other plantation trees, the present tree crop is valued as profits from timber extraction and sales obtained by deducting the production costs from sales revenues. This is discounted at the appropriate rate of return to obtain the value of the present tree crop. For both the rubber and the other plantation trees, the scrub value (infrastructure value only, and excluding land cost) to which the land reverts at the end of the economic life of the cultivations, deferred (discounted) for the period is then added to the value of the present crops. The fair value is derived from deducting the value of the infrastructures from the market value of the trees.

Biological assets	Valuation technique used	Significant unobservable inputs	Range	Inter-relationship between key unobservable inputs and fair value
Forest planting expenditure within the Industrial Timber Plantation area	Investment method	(a) Discount rate	2019: 10% - 14% (2018: 10% - 14%)	The higher the discount rate, the lower the fair value.
		(b) Estimated yield		The higher the yield rate, the higher the fair value.
		- rubber (kg/Ha)	2019: 490 - 1,960 (2018: 500 - 2,000)	
		- wood/timber (M^3/Ha)	2019: 120 - 160 (2018: 160 - 200)	
		(c) Estimated price		The higher the price, the higher the fair value.
		- rubber (RM/KG)	2019: 6.50 (2018: 6.50)	
		- wood/timber (RM/M^3)	2019: 350 - 425 (2018: 350 - 425)	

(iv) The fair value of forest planting expenditure of the Group and of the Company is categorised as Level 3 in the fair value hierarchy. There is no transfer between levels in the fair value hierarchy during the financial year.

20. BIOLOGICAL ASSETS (continued)

The nature and purpose of each category of biological assets are as follows (continued):

(b) Fresh Fruit Bunches ("FFB") prior to harvest

(i) The valuation model adopted by the Group and the Company considers the present value of the net cash flows expected to be generated from the sales of FFB. To arrive at the fair value, the management has considered the oil content of the unripe FFB and derived the assumption that the net cash flows to be generated from FFB prior to more than 15 days to harvest is negligible, therefore quantity of unripe FFB on bearer plant of up to 15 days prior to harvest was used for valuation purpose. The value of the unripe FFB was estimated to be approximately 80% of the ripe FFB, based on actual oil extraction rate and kernel extraction rate of the unripe FFB from the laboratory tests. Costs to sell include harvesting cost, transport and windfall profit levy.

(ii) During the financial year, the Group and the Company harvested approximately 893,738 tonnes and 10,835 tonnes (2018: 857,801 tonnes and 14,854 tonnes) respectively of FFB.

(iii) As at 31 December 2019, none of the FFB are pledged as securities for liabilities.

(iv) The fair value measurement of the Group's and the Company's biological assets are categorised within Level 3 of the fair value hierarchy. If the FFB selling price changes by 10%, fair value gain/loss for the Group and the Company would have equally increased or decreased by approximately RM1,495,000 and RM14,000 (2018: RM791,000 and RM14,000) respectively.

There were no transfers between all three (3) levels of the fair value hierarchy during the financial year.

21. LAND USE RIGHTS

	Group	
	2019	**2018**
	RM'000	**RM'000**
Cost:		
At 1 January 2019, as previously reported/At 1 January 2018	252,270	245,595
Effect on adoption of MFRS 16 (Note 43.2)	(252,270)	-
At 1 January 2019, as restated/At 1 January 2018	-	245,595
Additions	-	2,475
Transfer from prepayment for acquisition of land use rights (Note 27 (b)(iv))	-	9,104
Exchange differences	-	(4,904)
At 31 December	-	252,270

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21. LAND USE RIGHTS (continued)

	Group 2019 RM'000	Group 2018 RM'000
Accumulated amortisation:		
At 1 January 2019, as previously reported/At 1 January 2018	69,759	63,796
Effect on adoption of MFRS 16 (Note 43.2)	(69,759)	-
At 1 January 2019, as restated/At 1 January 2018		
Amortised for the financial year:	-	7,470
Recognised in profit or loss (Note 12)	-	6,449
Capitalised in bearer plants (Note 18(f))	-	1,021
Exchange differences	-	(1,507)
At 31 December	-	69,759
Net carrying amount	-	182,511

	Group 2019 RM'000	Group 2018 RM'000
Amounts to be amortised:		
Not later than one year	-	7,470
Later than one year but not later than five years	-	29,880
Later than five years	-	145,161

Land use rights were initially measured at cost. Following initial recognition, land use rights were measured at cost less accumulated amortisation and any accumulated impairment losses. The land use rights were amortised over their lease terms.

The Group has reassessed and reclassified land use rights to right-of-use assets during the financial year as disclosed in Note 19 to the financial statements.

22. INTANGIBLE ASSETS

Goodwill

	RM'000
Group	
Cost:	
At 1 January 2018	61,752
Exchange differences	(1,080)
At 31 December 2018 and 1 January 2019	60,672
Exchange differences	708
At 31 December 2019	61,380

22. INTANGIBLE ASSETS (continued)

Goodwill (continued)

	RM'000
Group	
Accumulated impairment:	
At 1 January 2018/1 January 2019	4,500
Impairment during the financial year	-
At 31 December 2018 and 2019	4,500
Net carrying amount	
At 31 December 2019	56,880
At 31 December 2018	56,172

Impairment tests for goodwill

The carrying amounts of goodwill allocated to each CGU are as follows:

	Group	
	2019 RM'000	2018 RM'000
Segments:		
Palm products	52,139	51,431
Others	4,741	4,741
	56,880	56,172

The recoverable amounts of the CGU have been determined based on value-in-use calculations using cash flow projections from financial budgets approved by management covering a five-year period. For palm product companies, cash flows projections are extrapolated to a period of up to twenty-three (23) years, which would cover the major life cycle of oil palm trees. Whilst for other companies, cash flows projections are extrapolated to the average economic useful lives of the assets.

Growth rate for the plantation segment are determined based on the management's estimate of commodity prices, palm yields, oil extraction rates and also cost of productions whilst growth rates of other segments are determined based on the past performances of the segments.

The pre-tax discount rate applied to the cash flow projections are as follows:

	2019 %	2018 %
Pre-tax discount rates	7.00 - 9.00	7.00 - 9.00

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22. INTANGIBLE ASSETS (continued)

Goodwill (continued)

The calculations of value-in-use for the CGU are most sensitive to the following assumptions:

Budgeted gross profit margins - Gross profit margins are based on historical profit margin achieved. These are increased over the budget period for anticipated efficiency improvements.

Pre-tax discount rates - Discount rates reflect the current market assessment of the risks specific to each CGU. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use, the management is not aware of any reasonably possible change in the above key assumptions that would cause the carrying amounts of the CGUs to materially exceed their recoverable amounts.

23. INVESTMENTS IN SUBSIDIARIES

	Company	
	2019	2018
	RM'000	RM'000
Unquoted shares, at cost:		
In Malaysia	239,965	240,166
Outside Malaysia	31,651	31,178
	271,616	271,344
ESOS granted to employees of subsidiaries	2,446	2,446
Non-cumulative redeemable convertible preference shares	598,611	616,576
Non-convertible redeemable preference shares	14,500	14,500
	887,173	904,866
Less: Impairment losses	(8,862)	(8,942)
	878,311	895,924

(a) In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. 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.

(b) Impairment losses on investments in subsidiaries amounting to RM104,000 (2018: RM89,000) have been recognised during the financial year in respect of certain subsidiaries due to continuous losses making of these subsidiaries. The net carrying amounts of investments in these subsidiaries amounted to RM214,730,000 as at 31 December 2019 (2018: RM202,029,000).

23. INVESTMENTS IN SUBSIDIARIES (continued)

(b) (continued)

Management has made estimates about the future results and key assumptions applied to cash flow projections of these subsidiaries in determining their recoverable amounts using the value-in-use model. These key assumptions include forecast growth in future revenues and budgeted gross profit margins, as well as determining an appropriate pre-tax discount rate, growth rates and terminal values.

The disclosures of the key assumptions are similar to the impairment assessment on the intangible assets, which have been set out in Note 22 to the financial statements.

(c) During the financial year, the Company:

(i) subscribed for a total of 1,625 shares, representing 65% of the entire issued and paid-up capital of PT Aman Mulia Gemilang ("PTAMG") for a total subscription consideration of Rupiah 1.625 billion (or equivalent to RM473,000) by cash.

(ii) subscribed for an additional 2,133,000 non-cumulative redeemable convertible preference shares in certain subsidiaries for a total subscription consideration of RM8,644,000 by cash.

(iii) redeemed 26,609,000 non-cumulative redeemable convertible preference shares at RM1.00 each in Polar Vertix Sdn. Bhd. with total redemption amount of RM26,609,000 by way of contra against the amount due from the Company.

(iv) struck off TSH Forestry (Sabah) Sdn. Bhd., TSH Sukuk Musyarakah Sdn. Bhd. and TSH Sabahan Oil Mill Sdn. Bhd., which are the direct subsidiaries of the Company from the register of Companies Commission of Malaysia upon the application by the Company. The strike off has resulted in a loss of RM17,000 to the Company.

(d) In the previous financial year, the Company:

(i) subscribed for an additional 11,686,000 non-cumulative redeemable convertible preference shares in certain subsidiaries. The consideration for the subscriptions amounted to RM5,166,000 was satisfied by cash and remaining balance of RM6,520,000 was satisfied by way of capitalisation of amounts due to the Company.

(ii) redeemed 1,600,000 non-cumulative redeemable convertible preference shares at RM1.00 each in TSH Bio-Gas Sdn. Bhd. with total redemption amount of RM1,600,000 by cash.

(iii) redeemed 1,100,000 non-cumulative redeemable convertible preference shares at RM1.00 each in Globeflex Advisory Sdn. Bhd. with total redemption amount of RM1,100,000. The redemption amount of RM220,000 was satisfied by cash and remaining balance of RM880,000 was satisfied by way of contra against the amounts due from the Company.

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23. INVESTMENTS IN SUBSIDIARIES (continued)

(e) The details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	% of effective ownership interest held by the Group 2019 %	2018 %	% of ownership held by non-controlling interest 2019 %	2018 %
Held by the Company:						
TSH Plantation Sdn. Bhd. [i]	Malaysia	Operation of palm oil mills and investment holding	100	100	-	-
CocoaHouse Industries Sdn. Bhd. [i]	Malaysia	Dormant	100	100	-	-
CocoaHouse Sdn. Bhd. [i]	Malaysia	Manufacture and sale of cocoa products and investment holding	100	100	-	-
Ekowood International Berhad [i]	Malaysia	Manufacture and sale of downstream wood products	100	100	-	-
TSH Bio-Gas Sdn. Bhd. [i]	Malaysia	Operation of biogas power plant	100	100	-	-
TSH Forestry (Sabah) Sdn. Bhd. [vi]	Malaysia	Dormant	-	100	-	-
LKSK Sdn. Bhd. [i]	Malaysia	Oil palm plantations	51	51	49	49
TSH Sabahan Oil Mill Sdn. Bhd. [vi]	Malaysia	Dormant	-	100	-	-
Tan Soon Hong Holdings Sdn. Bhd. [i]	Malaysia	Oil palm plantations and investment holding	100	100	-	-
TSH Bio-Energy Sdn. Bhd. [i]	Malaysia	Operation of a power plant	100	100	-	-
TSH Timber Industries Sdn. Bhd. [i]	Malaysia	Dormant	100	100	-	-
POME Energy Sdn. Bhd. [i]	Malaysia	Dormant	100	100	-	-
Landquest Sdn. Bhd. [i]	Malaysia	Oil palm plantations	56.68	56.68	43.32	43.32
TSH Sumbar Group Limited [iv]	Seychelles	Investment holding	100	100	-	-
PT Aramico Komoditi [ii/iv]	Indonesia	Dormant	74.42	74.42	25.58	25.58
TSH Logistics Sdn. Bhd. [i]	Malaysia	Investment holding	100	100	-	-
Polar Vertix Sdn. Bhd. [i]	Malaysia	Dormant	100	100	-	-
TSH Oversea Pte. Ltd. [iv]	Singapore	Investment holding	100	100	-	-
TSH Sukuk Ijarah Sdn. Bhd. [i]	Malaysia	Undertake of Islamic Securities transactions	100	100	-	-

23. INVESTMENTS IN SUBSIDIARIES (continued)

(e) The details of the subsidiaries are as follows (continued):

Name of subsidiaries	Country of incorporation	Principal activities	% of effective ownership interest held by the Group 2019 %	2018 %	% of ownership held by non-controlling interest 2019 %	2018 %
Held by the Company (continued):						
TSH Global Plantation. Pte Ltd. [iv]	Singapore	Investment holding	100	100	-	-
TSH Mitra Capital Pte. Ltd. [iv]	Singapore	Investment holding	100	100	-	-
GlobeFlex Advisory Sdn. Bhd. [i]	Malaysia	Investment holding	100	100	-	-
TSH Sukuk Musyarakah Sdn. Bhd. [vi]	Malaysia	Dormant	-	100	-	-
Halaman Semesta Sdn. Bhd. [i]	Malaysia	Investment holding	100	100	-	-
Bagan Agresif Sdn. Bhd. [i]	Malaysia	Investment holding	100	100	-	-
Casa Logistic Sdn. Bhd. [i]	Malaysia	Investment holding	100	100	-	-
Rinukut Sdn. Bhd. [i]	Malaysia	Investment holding	70	70	30	30
TSH Sukuk Murabahah Sdn. Bhd. [i]	Malaysia	Undertake of Islamic Securities transactions	100	100	-	-
Icon Field Ventures Sdn. Bhd. [i]	Malaysia	Investment holding	100	100	-	-
TSH Agri Pte. Ltd. [v]	Singapore	Management services and trading of goods	100	100	-	-
PT Aman Mulia Gemilang [iv]	Indonesia	Dormant	65	-	35	-
Held through Ekowood International Berhad						
TSH Products Sdn. Bhd. [i]	Malaysia	Dormant	100	100	-	-
Ekowood Iberica, S.L. [iii]	Spain	Dormant	99.96	99.96	0.04	0.04
Ekowood Malaysia Sdn. Bhd. [i]	Malaysia	Supply and installation of timber flooring	100	100	-	-
EkoLoc System Sdn. Bhd. [i]	Malaysia	Sub-licensing of strip lock system	100	100	-	-
Ekowood (USA) Inc. [iii]	United States of America	Trading of wood products	100	100	-	-
Ekowood S.A. [iii]	Luxembourg	Dormant	70	70	30	30
Held through TSH Plantation Sdn. Bhd.						
TSH Plantation Management Sdn. Bhd. [i]	Malaysia	Operation of a palm oil mill	100	100	-	-

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31 December 2019

23. INVESTMENTS IN SUBSIDIARIES (continued)

(e) The details of the subsidiaries are as follows (continued):

Name of subsidiaries	Country of incorporation	Principal activities	% of effective ownership interest held by the Group 2019 %	2018 %	% of ownership held by non-controlling interest 2019 %	2018 %
Held through TSH Plantation Sdn. Bhd. (continued)						
TSH Biotech Sdn. Bhd. [i]	Malaysia	Undertake oil palm ramets and other tissue culture projects	100	100	-	-
TSH Forest Plantation Sdn. Bhd. [i]	Malaysia	Forest plantation	100	100	-	-
Held through CocoaHouse Sdn. Bhd.						
PT Sinar Bersatu [ii/iv]	Indonesia	Dormant	99	99	1	1
Afromal Cocoa Limited [ii/iii]	Ghana	Dormant	100	100	-	-
Held through Tan Soon Hong Holdings Sdn. Bhd.						
TSH Palm Products Sdn. Bhd. [i]	Malaysia	Oil palm plantations and investment holding	100	100	-	-
Held through TSH Palm Products Sdn. Bhd.						
Eko Pulp & Paper Sdn. Bhd. [i]	Malaysia	Hiring business	100	100	-	-
Held through TSH Sumbar Group Limited						
PT Andalas Agro Industri [iv]	Indonesia	Operation of a palm oil mill and investment holding	70	70	30	30
PT Andalas Wahana Berjaya [iv]	Indonesia	Oil palm plantations and operation of a palm oil mill	70	70	30	30
Held through TSH Oversea Pte. Ltd.						
PT Sarana Prima MultiNiaga [iv]	Indonesia	Oil palm plantations and operation of a palm oil mill	90	90	10	10
PT Teguh Swakarsa Sejahtera [iv]	Indonesia	Oil palm plantations	90	90	10	10
Held through PT Andalas Agro Industri						
PT Laras Internusa [iv]	Indonesia	Oil palm plantations	69.77	69.77	30.23	30.23
Held through TSH Global Plantation Pte. Ltd.						
PT Farinda Bersaudara [iv]	Indonesia	Oil palm plantations and operation of a palm oil mill	90	90	10	10

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23. INVESTMENTS IN SUBSIDIARIES (continued)

(e) The details of the subsidiaries are as follows (continued):

Name of subsidiaries	Country of incorporation	Principal activities	% of effective ownership interest held by the Group 2019 %	% of effective ownership interest held by the Group 2018 %	% of ownership held by non-controlling interest 2019 %	% of ownership held by non-controlling interest 2018 %
Held through TSH Mitra Capital Pte. Ltd.						
PT Mitra Jaya Cemerlang [iv]	Indonesia	Oil palm plantations	90	90	10	10
Held through GlobeFlex Advisory Sdn. Bhd.						
PT Karya Unggulan Cemerlang [iv]	Indonesia	Provision of management services	90	90	10	10
Held through TSH Logistics Sdn. Bhd.						
PT Bulungan Citra Agro Persada [iv]	Indonesia	Oil palm plantations	90	90	10	10
Held through Halaman Semesta Sdn. Bhd.						
PT Munte Waniq Jaya Perkasa [iv]	Indonesia	Oil palm plantations	90	90	10	10
Held through Bagan Agresif Sdn. Bhd.						
PT Andalas Wahana Sukses [iv]	Indonesia	Oil palm plantations	90	90	10	10
Held through Casa Logistic Sdn. Bhd.						
PT Perkebunan Sentawar Membangun [iv]	Indonesia	Oil palm plantations	90	90	10	10
Held through Rinukut Sdn. Bhd.						
RT Plantations Sdn. Bhd. [i]	Malaysia	Oil palm plantations	42	42	58	58
Held through Icon Field Ventures Sdn. Bhd.						
PT Prima Usaha Sukses [iv]	Indonesia	Oil palm plantations	90	90	10	10

i Audited by BDO PLT, Malaysia.
ii These subsidiaries were placed under members' voluntary winding-up in the previous financial years.
iii Audited by BDO PLT, Malaysia for the purpose of consolidation in the financial statements of the Group.
iv Not audited by BDO PLT or member firms of BDO International.
v Audited by BDO Member Firms.
vi Struck-off under Section 550 of the Companies Act 2016 and did not have any material effect to the financial performance.

23. INVESTMENTS IN SUBSIDIARIES (continued)

(f) Material partly-owned subsidiaries

Summarised financial information of TSH Sumbar Group Limited, TSH Oversea Pte. Ltd., TSH Global Plantation Pte. Ltd., LKSK Sdn. Bhd., Landquest Sdn. Bhd. and Rinukut Sdn. Bhd., which have non-controlling interests that are material to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination. The non-controlling interests ("NCI") in respect of other subsidiaries is not material to the Group.

(i) Summarised statements of financial position

	Subsidiaries of TSH Sumbar Group Limited		Subsidiaries of TSH Oversea Pte. Ltd.		Subsidiary of TSH Global Plantation Pte. Ltd.		LKSK Sdn. Bhd.		Landquest Sdn. Bhd.		Rinukut Sdn. Bhd. and its subsidiary	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets and liabilities												
Non-current assets	334,987	318,196	262,031	242,517	323,804	317,702	41,209	38,689	25,894	29,115	85,387	82,996
Current assets	35,389	43,345	35,593	41,427	38,838	48,589	4,646	4,310	1,600	690	6,939	6,557
Total assets	370,376	361,541	297,624	283,944	362,642	366,291	45,855	42,999	27,494	29,805	92,326	89,553
Current liabilities	8,972	16,039	21,057	16,688	14,891	12,306	725	618	1,885	385	6,677	86,927
Non-current liabilities	172,303	174,912	7,341	37,210	386,339	379,943	8,662	8,767	5,068	5,147	90,028	-
Total liabilities	181,275	190,951	28,398	53,898	401,230	392,249	9,387	9,385	6,953	5,532	96,705	86,927
Net assets/(liabilities)	189,101	170,590	269,226	230,046	(38,588)	(25,958)	36,468	33,614	20,541	24,273	(4,379)	2,626
Carrying amounts of NCI	59,424	52,701	27,901	25,154	(2,951)	(1,896)	21,730	20,332	8,899	10,661	18,081	21,811

23. INVESTMENTS IN SUBSIDIARIES (continued)

(f) Material partly-owned subsidiaries (continued)

(ii) Summarised statements of comprehensive income

	Subsidiaries of TSH Sumbar Group Limited		Subsidiaries of TSH Oversea Pte. Ltd.		Subsidiary of TSH Global Plantation Pte. Ltd.		LKSK Sdn. Bhd.		Landquest Sdn. Bhd.		Rinukut Sdn. Bhd. and its subsidiary	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Results												
Revenue	134,231	128,147	114,819	104,690	128,469	117,983	5,399	8,554	1,497	1,707	4,495	3,467
Profit/(loss) for the year	18,488	23,997	16,701	23,509	(3,245)	1,533	(521)	1,059	(329)	(253)	(6,379)	893
Total comprehensive income/(loss) for the year	17,970	23,516	17,002	23,592	(3,423)	1,797	(521)	1,059	(329)	(253)	(6,379)	893
Profit/(loss) allocated to NCI	5,431	7,098	1,700	2,359	(342)	180	(255)	519	(142)	(110)	(3,698)	560

(iii) Summarised cash flows

	Subsidiaries of TSH Sumbar Group Limited 2019	2018	Subsidiaries of TSH Oversea Pte. Ltd. 2019	2018	Subsidiary of TSH Global Plantation Pte. Ltd. 2019	2018	LKSK Sdn. Bhd. 2019	2018	Landquest Sdn. Bhd. 2019	2018	Rinukut Sdn. Bhd. and its subsidiary 2019	2018
Net cash flows from/(used in) operating activities	42,362	38,450	35,861	(2,751)	32,328	(38,212)	347	811	1,701	910	(4,849)	1,476
Net cash flows (used in)/from investing activities	(6,306)	(25,387)	(37,858)	(2,522)	(4,211)	(21,967)	(670)	(503)	(1,582)	(1,522)	(2,643)	(12,543)
Net cash flows (used in)/from financing activities	(38,232)	(15,913)	(4,206)	15,100	(13,073)	61,096	-	(2,000)	-	-	8,019	10,931
Net (decrease)/increase in cash and cash equivalents	(2,176)	(2,850)	(6,203)	9,827	15,044	917	(323)	(1,692)	119	(612)	527	(136)
Effect of exchange rate changes	330	(571)	406	(239)	167	(206)	-	-	-	-	-	-
Cash and cash equivalents at beginning of the year	13,587	17,008	16,726	7,138	6,851	6,140	727	2,419	18	630	288	424
Cash and cash equivalents at end of the year	11,741	13,587	10,929	16,726	22,062	6,851	404	727	137	18	815	288

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24. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Quoted shares in Malaysia, at cost	61,259	61,259	61,259	61,259
Share of post-acquisition reserves	19,233	18,329	-	-
	80,492	79,588	61,259	61,259
Fair value of investment in an associate for which there is published price quotation	100,858	64,087	100,858	64,087

(a) Investment in an associate is measured at cost in the separate financial statements of the Company and is accounted for using the equity method in the consolidated financial statements.

(b) The details of the associate are as follows:

Name of associate	Country of incorporation	Principal activities	Effective interest 2019 %	Effective interest 2018 %
Innoprise Plantations Berhad *	Malaysia	Log extraction contractor, operation of oil palm plantations and palm oil mill, and producer and supplier of renewable energy	21.94	21.94

* *Not audited by BDO PLT or member firms of BDO International.*

(c) The financial year end of the above associate is coterminous with those of the Group.

(d) The summarised financial information of the associate, not adjusted for the proportion of ownership interest held by the Group, is as follows:

(i) Summarised statements of financial position

	2019 RM'000	2018 RM'000
Assets and liabilities		
Current assets	23,513	10,227
Non-current assets	366,974	375,624
Total assets	390,487	385,851
Current liabilities	29,818	34,533
Non-current liabilities	43,293	38,063
Total liabilities	73,111	72,596
Net assets	317,376	313,255

24. INVESTMENT IN AN ASSOCIATE (continued)

(d) The summarised financial information of the associate, not adjusted for the proportion of ownership interest held by the Group, is as follows (continued):

(ii) Summarised statements of comprehensive income

	2019 RM'000	2018 RM'000
Results		
Revenue	118,600	114,222
Profit for the year	13,640	10,185
Total comprehensive income	13,640	10,185

(iii) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in associate.

	2019 RM'000	2018 RM'000
Net assets at 1 January	313,255	317,436
Total comprehensive income	13,640	10,185
Transaction with owners	(9,519)	(14,366)
Net assets at 31 December	317,376	313,255
Interest in associate (%)	21.94%	21.94%
	69,632	68,728
Goodwill	10,860	10,860
Carrying value of Group's interest in associate	80,492	79,588

(iv) Dividends received from associate during the financial year amounted to RM1,050,000 (2018: RM3,152,000).

(v) The fair value of quoted shares in Malaysia is determined by reference to the exchange quoted market bid prices at the close of the business at the end of the reporting period.

25. INVESTMENTS IN JOINT VENTURES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unquoted shares, at cost	20,750	20,750	20,750	20,750
Share of post-acquisition reserves	57,662	48,431	-	-
	78,412	69,181	20,750	20,750

The Group has 50% of the voting rights of its joint arrangements. Under the contractual arrangements, unanimous consent is required from all parties to the agreements for all relevant activities. The Group's interest in joint ventures is accounted for using the equity method in the consolidated financial statements. In the separate financial statements of the Company, investments in joint ventures are measured at cost.

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25. INVESTMENTS IN JOINT VENTURES (continued)

The joint arrangements are structured via separate entities and provide the Group with the rights to the net assets of the entities under the arrangements. Therefore, these entities are classified as joint ventures of the Group.

(a) Details of the joint ventures are as follows:

Name of joint ventures	Country of incorporation	Principal activities	Effective interest 2019 %	Effective interest 2018 %
TSH-Wilmar Sdn. Bhd.*	Malaysia	Operation of palm oil refinery mill and kernel crushing plant	50	50
TSH-Wilmar (BF) Sdn. Bhd.*	Malaysia	Operation of a power plant	50	50

* *Audited by BDO PLT, Malaysia.*

These joint ventures have the same reporting period as the Group.

(b) Summarised financial information of TSH-Wilmar Sdn. Bhd. and TSH-Wilmar (BF) Sdn. Bhd. is set out below. The summarised information represents the amounts in the financial statements of the joint ventures and not the Group's share of those amounts.

(i) Summarised statements of financial position

	TSH-Wilmar Sdn. Bhd.		TSH-Wilmar (BF) Sdn. Bhd.	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-current assets	56,891	54,210	4,302	4,667
Cash and cash equivalents	52,923	66,439	214	295
Other current assets	219,946	238,072	8,183	5,791
Total current assets	272,869	304,511	8,397	6,086
Total assets	329,760	358,721	12,699	10,753
Current liabilities (excluding trade and other payables and provisions)	107,190	177,405	928	1,085
Trade and other payables and provisions	69,815	45,110	1,282	1,690
Total current liabilities	177,005	222,515	2,210	2,775
Non-current liabilities (excluding trade and other payables and provisions)	5,846	4,462	600	696
Total liabilities	182,851	226,977	2,810	3,471
Net assets	146,909	131,744	9,889	7,282

25. INVESTMENTS IN JOINT VENTURES (continued)

(b) Summarised financial information of TSH-Wilmar Sdn. Bhd. and TSH-Wilmar (BF) Sdn. Bhd. is set out below. The summarised information represents the amounts in the financial statements of the joint ventures and not the Group's share of those amounts. (continued)

(ii) Summarised statements of comprehensive income

	TSH-Wilmar Sdn. Bhd.		**TSH-Wilmar (BF) Sdn. Bhd.**	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue	1,605,897	1,627,087	28,047	26,433
Depreciation and amortisation	2,654	2,300	589	675
Interest income	1,089	644	258	324
Interest expense	(4,478)	(6,612)	-	-
Profit/(Loss) before tax	29,565	(454)	13,827	11,574
Taxation	(6,400)	967	(3,220)	(2,658)
Profit after tax, represent total comprehensive income	23,165	513	10,607	8,916

(c) Reconciliations of the summarised financial information presented above to the carrying amount of the Group's interest in joint ventures are as follows:

	TSH-Wilmar Sdn. Bhd.		**TSH-Wilmar (BF) Sdn. Bhd.**	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Net assets at 1 January	131,744	131,231	7,282	16,366
Profit for the year	23,165	513	10,607	8,916
Dividends	(8,000)	-	(8,000)	(18,000)
Net assets at 31 December	146,909	131,744	9,889	7,282
Interests in joint ventures	50%	50%	50%	50%
	73,454	65,872	4,945	3,641
Unrealised profit on inventories	13	(332)	-	-
Carrying value of Group's interests in joint ventures	73,467	65,540	4,945	3,641

Dividends received from joint ventures during the financial year amounted to RM8,000,000 (2018: RM9,000,000).

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26. DEFERRED TAX

(a) Deferred tax as at 31 December related to the following:

Group	At 1 January 2018 RM'000	Recognised in profit or loss (Note 15) RM'000	Exchange differences RM'000	At 31 December 2018/ 1 January 2019 RM'000	Effect on adoption of MFRS 16 RM'000	Recognised in profit or loss (Note 15) RM'000	Recognised in other comprehensive income RM'000	Exchange differences RM'000	At 31 December 2019 RM'000
Deferred tax liabilities:									
Property, plant and equipment	100,773	(3,305)	(2,271)	95,197	(45,122)	1,683	-	(39)	51,719
Biological assets	76,122	(2,616)	10	73,516	-	(3,963)	-	41	69,594
Land use rights	14,485	(781)	(289)	13,415	-	(1,413)	-	255	12,257
Right-of-use assets	-	-	-	-	45,122	(668)	-	-	44,454
Others	5,918	2,802	(119)	8,601	-	762	-	(95)	9,268
	197,298	(3,900)	(2,669)	190,729	-	(3,599)	-	162	187,292
Deferred tax assets:									
Tax losses and unabsorbed capital allowances	(50,641)	(5,542)	171	(56,012)	-	(3,307)	-	(218)	(59,537)
Others	(15,182)	3,643	418	(11,121)	(56)	1,503	(149)	(101)	(9,924)
	(65,823)	(1,899)	589	(67,133)	(56)	(1,804)	(149)	(319)	(69,461)
	131,475	(5,799)	(2,080)	123,596	(56)	(5,403)	(149)	(157)	117,831

26. DEFERRED TAX (continued)

(a) Deferred tax as at 31 December related to the following (continued):

Company	At 1 January 2018 RM'000	Recognised in profit or loss (Note 15) RM'000	At 31 December 2018/ 1 January 2019 RM'000	Effect on adoption of MFRS 16 RM'000	Recognised in profit or loss (Note 15) RM'000	At 31 December 2019 RM'000
Deferred tax liabilities:						
Property, plant and equipment	15,876	(267)	15,609	(8,275)	841	8,175
Biological assets	64,125	(4,769)	59,356	-	(1,349)	58,007
Right-of-use assets	-	-	-	8,275	(140)	8,135
	80,001	(5,036)	74,965	-	(648)	74,317
Deferred tax assets:						
Tax losses and unabsorbed capital allowances	(44,932)	489	(44,443)	-	(858)	(45,301)
Others	(4,376)	(2,088)	(6,464)	-	1,089	(5,375)
	(49,308)	(1,599)	(50,907)	-	231	(50,676)
	30,693	(6,635)	24,058	-	(417)	23,641

26. DEFERRED TAX (continued)

(b) Presented after appropriate offsetting:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets, net*	(13,838)	(14,606)	-	-
Deferred tax liabilities, net*	131,669	138,202	23,641	24,058
	117,831	123,596	23,641	24,058

* The amount of set-off between deferred tax assets and deferred tax liabilities was RM55,623,000 (2018: RM52,527,000) for the Group.

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

	Group	
	2019	2018
	RM'000	RM'000
Unused tax losses		
- No expiry date	16,667	16,667
- Expires by 2024 to 2028	95,681	84,395
Unabsorbed capital allowances	8,075	8,376
Other deductible temporary differences	30,807	26,453
	151,230	135,891

Deferred tax assets of certain subsidiaries have not been recognised in respect of these items as it is not probable that taxable profits of the subsidiaries would be available against which the deductible temporary differences could be utilised.

The amount and availability of these items to be carried forward up to the periods as disclosed above are subject to the agreement of the respective local tax authorities.

(c) Unused tax losses

Unused tax losses of certain foreign subsidiaries amounting to RM12,372,000 (2018: RM12,502,000) and RM52,079,000 (2018: RM32,067,000) are available for carry forward in the jurisdiction in which the foreign subsidiaries operate for a period of 20 years and 5 years respectively from the year in which those tax losses arose.

(d) Unrecognised temporary differences relating to investments in subsidiaries

At the end of the reporting period, no deferred tax liability has been recognised for taxes that would be payable on the non-distributable earnings of certain of the Group's foreign subsidiaries as the Group has determined that the undistributed earnings of its subsidiaries will not be distributed in the foreseeable future.

27. TRADE AND OTHER RECEIVABLES

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Current				
Trade receivables				
Third parties	27,357	32,507	184	125
Joint ventures	5,333	-	-	-
Retention sums on contract (Note 31)	1,334	2,079	-	-
	34,024	34,586	184	125
Less: Allowance for impairment				
Third parties	(10,333)	(9,459)	-*	-*
Trade receivables, net	23,691	25,127	184	125
Other receivables				
Amounts due from related parties:				
- subsidiaries	-	-	29,057	120,518
- joint ventures	235	197	8	15
	235	197	29,065	120,533
Less: Allowance for impairment	-	-	(569)	(155)
	235	197	28,496	120,378
Plasma receivables (Note 27(b)(ii))	5,406	1,476	-	-
Other deposits	1,602	2,220	393	357
Sundry receivables	27,257	24,838	6,840	4,508
	34,500	28,731	35,729	125,243
Less: Allowance for impairment	(1,381)	(1,441)	(1,281)	(1,281)
	33,119	27,290	34,448	123,962
	56,810	52,417	34,632	124,087
Non-current				
Other receivables				
Amounts due from subsidiaries	-	-	977,255	884,648
Plasma receivables (Note 27(b)(ii))	61,455	52,371	-	-
Prepayment for acquisition of land use rights	-	32,654	-	-
Sundry receivables	10,321	8,030	-	-
	71,776	93,055	977,255	884,648
Less: Allowance for impairment	(11,862)	(13,974)	(19,726)	(22,098)
	59,914	79,081	957,529	862,550
Total trade and other receivables (current and non-current)	116,724	131,498	992,161	986,637
Less: Prepayment for acquisition of land use rights	-	(32,654)	-	-
Add: Cash and bank balances and deposits (Note 33)	125,854	108,003	38,563	36,734
Total financial assets at amortised cost	242,578	206,847	1,030,724	1,023,371

* The expected credit loss is immaterial.

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27. TRADE AND OTHER RECEIVABLES (continued)

Trade and other receivables are classified as financial assets and measured at amortised cost.

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2018: 30 to 90 days) terms. They are recognised at their original invoice amounts, which represent their fair values on initial recognition.

The ageing analysis of the Group's and of the Company's trade receivables are as follows:

Group	2019 Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
Current	21,146	(58)	21,088
Past due			
- 1 to 30 days	1,051	(55)	996
- 31 to 60 days	483	(151)	332
- 61 to 90 days	733	(307)	426
- 91 to 120 days	890	(398)	492
- More than 121 days	817	(460)	357
	3,974	(1,371)	2,603
Credit impaired			
Individually impaired	8,904	(8,904)	-
	34,024	(10,333)	23,691

	2018 Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
Current	14,582	(5)	14,577
Past due			
- 1 to 30 days	3,737	(58)	3,679
- 31 to 60 days	1,395	(69)	1,326
- 61 to 90 days	1,693	(14)	1,679
- 91 to 120 days	292	(80)	212
- More than 121 days	4,181	(527)	3,654
	11,298	(748)	10,550
Credit impaired			
Individually impaired	8,706	(8,706)	-
	34,586	(9,459)	25,127

27. TRADE AND OTHER RECEIVABLES (continued)

(a) Trade receivables (continued)

The ageing analysis of the Group's and of the Company's trade receivables are as follows (continued):

	2019		
Company	**Gross carrying amount RM'000**	**Loss allowance RM'000**	**Net balance RM'000**
Current	12	-	12
Past due			
- 1 to 30 days	154	-	154
- 31 to 60 days	18	-	18
	184	-	184

	2018		
	Gross carrying amount RM'000	**Loss allowance RM'000**	**Net balance RM'000**
Current	114	-	114
Past due			
- 1 to 30 days	9	-	9
- 31 to 60 days	1	-	1
- More than 121 days	1	-	1
	125	-	125

Impairment loss

Impairment for trade receivables that do not contain a significant financing component are recognised based on the simplified approach using the lifetime expected credit losses.

The Group considers credit loss experience and observable data such as current changes and future forecasts in economic conditions by market segment of the Group as identified in Note 4 to the financial statements to estimate the amount of expected impairment loss. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

During this process, the probability of non-payment by the trade receivables is adjusted by forward looking information i.e. Gross Domestic Product (GDP) and crude palm oil prices and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within other expenses in the consolidated statements of comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

It requires management to exercise significant judgement in determining the probability of default by trade receivables and appropriate forward looking information.

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27. TRADE AND OTHER RECEIVABLES (continued)

(a) Trade receivables (continued)

Impairment loss (continued)

Movements in allowance for impairment accounts are as follows:

Group	Lifetime ECL* allowance RM'000	Credit impaired RM'000	Total allowance RM'000
At 1 January 2019	753	8,706	9,459
Charge for the financial year	686	3,327	4,013
Reversal of impairment loss	(3)	(1,635)	(1,638)
Written off	-	(1,327)	(1,327)
Exchange differences	(7)	(167)	(174)
At 31 December 2019	1,429	8,904	10,333
At 1 January 2018	815	9,288	10,103
Charge for the financial year	277	-	277
Reversal of impairment loss	(330)	(459)	(789)
Written off	-	(23)	(23)
Exchange differences	(9)	(100)	(109)
At 31 December 2018	753	8,706	9,459

* *Expected credit losses*

Credit impaired refers to individually determined debtors who have defaulted on payments and are in significant financial difficulties as at the end of the reporting period.

As at the end of each reporting period, the credit risk exposures relating to trade receivables of the Group are summarised in the table below:

	Group 2019 RM'000	2018 RM'000
Maximum exposure	34,024	34,586
Collateral obtained	-	(8,432)
Net exposure to credit risk	34,024	26,154

The above collaterals were trade credit insurance underwritten by a reputable insurer in Malaysia.

The maximum exposures to credit risk of trade receivables of the Company are represented by the carrying amounts of trade receivables recognised in the statement of financial position. These receivables are not secured by any collateral or credit enhancement as at the end of the current financial year.

27. TRADE AND OTHER RECEIVABLES (continued)

(b) Other receivables

(i) Impairment for other receivables (included plasma receivables) are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. At the end of the reporting period, the Group assesses whether there has been a significant increase in credit risk for financial assets by comparing the risk of default occurring over the expected life with the risk of default since initial recognition. For those in which credit risk had increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Group determined significant increase in credit risk based on past due information, i.e. overdue amounts.

The probability of non-payment by other receivables are adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the twelve-month or lifetime expected credit loss for other receivables.

It requires management to exercise significant judgement in determining the probability of default by other receivables, appropriate forward looking information, significant increase in credit risk and estimated cash flows recoverable in worst-case scenarios.

Movements in allowance for impairment accounts for current and non-current other receivables (included plasma receivables) are as follows:

Group	Lifetime ECL allowance RM'000	Credit impaired RM'000	Total allowance RM'000
At 1 January 2019	9,458	5,957	15,415
Charge for the financial year	922	-	922
Reversal of impairment loss	(1,414)	(2,010)	(3,424)
Exchange differences	272	58	330
At 31 December 2019	9,238	4,005	13,243
At 1 January 2018	9,455	6,135	15,590
Charge for the financial year	1,718	505	2,223
Reversal of impairment loss	(1,340)	(587)	(1,927)
Exchange differences	(375)	(96)	(471)
At 31 December 2018	9,458	5,957	15,415

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27. TRADE AND OTHER RECEIVABLES (continued)

(b) Other receivables (continued)

(i) (continued)

Company	Lifetime ECL allowance RM'000	Credit impaired RM'000	Total allowance RM'000
At 1 January/31 December 2019	11	1,270	1,281
At 1 January 2018	3	1,270	1,273
Charge for the financial year	8	-	8
At 31 December 2018	11	1,270	1,281

Credit impaired refers to individually determined debtors who have defaulted on payments and are in significant financial difficulties as at the end of the reporting period.

(ii) Plasma receivables

The Indonesian government requires oil palm plantation companies to develop new plantations together with the local small landholders. This form of assistance to local small landholders is generally known as the "Plasma Scheme". Once developed, the plasma plantations are transferred to the small landholders who then operate the plasma plantations under the supervision of the developer. In line with this requirement, certain subsidiaries have commitments to develop plantations under the Plasma Scheme. The funding for the development of the plantations under the Plasma Scheme is provided by the designated banks and/or by the subsidiaries. The subsidiaries also provide corporate guarantees for the loans advanced by the banks.

The Group through this partnership scheme also provides technical assistance to the plasma farmers to maintain the productivity of plasma plantations as part of the Group's strategy to strengthen relationship with plasma farmers. This is expected to improve the repayments of plasma receivables.

The accumulated development costs net of funds received are presented as plasma receivables in the consolidated statement of financial position under the Palm Products segment. An analysis of the movements in the plasma receivables is as follows:

	Group 2019 RM'000	Group 2018 RM'000
Balance at 1 January	53,847	62,269
Additional/(Net repayments from) net investments	13,014	(8,422)
	66,861	53,847
Less: Allowance for impairment	(9,336)	(9,583)
Balance at 31 December	57,525	44,264

(iii) Included in sundry receivables of the Group are value-added-tax receivables amounting RM11,589,000 (2018: RM11,143,000).

27. TRADE AND OTHER RECEIVABLES (continued)

(b) Other receivables (continued)

(iv) Prepayment for acquisition of land use rights

The balance represented prepayments for acquisition of rights to use parcels of land located in Indonesia. The net carrying amount of the Group's prepayment for purchase of land use rights as of 31 December 2018 amounted to RM32,654,000. An amount of RM9,104,000 of prepayment for acquisition of land use rights had been transferred to land use rights in the previous financial year.

(v) Non-current receivables of the Group are carried at amortised cost and the discount rates used are based on the effective interest rate of approximately 11% (2018: 9%).

(c) Amounts due from subsidiaries

Non-current amounts due from subsidiaries of RM977,255,000 (2018: RM884,648,000) bear interest at rates ranging from 3.50% to 8.15% (2018: 2.75% to 5.50%) per annum, which are unsecured and not payable within the next twelve (12) months.

Except for the current amounts due from certain subsidiaries totalling RM12,076,000 (2018: RM73,527,000) that bear interest at rates ranging from 2.95% to 4.50% (2018: 4.50% to 8.40%) per annum, the current amounts due from other subsidiaries are non-interest bearing, unsecured and are payable within the next twelve (12) months in cash and cash equivalents.

Sensitivity analysis for fixed rate interest bearing amounts due from subsidiaries as at the end of the reporting period was not presented as they are not affected by changes in interest rates.

Impairment for amounts due from subsidiaries are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model as disclosed in Note 27(b) to the financial statements.

Movements in the allowance for impairment accounts for amounts due from subsidiaries are as follows:

	Lifetime ECL allowance	
	2019	**2018**
Company	**RM'000**	**RM'000**
At 1 January	22,253	18,454
Charge for the financial year	4,464	3,859
Reversal of impairment loss	(6,422)	(60)
At 31 December	20,295	22,253

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27. TRADE AND OTHER RECEIVABLES (continued)

(d) Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the end of reporting period are as follows:

	Group			
	2019		2018	
	RM'000	% of total	RM'000	% of total
By industry sectors:				
Palm products	14,974	44%	8,456	24%
Others	19,050	56%	26,130	76%
	34,024	100%	34,586	100%

As at the end of the reporting period, approximately:

- 16% (2018: Nil) of the trade receivables of the Group were due from related parties.
- 48% (2018: 34%) of the trade and other receivables of the Group were due from plasma receivables.
- 99% (2018: 99%) of the trade and other receivables of the Company were due from subsidiaries.

28. INVESTMENT SECURITIES

	2019	2018
	RM'000	RM'000
Group and Company		
Current		
- Equity instruments (quoted in Malaysia)	6	8
Non-current		
- Equity instruments (unquoted)	50	50
Total investment securities	56	58

(a) The equity instruments were classified as financial assets at fair value through profit or loss pursuant to MFRS 9 *Financial Instruments.*

(b) All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

28. INVESTMENT SECURITIES (continued)

(c) Fair value of quoted ordinary shares in Malaysia is determined by reference to the exchange quoted market bid prices at the close of the business on the end of the reporting period.

(d) The fair value of quoted and unquoted equity instruments of the Group and of the Company is categorised as Level 1 and Level 3 respectively in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

(e) The amount of unquoted shares is immaterial to the Group and the Company.

(f) The following table shows a reconciliation of Level 3 fair values:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Balance at 1 January	50	50	50	50
Fair value changes	-	-	-	-
Balance at 31 December	50	50	50	50

(g) Sensitivity analysis for equity price risk

At the end of the reporting period, if the FTSE Bursa Malaysia KLCI had been 5% higher/lower, with all other variables held constant, the impact to the Group's and the Company's profit/(loss) net of tax would be minimal.

29. INVENTORIES

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Cost				
Raw materials	10,231	13,972	-	-
Work-in-progress	2,902	2,253	-	-
Finished goods	33,945	41,851	117	36
Oil palm nursery	32,098	38,746	1,595	2,218
Stores and supplies	30,864	34,856	588	812
	110,040	131,678	2,300	3,066
Net realisable value				
Work-in-progress	16,658	27,376	-	-
Finished goods	45,668	40,954	-	-
	62,326	68,330	-	-
	172,366	200,008	2,300	3,066

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29. INVENTORIES (continued)

(a) Cocoa products are valued on the first-in first-out method whereas oil palm and wood products are valued on the weighted average method.

(b) During the financial year, the amount of inventories recognised as an expense in cost of sales of the Group and of the Company were RM572,642,000 (2018: RM609,718,000) and RM3,533,000 (2018: RM4,620,000) respectively.

(c) A write off of inventories amounting to RM18,564,000 (2018: RM2,034,000) and RM7,000 (2018: RM144,000) were made by the Group and by the Company respectively during the financial year.

(d) A write down of inventories to net realisable value of RM4,698,000 (2018: RM45,000) was made by the Group during the financial year.

(e) The Group reversed RM2,369,000 (2018: RM184,000) in respect of inventories written down in the previous financial years that was subsequently not required as the Group was able to sell those inventories above their carrying amounts.

30. OTHER CURRENT ASSETS

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Contract assets (Note 31)	1,055	50	-	-
Prepayments	4,815	21,063	20	27
	5,870	21,113	20	27

31. CONTRACT ASSETS/LIABILITIES

	Group	
	2019	2018
	RM'000	RM'000
Contract assets (Note 30):		
Construction contracts	1,055	50
	1,055	50
Contract liabilities (Note 39):		
Construction contracts	(1,282)	(74)
Deferred revenue	(3,279)	-
	(4,561)	(74)
	(3,506)	(24)

31. CONTRACT ASSETS/LIABILITIES (continued)

(a) Construction contracts

	Group 2019 RM'000	Group 2018 RM'000
Installation service costs incurred to date	24,382	29,318
Attributable profits	4,460	5,483
	28,842	34,801
Less: Progress billings	(29,069)	(34,825)
Contract liabilities		
Construction contracts	(227)	(24)
Advances received on contracts, included within other payables (Note 39)	(76)	(96)
Retention sums on contract, included within trade receivables (Note 27)	1,334	2,079
Analysed as follows:		
Contract assets	1,055	50
Contract liabilities	(1,282)	(74)
	(227)	(24)

The Group provides flooring installation works on contract basis for timber flooring supplied to customers.

Construction contracts represent the timing differences in revenue recognition and the milestone billings. The milestone billings are structured and/or negotiated with customers to reflect physical completion of the contracts.

Contract assets are transferred to receivables when the rights to economic benefits become unconditional. This usually occurs when the Group issues billing to the customer. Contract liabilities are recognised as revenue when performance obligations are satisfied.

(b) Deferred revenue

A reconciliation of the deferred revenue is as follows:

	Group 2019 RM'000	Group 2018 RM'000
At 1 January	-	-
Additions during the financial year	12,732	-
Recognised as revenue during the financial year	(9,453)	-
At 31 December	3,279	-

Deferred revenue represents billing to the customers, which performance obligation has not been satisfied as at the end of the reporting period.

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31. CONTRACT ASSETS/LIABILITIES (continued)

(c) Contract value yet to be recognised as revenue

Revenue expected to be recognised in the future relating to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period, are as follows:

	Group		
	2020	2021	Total
31 December 2019	RM'000	RM'000	RM'000
Deferred revenue	4,561	-	4,561
	2019	**2020**	**Total**
31 December 2018	**RM'000**	**RM'000**	**RM'000**
Deferred revenue	74	-	74

(d) No expected credit loss is recognised arising from contract assets as it is negligible.

(e) There were no significant changes in the contract assets and liabilities during the financial year.

32. DERIVATIVES

	2019			2018		
	Contract/ notional amount RM'000	Assets RM'000	Liabilities RM'000	Contract/ notional amount RM'000	Assets RM'000	Liabilities RM'000
Group						
Non-hedging derivatives:						
Current						
Forward currency contracts	38,883	-	(592)	35,095	687	-
Commodity futures contracts	63,008	166	(4,703)	27,571	112	(689)
		166	(5,295)		799	(689)
Company						
Non-hedging derivatives:						
Current						
Commodity futures contracts	416	-	(42)	-	-	-

(a) Derivative assets are classified as financial assets measured at fair value through profit or loss whereas derivative liabilities are classified as financial liabilities measured at fair value through profit or loss.

32. DERIVATIVES (continued)

(b) The Group and the Company use forward currency contracts and commodity futures contract to manage some of its transactions exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.

Forward currency contracts are used to hedge the Group's sales denominated in USD, GBP and Euro.

(c) The commodity futures contracts are used to hedge prices fluctuation of CPO and cocoa commodity.

(d) During the financial year, the Group and the Company recognised a net loss of RM5,239,000 (2018: RM5,190,000) and net loss of RM42,000 (2018: RM45,000) respectively arising from fair value changes of derivative assets and derivative liabilities. The fair value changes are attributable to changes in foreign exchange spot and forward rate and price fluctuation of CPO commodity.

(e) Fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Fair value of outstanding commodity future contracts is calculated by reference to quoted market prices.

(f) The maturity profile of derivative liabilities of the Group and of the Company at the end of the reporting period based on contractual undiscounted repayment obligations is summarised in the table below:

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Group				
As at 31 December 2019				
Derivative liabilities	5,295	-	-	5,295
As at 31 December 2018				
Derivative liabilities	689	-	-	689

(g) Commodity future contracts are categorised as Level 1 in the fair value hierarchy, whilst forward currency contracts are categorised as Level 2 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

33. CASH AND BANK BALANCES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash at banks and on hand	111,728	86,913	34,676	25,821
Deposits with licensed banks	14,126	21,090	3,887	10,913
Cash and bank balances	125,854	108,003	38,563	36,734

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33. CASH AND BANK BALANCES (continued)

(a) Cash and bank balances are classified as financial assets and measured at amortised cost.

(b) Deposits are made for varying periods of between one day and one year depending on the immediate cash requirements of the Group and the Company, and earn interests at the respective short-term deposit rates.

The effective interest rate of deposits with both licensed banks of the Group and of the Company ranged from 2.00% to 7.75% (2018: 1.75% to 6.75%) and 2.00% to 3.20% (2018: 2.30% to 3.10%) per annum respectively.

(c) Deposits with licensed banks of the Group amounting to RM4,875,000 (2018: RM4,759,000) are pledged as securities for bank guarantees facilities granted.

(d) For the purpose of the consolidated statement of cash flow, cash and cash equivalents comprise the following:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances and deposits	125,854	108,003	38,563	36,734
Less:				
Bank overdrafts (Note 37)	(1,455)	(9)	-	-
Deposits pledged with licensed banks	(4,875)	(4,759)	-	-
Deposits with maturity of over 3 months	(2,570)	(3,392)	(2,089)	(2,917)
Cash and cash equivalents	116,954	99,843	36,474	33,817

(e) Sensitivity analysis for cash and bank balances at the end of the reporting period is not presented as fixed rate instrument is not affected by changes in interest rates.

(f) No expected credit losses were recognised arising from deposits with licensed banks because the probability of default by these financial institutions were negligible.

34. SHARE CAPITAL AND TREASURY SHARES

	Number of ordinary shares		Amount	
	Share capital (Issued and fully paid)	Treasury shares	Share capital (Issued and fully paid)	Treasury shares
	'000	'000	RM'000	RM'000
At 1 January 2018/31 December 2018	1,381,802	(4)	740,512	(8)
At 1 January 2019	1,381,802	(4)	740,512	(8)
Purchase of treasury shares	-	(1,625)	-	(1,459)
At 31 December 2019	1,381,802	(1,629)	740,512	(1,467)

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34. SHARE CAPITAL AND TREASURY SHARES (continued)

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one (1) vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Treasury shares

Reacquired shares are classified as treasury shares, recognised based on the amount of consideration paid and presented as a deduction from total equity.

This amount relates to the acquisition cost of treasury shares. The shareholders of the Company, by an ordinary resolution passed in an annual general meeting held on 28 May 2019, renewed their approval for the Company's plan to repurchase its own ordinary shares. The Directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company repurchased 1,625,000 (2018: Nil) of its issued ordinary shares from the open market at prices between RM0.88 and RM0.90 (2018: Nil) per ordinary share. The total consideration paid for the repurchase was RM1,459,000 (2018: Nil). The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

Of the total 1,381,802,509 (2018: 1,381,802,509) issued and fully paid ordinary shares as at 31 December 2019, 1,629,000 (2018: 4,000) are held as treasury shares by the Company. As at 31 December 2019, the number of outstanding ordinary shares in issue after set off is therefore 1,380,173,509 (2018: 1,381,798,509) ordinary shares.

35. OTHER RESERVE

Group	Capital reserve RM'000	Foreign currency translation reserve RM'000	Share of associate reserve RM'000	Total RM'000
At 1 January 2019	9,630	(237,312)	99	(227,583)
Other comprehensive income:				
Foreign currency translations	-	37,487	-	37,487
Share of other comprehensive income of associate	-	-	1	1
	-	37,487	1	37,488
At 31 December 2019	9,630	(199,825)	100	(190,095)
At 1 January 2018	9,630	(182,830)	99	(173,101)
Other comprehensive loss:				
Foreign currency translations	-	(54,482)	-	(54,482)
	-	(54,482)	-	(54,482)
At 31 December 2018	9,630	(237,312)	99	(227,583)

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35. OTHER RESERVES (continued)

The nature and purpose of each category of reserve are as follows:

(a) Capital reserve

This reserve comprises all the amounts capitalised arising from the redemption of non-cumulative redeemable preference shares in the subsidiaries and cancellation of treasury shares.

(b) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items, which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

(c) Share of associate reserve

This reserve represents the Group's share of reserve of the associate arising from the share options granted by the associate to its employees.

36. RETAINED EARNINGS

The Company may distribute dividends out of its entire retained earnings under the single tier system.

37. LOANS AND BORROWINGS

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Short term borrowings				
Secured:				
Term loans	33,379	23,989	33,379	23,989
	33,379	23,989	33,379	23,989
Unsecured:				
Bank overdrafts	1,455	9	-	-
Bankers' acceptances	129,814	154,149	-	-
Foreign currency import loan	196	146	-	-
Revolving credits	263,604	385,125	254,104	379,125
Term loans	77,200	74,700	72,200	64,700
Sukuk Ijarah Medium Term Notes	30,000	25,000	-	-
	502,269	639,129	326,304	443,825
	535,648	663,118	359,683	467,814

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37. LOANS AND BORROWINGS (continued)

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Long term borrowings				
Secured:				
Term loans	299,998	89,338	299,998	89,338
	299,998	89,338	299,998	89,338
Unsecured:				
Term loans	201,151	278,299	201,151	273,299
Sukuk Ijarah Medium Term Notes	245,000	275,000	-	-
Sukuk Murabahah Medium Term Notes	150,000	150,000	-	-
	596,151	703,299	201,151	273,299
	896,149	792,637	501,149	362,637
Total borrowings				
Bank overdrafts	1,455	9	-	-
Bankers' acceptances	129,814	154,149	-	-
Foreign currency import loan	196	146	-	-
Revolving credits	263,604	385,125	254,104	379,125
Terms loans	611,728	466,326	606,728	451,326
Sukuk Ijarah Medium Term Notes	275,000	300,000	-	-
Sukuk Murabahah Medium Term Notes	150,000	150,000	-	-
	1,431,797	1,455,755	860,832	830,451

(a) Borrowings are classified as financial liabilities and measured at amortised cost.

(b) The effective interest rates per annum of loans and borrowings as at the end of the reporting period were as follows:

	Group 2019 %	Group 2018 %	Company 2019 %	Company 2018 %
Floating rate				
Bank overdrafts	7.24 - 7.90	7.10 - 8.00	-	-
Bankers' acceptances	3.49 - 4.82	3.49 - 4.82	-	-
Foreign currency import loan	0.64 - 3.44	0.57 - 3.19	-	-
Revolving credits	3.53 - 5.31	2.45 - 5.31	3.53 - 4.62	2.45 - 4.55
Terms loans	3.00 - 6.20	2.35 - 5.58	3.00 - 6.20	2.35 - 5.58
Fixed rate				
Sukuk Ijarah Medium Term Notes	5.05 - 5.30	4.58 - 5.30	-	-
Sukuk Murabahah Medium Term Notes	5.10 - 5.30	5.10 - 5.30	-	-

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37. LOANS AND BORROWINGS (continued)

(c) The Sukuk Murabahah Medium Term Notes and Sukuk Ijarah Medium Term Notes comprise the following tranches:

Tranche no.	Coupon rates	Maturity	2019 RM'000	2018 RM'000
Sukuk Murabahah Medium Term Notes				
Tranche 1	5.10%	2021	60,000	60,000
Tranche 2	5.30%	2023	90,000	90,000
			150,000	150,000
Sukuk Ijarah Medium Term Notes				
Tranche 19	4.58%	2019	-	25,000
Tranche 24	5.23%	2020	30,000	30,000
Tranche 25	5.30%	2023	15,000	15,000
Tranche 26	5.10%	2021	35,000	35,000
Tranche 27	5.05%	2021	115,000	115,000
Tranche 28	5.10%	2022	50,000	50,000
Tranche 29	5.10%	2023	30,000	30,000
			275,000	300,000

(d) The borrowings of the Group and of the Company are secured by the following:

(i) A letter of negative pledge over the assets of the Company with certain bankers; and

(ii) Certain landed properties of the Group as follows:

	Group 2019 RM'000	Group 2018 RM'000
Property, plant and equipment:		
- buildings	57,657	52,836
- bearer plants	318,636	243,846
Land use rights	19,420	17,969
	395,713	314,651

(e) Sukuk Ijarah Medium Term Notes

The Sukuk Programme is structured under the Shariah principle of Ijarah. TSH Sukuk Ijarah Sdn. Bhd., a wholly owned subsidiary of the Company, is the issuer of this programme.

The Sukuk Ijarah Medium Term Notes Programme will expire in 15 years respectively from the date of the first issuance. The profit rate for Medium Term Notes shall be determined at the point of issuance.

The unutilised portion of the Sukuk Ijarah Medium Term Notes Programme as at 31 December 2019 amounted to RM25,000,000 (2018: Nil).

37. LOANS AND BORROWINGS (continued)

(f) Sukuk Murabahah Medium Term Notes

TSH Sukuk Murabahah Sdn. Bhd., a wholly owned subsidiary of the Company, has issued the first series of Sukuk Murabahah Medium Term Notes amounted RM60,000,000 and RM90,000,000, in nominal value, for tenure of 5 years and 7 years respectively in June 2016.

The Sukuk Murabahah Medium Term Notes was fully utilised as at 31 December 2019 and 31 December 2018.

(g) The maturity of the term loans is as follows:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Not later than 1 year	110,579	98,689	105,579	88,689
Later than 1 year and not later than 2 years	107,824	112,638	107,824	107,638
Later than 2 years and not later than 3 years	88,027	108,260	88,027	108,260
Later than 3 years and not later than 4 years	134,851	60,147	134,851	60,147
Later than 4 years and not later than 5 years	90,263	48,878	90,263	48,878
Later 5 years or more	80,184	37,714	80,184	37,714
	611,728	466,326	606,728	451,326

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

The fair values of non-current loans and borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the end of the reporting period.

The carrying amounts of Sukuk Murabahah Medium Term Notes and Sukuk Ijarah Medium Term Notes, which bear fixed interest rates are reasonable approximation of their fair values and would not be significantly different from the values that would eventually be settled.

The fair value of borrowings is categorised as Level 2 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

(i) The maturity profile of loans and borrowings of the Group and of the Company at the end of the reporting period based on contractual undiscounted repayment obligations is summarised in the table below:

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Group				
As at 31 December 2019				
Loans and borrowings	581,825	891,274	90,106	1,563,205
As at 31 December 2018				
Loans and borrowings	705,433	836,053	47,508	1,588,994

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37. LOANS AND BORROWINGS (continued)

(i) The maturity profile of loans and borrowings of the Group and of the Company at the end of the reporting period based on contractual undiscounted repayment obligations is summarised in the table below (continued):

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Company				
As at 31 December 2019				
Loans and borrowings	383,923	465,589	90,106	939,618
As at 31 December 2018				
Loans and borrowings	486,591	353,428	47,508	887,527

(j) At the end of the reporting period, if interest rates had been 25 basis points lower/higher, with all other variables held constant, the Group's and the Company's profit/(loss) net of tax would have been RM1,518,000 (2018: RM1,252,000) and RM1,596,000 (2018: RM1,538,000) higher/lower respectively, arising mainly as a result of lower/higher interest expense (net of interest expense capitalised) on loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(k) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's and the Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's and the Company's statements of cash flows as cash flows from financing activities.

	1.1.2019 RM'000	Cash flows RM'000	Non-cash changes RM'000	31.12.2019 RM'000
Group				
Bankers' acceptances	154,149	(24,335)	-	129,814
Foreign currency import loan	146	54	(4)	196
Revolving credits	385,125	(119,873)	(1,648)	263,604
Terms loans	466,326	148,934	(3,532)	611,728
Sukuk Murabahah Medium Term Notes	150,000	-	-	150,000
Sukuk Ijarah Medium Term Notes	300,000	(25,000)	-	275,000
Loans and borrowings	1,455,746	(20,220)	(5,184)	1,430,342

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37. LOANS AND BORROWINGS (continued)

(k) Reconciliation of liabilities arising from financing activities (continued)

	1.1.2019 RM'000	Cash flows RM'000	Non-cash changes RM'000	31.12.2019 RM'000
Company				
Revolving credits	379,125	(123,373)	(1,648)	254,104
Terms loans	451,326	158,934	(3,532)	606,728
Loans and borrowings	830,451	35,561	(5,180)	860,832

	1.1.2018 RM'000	Cash flows RM'000	Non-cash changes RM'000	31.12.2018 RM'000
Group				
Bankers' acceptances	168,440	(14,291)	-	154,149
Foreign currency import loan	121	28	(3)	146
Revolving credits	294,068	82,802	8,255	385,125
Terms loans	476,519	(12,503)	2,310	466,326
Sukuk Murabahah Medium Term Notes	150,000	-	-	150,000
Sukuk Ijarah Medium Term Notes	300,000	-	-	300,000
Sukuk Musyarakah Medium Term Notes	50,000	(50,000)	-	-
Loans and borrowings	1,439,148	6,036	10,562	1,455,746
Company				
Revolving credits	288,067	82,803	8,255	379,125
Terms loans	451,519	(2,503)	2,310	451,326
Loans and borrowings	739,586	80,300	10,565	830,451

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38. RETIREMENT BENEFITS

	Group 2019 RM'000	2018 RM'000
At 1 January	16,084	15,636
Charge for the year recognised in profit or loss	4,766	3,907
Interest cost	1,251	1,012
Current service cost	3,161	2,895
Past service cost	354	-
Recognised in other comprehensive income:		
Actuarial losses arising from changes in assumption in respect of:		
- current year	581	870
	581	870
Actual benefit payment	(3,694)	(3,819)
Exchange differences	403	(510)
At 31 December	18,140	16,084
The amounts recognised on the statements of financial position are determined as follows:		
Present value of obligations	18,140	16,084
Net liabilities	18,140	16,084

(a) The Group provides additional provisions for employee service entitlements in order to meet the minimum benefits required to be paid to qualified employees, as required under the Indonesian Labour Law No. 13/2003 (the "Labour Law"). The said additional provisions, which are unfunded, are estimated using actuarial calculations. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

(b) The Group's obligation under the defined benefit plan is determined based on the latest actuarial valuations by an independent actuary in December 2019.

(c) Principal actuarial assumptions used at the end of the reporting period in respect of the Group's defined benefit plans are as follows:

	2019 %	2018 %
Discount rate	8.25	8.50
Expected return of salary increase	4.00	4.00

38. RETIREMENT BENEFITS (continued)

(d) The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at the end of the reporting period, assuming if all other assumptions were held constant:

		31 December 2019 Impact on defined benefits obligation Increase/(Decrease) RM'000	31 December 2018 Impact on defined benefits obligation Increase/(Decrease) RM'000
Discount rate	+ 1%	3,569	3,286
	- 1%	(2,797)	(2,594)
Future salary	+ 1%	3,979	3,675
	- 1%	(2,387)	(2,205)
Mortality	+ 10%	4,244	3,920
	- 10%	(3,537)	(3,266)
Disable or illness	+ 5%	4,068	3,756
	- 5%	(3,714)	(3,430)

39. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current				
Trade payables				
Third parties	30,432	25,803	78	320
Other payables				
Amounts due to subsidiaries	-	-	129,142	166,820
Accruals	22,670	22,785	5,279	6,554
Advances received on contracts (Note 31)	76	96	-	-
Amounts due to contractors and suppliers	331	507	-	-
Contract liabilities (Note 31)	4,561	74	-	-
Other deposits	830	822	830	821
Sundry payables	40,125	48,741	6,277	6,609
Financial guarantee contracts	272	260	572	951
	68,865	73,285	142,100	181,755
	99,297	99,088	142,178	182,075

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39. TRADE AND OTHER PAYABLES (continued)

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Non-current				
Other payables				
Amounts due to subsidiaries	-	-	395,000	425,859
Total trade and other payables	99,297	99,088	537,178	607,934
Add: Lease liabilities (Note 19)	2,930	-	52	-
Add: Loans and borrowings (Note 37)	1,431,797	1,455,755	860,832	830,451
Add: Hire purchase payables (Note 40)	-	129	-	-
Total financial liabilities carried at amortised cost	1,534,024	1,554,972	1,398,062	1,438,385

Trade and other payables are classified as financial liabilities and measured at amortised cost.

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group and the Company range from 30 to 60 days (2018: 30 to 60 days).

(b) Amounts due to subsidiaries

Non-current amounts due to subsidiaries totalling RM395,000,000 (2018: RM425,859,000) bear interest at rates ranging from 5.05% to 5.30% (2018: 4.50% to 5.30%) per annum, which are unsecured and not payable within the next twelve (12) months.

Except for the current amounts due to certain subsidiaries totalling RM126,748,000 (2018: RM136,760,000) that bear interest at rates ranging from 2.95% to 5.23% (2018: 2.75% to 4.50%) per annum, the current amounts due to other subsidiaries are non-interest bearing, unsecured and are payable within the next twelve (12) months in cash and cash equivalents.

Sensitivity analysis for fixed rate interest bearing amounts due to subsidiaries as at the end of the reporting period is not presented as they are not affected by changes in interest rates.

(c) Financial guarantees contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised as financial liabilities at the time the guarantees are issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with the expected loss model under MFRS 9 and the amount initially recognised less amortisation.

39. TRADE AND OTHER PAYABLES (continued)

(c) Financial guarantees contracts (continued)

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

The nominal amounts of financial guarantees provided by the Group and by the Company are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Banking facilities granted to subsidiaries	-	-	78,973	138,173
Guarantee given to PT Bank CIMB Niaga, Tbk, to secure loan for Pembangunan Kebun Kelapa Sawit Plasma under a Plasma Scheme	63,303	52,005	47,400	52,005

The movement of the financial guarantee contracts during the financial year is as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At 1 January 2019	260	288	951	1,427
Fair value changes on financial guarantee contracts	12	(28)	(379)	(476)
At 31 December 2019	272	260	572	951

(d) The maturity profile of the trade and other payables of the Group and of the Company at the end of the reporting period based on contractual undiscounted repayment obligations is summarised in the table below:

Group	**On demand or within one year RM'000**	**One to five years RM'000**	**Over five years RM'000**	**Total RM'000**
As at 31 December 2019				
Trade and other payables	99,297	-	-	99,297
As at 31 December 2018				
Trade and other payables	99,088	-	-	99,088

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39. TRADE AND OTHER PAYABLES (continued)

(d) The maturity profile of the trade and other payables of the Group and of the Company at the end of the reporting period based on contractual undiscounted repayment obligations is summarised in the table below (continued):

Company	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
As at 31 December 2019				
Trade and other payables	168,369	425,685	-	594,054
As at 31 December 2018				
Trade and other payables	211,351	478,410	-	689,761

40. HIRE PURCHASE PAYABLES

	Group 2019 RM'000	2018 RM'000
Minimum lease payments:		
Not later than 1 year	-	35
Later than 1 year and not later than 5 years	-	105
	-	140
Less: Future finance charges	-	(11)
Present value of finance lease liabilities	-	129
Present value of lease payments liabilities:		
Not later than 1 year	-	30
Later than 1 year and not later than 5 years	-	99
	-	129
Less: Amount due within 12 months	-	(30)
Amount due after 12 months	-	99

(a) The effective interest rates of hire purchase payables was 4.46% per annum.

(b) Sensitivity analysis for fixed rate hire purchase payables as at the end of the reporting period was not presented as they were not affected by changes in interest rates.

(c) The carrying amounts of hire purchase and finance lease liabilities of the Group as at the end of the reporting period was reasonable approximation of fair values due to the insignificant impact of discounting.

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40. HIRE PURCHASE PAYABLES (continued)

(d) The maturity profile of hire purchase payables of the Group at the end of the reporting period based on contractual undiscounted repayment obligations was summarised in the table below:

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Group				
As at 31 December 2018				
Hire purchase payables	35	105	-	140

(e) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's statements of cash flows as cash flows from financing activities.

Group	1.1.2018 RM'000	Cash flows RM'000	Non-cash changes RM'000	31.12.2018 RM'000
Hire purchase payables	157	(28)	-	129

(f) Movement of hire purchase payables upon adoption of MFRS 16 are as follows:

Group	2019 RM'000
At 1 January 2019, as previously reported	129
Effect on adoption of MFRS 16 (Note 43.2)	(129)
At 1 January 2019, as restated	-

41. COMMITMENTS

(a) Capital commitments

Capital expenditure as at the end of the reporting period is as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Capital expenditure:				
Property, plant and equipment:				
Approved and contracted for	8,905	10,811	-	-
Approved but not contracted for	42,484	25,678	2,433	-
	51,389	36,489	2,433	-

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41. COMMITMENTS (continued)

(b) Operating lease commitments - as lessee

Future minimum rentals payable under non-cancellable operating lease at the end of the reporting period are as follows:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Not later than 1 year	-	1,365	-	3
Later than 1 year but not later than 5 years	-	1,002	-	-
Later than 5 years	-	700	-	-
	-	3,067	-	3

42. RELATED PARTY DISCLOSURES

(a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group has related party relationship with its direct and indirect subsidiaries, associate, joint ventures, Directors and key management personnel.

In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

		2019	2018
	Note	RM'000	RM'000
Group			
Joint ventures:			
Sales of crude palm oil	(i)	(278,549)	(330,295)
Sales of palm kernel	(i)	(35,813)	(61,920)
Sales of burning materials	(i)	(1,057)	(963)
Transportation fees received	(i)	(14)	(60)
Sales of ramets to a subsidiary of an associate	(i)	(621)	(729)
Provision of agronomy service to a subsidiary of an associate	(i)	(217)	(191)
Purchase of fresh fruit bunches from a subsidiary of an associate	(ii)	842	841
Rental of premises paid to spouse of a Director	(iv)	15	14
Purchase of fresh fruit bunches from a company in which certain Directors of the Company and their family members have equity interests	(iv)	834	960
Purchase of fresh fruit bunches from spouse of a Director	(iv)	1,357	2,131

42. RELATED PARTY DISCLOSURES (continued)

(a) Identities of related parties (continued)

In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year (continued):

	Note	2019 RM'000	2018 RM'000
Company			
Transactions with subsidiaries:			
Sales of fresh fruit bunches	(i)	(3,818)	(6,054)
Purchase of ramets	(ii)	781	787
Purchase of shells and pressed empty bunches, and BEO fertiliser	(ii)	9	2
Interest income	(iii)	(54,501)	(54,029)
Interest expenses on advances	(iii)	27,137	29,174
Management fees received		(21,722)	(23,573)
Dividends income		(32,483)	(46,822)
Maintenance of flooring		129	43
Rental income		(2,435)	(2,368)
Management fees paid		2,713	2,043
Transactions with an associate:			
Rental income	(i)	(112)	(102)
Dividends received		(1,050)	(3,152)
Transactions with joint ventures:			
Rental income	(i)	(29)	(26)
Dividends received		(8,000)	(9,000)

(i) The sales of products, rental and rendering of services to subsidiaries, subsidiary of an associate, and joint ventures were made according to the published prices and conditions offered to the major customers of the Group and of the Company.

(ii) The purchase of products from subsidiaries and subsidiary of an associate were made according to the published prices and conditions offered by these related parties to their major customers.

(iii) The interest income and expense arose from the amounts due from/to related parties. Further details are disclosed in Note 27 and Note 39 to the financial statements.

(iv) The Directors consider that the rental paid and purchase of fresh fruit bunches from a company in which certain Directors of the Company and their family members have equity interests and/or spouse of Director were made according to the published prices and conditions similar to those offered to the major customers of the suppliers.

Information regarding outstanding balances arising from related party transactions as at 31 December 2019 is disclosed in Note 27 and Note 39 to the financial statements.

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42. RELATED PARTY DISCLOSURES (continued)

(b) Compensation of key management personnel

The remuneration of Directors, which also includes the members of key management during the year was as follows:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Short-term employee benefits	5,837	6,743	5,771	6,674
Post-employment benefits:				
Defined contribution plan	605	737	597	728
	6,442	7,480	6,368	7,402

43. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

43.1 New MFRSs adopted during the current financial year

The Group and the Company adopted the following new MFRSs and Amendments to the MFRSs that were issued by the Malaysian Accounting Standards Board ("MASB") during the financial year:

Title	Effective Date
MFRS 16 *Leases*	1 January 2019
IC Interpretation 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Amendments to MFRS 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to MFRS 3 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 11 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 112 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 123 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 119 *Plan Amendment, Curtailment or Settlement*	1 January 2019

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company, except for the adoption of MFRS 16 as described in the following section.

43. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

43.1 New MFRSs adopted during the current financial year (continued)

MFRS 16 *Leases*

MFRS 16 supersedes MFRS 117 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *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 recognise most leases on the financial statements.

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors would continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 does not have a material impact for leases for which the Group and the Company are the lessors.

The Group and the Company applied MFRS 16 using the modified retrospective approach, for which the cumulative effect of initial application is recognised in retained earnings as at 1 January 2019. Accordingly, the comparative information presented is not restated.

On adoption of MFRS 16, the Group and the Company recognised lease liabilities in relation to leases, which had previously been classified as "operating leases" under the principles of MFRS 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate of the Group as of 1 January 2019. The range of incremental borrowing rates of the Group applied to the lease liabilities on 1 January 2019 were between 2.35% to 5.58%.

In order to compute the transition impact of MFRS 16, a significant data extraction exercise was undertaken by management to summarise all property and equipment lease data such that the respective inputs could be uploaded into management's model. The incremental borrowing rate method has been adopted where the implicit rate of interest in a lease is not readily determinable.

For leases previously classified as finance leases, the Group and the Company recognised the carrying amounts of the lease assets and lease liabilities immediately before transition as the carrying amounts of the right-of-use assets and the lease liabilities respectively at the date of initial application. The measurement principles of MFRS 16 are only applied after that date.

In applying MFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

(a) Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
(b) Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review - there were no onerous contracts as at 1 January 2019;
(c) Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 and do not contain a purchase option as short-term leases;
(d) Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
(e) Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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43. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

43.2 Effect on adoption of MFRS 16

On transition to MFRS 16, the Group and the Company recognised right-of-use assets and lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below:

Group 1 January 2019	Note	As previously reported RM'000	Effect on adoption of MFRS 16 RM'000	As restated RM'000
ASSETS				
Non-current assets				
Property, plant and equipment		1,937,077	(220,779)	1,716,298
Right-of-use assets	(a)	-	439,315	439,315
Biological assets		400,571	-	400,571
Land use rights		182,511	(182,511)	-
Intangible assets		56,172	-	56,172
Investment in an associate		79,588	-	79,588
Investments in joint ventures		69,181	-	69,181
Deferred tax assets		14,606	56	14,662
Other receivables		79,081	(32,654)	46,427
Investment securities		50	-	50
		2,818,837	3,427	2,822,264
Current assets				
Biological assets		5,086	-	5,086
Inventories		200,008	-	200,008
Trade and other receivables		52,417	-	52,417
Other current assets		21,113	(138)	20,975
Tax recoverable		11,175	-	11,175
Investment securities		8	-	8
Derivative assets		799	-	799
Cash and bank balances		108,003	-	108,003
		398,609	(138)	398,471
TOTAL ASSETS		3,217,446	3,289	3,220,735

43. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

43.2 Effect on adoption of MFRS 16 (continued)

On transition to MFRS 16, the Group and the Company recognised right-of-use assets and lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below (continued):

Group 1 January 2019	Note	As previously reported RM'000	Effect on adoption of MFRS 16 RM'000	As restated RM'000
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital		740,512	-	740,512
Treasury shares		(8)	-	(8)
Other reserves		(227,583)	-	(227,583)
Retained earnings		860,195	(193)	860,002
		1,373,116	(193)	1,372,923
Non-controlling interests		131,517	-	131,517
TOTAL EQUITY		1,504,633	(193)	1,504,440
LIABILITIES				
Non-current liabilities				
Loans and borrowings		792,637	-	792,637
Retirement benefits		16,084	-	16,084
Hire purchase payables		99	(99)	-
Lease liabilities	(b)	-	2,801	2,801
Deferred tax liabilities		138,202	-	138,202
		947,022	2,702	949,724
Current liabilities				
Loans and borrowings		663,118	-	663,118
Trade and other payables		99,088	-	99,088
Hire purchase payables		30	(30)	-
Derivative liabilities		689	-	689
Lease liabilities	(b)	-	810	810
Current tax payable		2,866	-	2,866
		765,791	780	766,571
TOTAL LIABILITIES		1,712,813	3,482	1,716,295
TOTAL EQUITY AND LIABILITIES		3,217,446	3,289	3,220,735

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43. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

43.2 Effect on adoption of MFRS 16 (continued)

On transition to MFRS 16, the Group and the Company recognised right-of-use assets and lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below (continued):

Company **1 January 2019**	**Note**	**As previously reported** **RM'000**	**Effect on adoption of MFRS 16** **RM'000**	**As restated** **RM'000**
ASSETS				
Non-current assets				
Property, plant and equipment		122,239	(51,718)	70,521
Right-of-use assets	(a)	-	51,793	51,793
Biological assets		325,503	-	325,503
Investments in subsidiaries		895,924	-	895,924
Investment in an associate		61,259	-	61,259
Investments in joint ventures		20,750	-	20,750
Other receivables		862,550	-	862,550
Investment securities		50	-	50
		2,288,275	75	2,288,350
Current assets				
Biological assets		82	-	82
Inventories		3,066	-	3,066
Trade and other receivables		124,087	-	124,087
Other current assets		27	-	27
Tax recoverable		18	-	18
Investment securities		8	-	8
Cash and bank balances		36,734	-	36,734
		164,022	-	164,022
TOTAL ASSETS		2,452,297	75	2,452,372
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital		740,512	-	740,512
Treasury shares		(8)	-	(8)
Retained earnings		249,350	(4)	249,346
TOTAL EQUITY		989,854	(4)	989,850

43. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

43.2 Effect on adoption of MFRS 16 (continued)

On transition to MFRS 16, the Group and the Company recognised right-of-use assets and lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below (continued):

Company 1 January 2019	Note	As previously reported RM'000	Effect on adoption of MFRS 16 RM'000	As restated RM'000
LIABILITIES				
Non-current liabilities				
Loans and borrowings		362,637	-	362,637
Other payables		425,859	-	425,859
Lease liabilities	(b)	-	52	52
Deferred tax liabilities		24,058	-	24,058
		812,554	52	812,606
Current liabilities				
Loans and borrowings		467,814	-	467,814
Trade and other payables		182,075	-	182,075
Lease liabilities	(b)	-	27	27
		649,889	27	649,916
TOTAL LIABILITIES		1,462,443	79	1,462,522
TOTAL EQUITY AND LIABILITIES		2,452,297	75	2,452,372

(a) The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at their carrying amounts as if the standard had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application.

Notes to the Financial Statements

31 December 2019

43. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

43.2 Effect on adoption of MFRS 16 (continued)

(b) Lease liabilities are measured as follows:

	Group 2019 RM'000	Company 2019 RM'000
Operating lease commitments at 31 December 2018 as disclosed under MFRS 117	3,067	3
Weighted average incremental borrowing rate as at 1 January 2019	5.11%	5.58%
Discounted operating lease commitments as at 1 January 2019	2,625	3
Finance lease liabilities recognised as at 31 December 2018	129	-
Recognition exemption for leases of low-value assets	(9)	(3)
Recognition exemption for leases with less than 12 months of lease term at transition	(905)	-
Extension options reasonably certain to be exercised	1,216	-
Contracts reassessed as lease contracts	555	79
Lease liabilities recognised at 1 January 2019	3,611	79

43.3 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2020

The following are Standards of the MFRS Framework that have been issued by the MASB but have not been early adopted by the Group and the Company:

Title	Effective Date
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Amendments to MFRS 3 *Definition of a Business*	1 January 2020
Amendments to MFRS 101 and MFRS 108 *Definition of Material*	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7 *Interest Rate Benchmark Reform*	1 January 2020
MFRS 17 *Insurance Contracts*	1 January 2021
Amendments to MFRS 101 *Classification of Liabilities as Current or Non-current*	1 January 2022
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

The Group is in the process of assessing the impact of implementing these Standards, since the effects would only be observable for future financial years.

44. FINANCIAL REPORTING UPDATES

IFRIC Agenda Decision - An assessment of the lease term (IFRS 16)

The IFRS Interpretations Committee ("IFRIC") issued a final agenda decision on 26 November 2019 regarding 'Lease term and useful life of leasehold improvements (IFRS 16 and IAS 16)'.

The submission to the IFRIC raised a question pertaining the determination of the lease term of a cancellable lease or a renewable lease based on the requirements of IFRS 16.B34.

Based on the final agenda decision, the IFRIC concluded that the determination of the enforceable period of a lease and the lease term itself shall include broad economic circumstances beyond purely commercial terms.

The Group anticipates an increase in lease liabilities and corresponding right-of-use assets arising from the reassessment of the lease term of existing leasing arrangements due to this final agenda decision.

The Group is in the process of implementing the requirements of this final agenda decision and the impact upon adoption is expected to be recognised during the financial year ending 31 December 2020.

45. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 18 February 2019, a fire occurred at a factory owned by Ekowood International Berhad. As a result, management had written off property, plant and equipment and inventories damaged during the fire amounted to RM4,576,000 and RM16,047,000 respectively. The damaged assets and consequential losses, if any are covered by insurance.

The Group has received insurance claims amounted to RM38,256,000 and it is in the process of negotiating for the consequential losses.

46. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

The World Health Organisation declared the 2019 Novel Coronavirus infection ("COVID-19") a pandemic on 11 March 2020. This was followed by the Government of Malaysia issuing a Federal Government Gazette on 18 March 2020, imposing a Movement Control Order ("MCO") effective from 18 March 2020 to 31 March 2020 arising from COVID-19 pandemic. The MCO was extended for 2 weeks consecutively on 25 March 2020 and 10 April 2020 until 14 April 2020 and 28 April 2020 respectively, followed by another announcement on 23 April 2020 on the further extension of the MCO for another 2 weeks until 12 May 2020.

Since these developments occurred subsequent to the end of the reporting period, the COVID-19 pandemic is treated as a non-adjusting event in accordance with MFRS 110 *Events after the Reporting Period* and therefore, judgements and assumptions used in the preparation of the financial statements of the Group for the financial year ended 31 December 2019 do not reflect the effects arising from this non-adjusting event.

The effects of COVID-19 pandemic and MCO would potentially result in certain financial impact to the businesses of the Group. These would also affect the judgements and assumptions used in the preparation of the financial statements for the financial year ending 31 December 2020, such as expected credit losses of financial assets, fair value measurements of biological assets and financial instruments, write down of inventories to net realisable values and impairment assessments of assets (property, plant and equipment, right-of-use assets, biological assets, goodwill, and investments in subsidiaries, associate and joint ventures).

The Group is currently unable to ascertain the financial impact of the COVID-19 pandemic to the Group, since the ongoing developments of the COVID-19 pandemic are still uncertain and cannot be reasonably predicted as at the date of the authorisation of the financial statements. The Group will only recognise the financial impact in the financial statements for the financial year ending 31 December 2020.

Analysis of Shareholdings

As At 15 April 2020

Issued Share Capital	:	1,380,173,509 ordinary shares (net of treasury shares)
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per ordinary share

1. ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	Shareholders	%	No. of shares held	%
1 - 99	333	4.56	12,036	Negligible
100 - 1,000	707	9.69	364,166	0.03
1,001 - 10,000	3,684	50.49	18,393,724	1.33
10,001 - 100,000	2,205	30.21	69,402,268	5.03
100,001 - 69,008,674*	366	5.02	1,114,569,324	80.75
69,008,675 and above **	2	0.03	177,431,991	12.86
Total	7,297	100.00	1,380,173,509	100.00

* Less than 5% of issued holdings
** 5% and above of issued holdings

2. DIRECTORS' SHAREHOLDINGS

	No. of shares held			
Name	Direct	%	Indirect *	%
Datuk (Dr.) Kelvin Tan Aik Pen	195,119,317	14.14	-	-
Dato' Aik Sim, Tan	53,371,564	3.87	-	-
Dato' Jasmy bin Ismail	-	-	-	-
Selina binti Yeop Junior @ Lope	-	-	-	-
Natasha binti Mohd Zulkifli	-	-	-	-
Yap Boon Teck	-	-	-	-
Tan Aik Kiong	55,438,695	4.02	27,125	**
Chew Siew Yeng	-	-	210,000	0.02
Tan Aik Yong	53,949,717	3.91	-	-
Lim Fook Hin	1,602,000	0.12	2,500,000	0.18

* Deemed interested by virtue of Section 59(11)(c) of the Companies Act 2016.
** Negligible

Analysis of Shareholdings

As At 15 April 2020

3. SUBSTANTIAL SHAREHOLDERS

	Name	No. of shares held	%
1.	Datuk (Dr.) Kelvin Tan Aik Pen	195,119,317	14.14
2.	Employees Provident Fund Board	105,285,400	7.63

4. THIRTY (30) LARGEST SHAREHOLDERS

	Name	No. of shares held	%
1.	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board	103,565,000	7.50
2.	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Aik Pen	73,866,991	5.35
3.	Tan Aik Kiong	55,284,987	4.01
4.	Tan Aik Sim	53,371,564	3.87
5.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Aik Pen	53,355,524	3.87
6.	Citigroup Nominees (Asing) Sdn. Bhd. Exempt An For Bank of Singapore Limited	47,921,981	3.47
7.	Kumpulan Wang Persaraan (Diperbadankan)	47,646,450	3.45
8.	Maybank Nominees (Asing) Sdn. Bhd. Eccles Equity Asia Ltd	47,409,862	3.44
9.	Tan Aik Choon	41,491,658	3.01
10.	Tan Ek Huat	38,934,718	2.82
11.	Maybank Nominees (Asing) Sdn. Bhd. Walton Private Investment Limited	38,483,958	2.79
12.	Tan Ah Seng	36,654,089	2.66
13.	Tan Aik Hwa	35,941,139	2.60
14.	UOBM Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Embun Yakin Sdn. Bhd.	35,700,000	2.59
15.	Amsec Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account – AmBank (M) Berhad for Tan Aik Pen	34,013,279	2.46
16.	Tan Aik Yong	33,207,342	2.41
17.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Embun Yakin Sdn. Bhd.	28,639,200	2.08
18.	Maybank Nominees (Asing) Sdn. Bhd. L&P Bakri Inc.	28,117,200	2.04
19.	UOBM Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tunas Lestari Sdn. Bhd.	25,500,000	1.85
20.	Tan Soon Hong	22,914,835	1.66
21.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tunas Lestari Sdn. Bhd.	21,000,000	1.52
22.	Ong Yah Ho	16,710,290	1.21
23.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Kemudi Seraya Sdn. Bhd.	16,390,800	1.19

Analysis of Shareholdings

As At 15 April 2020

	Name	No. of shares held	%
24.	Amanahraya Trustees Berhad Public Smallcap Fund	16,208,250	1.17
25.	CGS-CIMB Nominees (Asing) Sdn. Bhd. Exempt An For CGS-CIMB Securities (Singapore) Pte. Ltd.	14,927,193	1.08
26.	Teo Han Ching @ Teo Jin Hwa	11,805,000	0.86
27.	Amanahraya Trustees Berhad Public Islamic Select Treasures Fund	11,749,100	0.85
28.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tunas Lestari Sdn. Bhd.	11,000,000	0.80
29.	Tan Aik Yong	10,918,170	0.79
30.	Tunas Lestari Sdn. Bhd.	10,500,000	0.76

List of Top 10 Properties Held By TSH Group

Location	Description	Area	Existing use	Tenure	Approximate age of building	Net book value as at 31.12.19 (RM)	Date of Acquisition/ (Date of last revaluation)
Desa Tanah Kuning & Desa Mangkupadi Kecamatan Tanjung Palas Timur Kabupaten Bulungan Provinsi Kalimantan Timur (PT Bulungan Citra Agro Persada)	Plantation land	13,215 ha	Oil palm plantation	35 years lease expiring on 03.10.2046	Not applicable	299,594,407	16.08.2011
Desa Penawai Bekokong Makmur Kecamatan Bongan Jempang & Desa Jambuk, Muara Gusik Penawai, Tanjung Sari Kecamatan Bongan & Desa Jambuk Makmur Kecamatan Bongan & Desa Jambuk Makmur Kecamatan Bongan Desa Muara Siram Siram Jaya, Resak Kampung, Kecamatan Bongan & Desa Resak Kecamatan Bongan Kabupaten Kutai Barat Provinsi Kalimantan Timur (PT Farinda Bersaudara)	Plantation land	12,628 ha	Oil palm plantation & mill	35 years lease expiring on 18.02.2045 for land under Desa Penawai, Bekokong Makmur & 35 years lease expiring on 24.02.2045 for land under Desa Resak, Desa Jambuk, Muara Gusik, Penawai, Tanjung Sari, Desa Jambuk Makmur, Desa Muara Siram, Siram Jaya, Resak Kampung & Desa Resak	7 years (mill)	284,060,849	26.12.2008
Kabupaten Dharmasraya, Provinsi Sumatera Barat (PT Andalas Wahana Berjaya)	Plantation land	3,097 ha	Oil palm plantation & mill	35 years lease expiring on 18.10.2053	2 years (mill)	166,406,849	29.12.2005

List of Top 10 Properties Held By TSH Group

Location	Description	Area	Existing use	Tenure	Approximate age of building	Net book value as at 31.12.19 (RM)	Date of Acquisition/ (Date of last revaluation)
Desa Muara Siram Kecamatan Bongan Kabupaten Kutai Barat Propinsi Kalimantan Timur (PT Teguh Swakarsa Sejahtera)	Plantation land	10,282 ha	Oil palm plantation	35 years lease expiring on 13.07.2040	Not applicable	154,112,701	01.04.2006
Desa Samba Katung Samba Bakumpai, Telok Petak Puti, Tewang Panjang, Tumbang Lahang, Kecamatan Katingan Tengah & Desa Tura, Tumbang Tanjung Kecamatan Pulau Malan Kabupaten Katingan Provinsi Kalimantan Tengah (PT Mitra Jaya Cemerlang)	Plantation land	10,000 ha	Oil palm plantation	Pending	Not applicable	147,736,073	29.10.2009
Desa Rantau Makmur Tanjung Labu Kecamatan Rantau Pulung, Kabupaten Kutai Timur, Kalimantan Timur (PT Andalas Wahana Sukses)	Plantation land	7,435 ha	Oil palm plantation	Pending	Not applicable	108,085,863	22.02.2013
Title No. CL 095327218 District of Kinabatangan Tenegang Koyah Locality Off KM 46.5, Jalan Lahad Datu, Sandakan, Sabah	Plantation land	4,942 acres	Oil palm plantation & mill	98 years leasehold expiring on 31.12.2096	20 years (mill)	105,717,089	(10.09.2015)

List of Top 10 Properties Held By TSH Group

Location	Description	Area	Existing use	Tenure	Approximate age of building	Net book value as at 31.12.19 (RM)	Date of Acquisition/ (Date of last revaluation)
Desa Muara Ponak Kenyanyan, Rikong Kiyaq, Kecamatan Siluq Ngurai, Kabupaten Kutai Barat, Provinsi Kalimantan Timur (PT Munte Waniq Jaya Perkasa)	Plantation land	8,016 ha	Oil palm plantation	35 years lease expiring on 23.10.2048 & 35 years lease expiring on 04.11.2051	Not applicable	98,281,637	18.10.2011
Desa Pelantaran, Pundu & Bajarau, Kecamatan Cempaga Hulu & Parenggean, Kabupaten Kotawaringin Timur Propinsi Kalimantan Tengah (PT Sarana Prima Multi Niaga)	Plantation land	7,114 ha	Oil palm plantation & mill	35 years lease expiring on 15.05.2041	9 years (mill)	91,239,407	12.04.2007
Desa Langgam/ Katiagan, Kecamatan Pasaman, Kabupaten Pasaman & Nagari Kinali, Kecamatan Kinali Kabupaten Pasaman Barat, Propinsi Sumatera Barat (PT Laras Internusa)	Plantation land	7,309 ha	Oil palm plantation	35 years lease expiring on 31.12.2029 for land under Desa Langgam/ Katiagan & 35 years lease expiring on 16.02.2044 for land under Nagari Kinali	Not applicable	89,949,319	01.05.2006

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