

TECK GUAN PERDANA BERHAD

(307097-A)

Annual Report 2020



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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Sixth Annual General Meeting of the Members of the Company will be held at the Xocolatt Hall, Ground Floor, Hotel Emas, Jalan Utara, 91 000 Tawau, Sabah on Tuesday, 28th July 2020 at 9.00 a.m. to transact the following:-

AGENDA

AS ORDINARY BUSINESS:-

1. To receive the Audited Financial Statements for the year ended 31 January 2020 together with the Reports of the Directors and Auditors thereon. **Refer to Note 8**
2. To approve the payment of Directors' fees not exceeding the amount RM54,000 and any benefits payable for the financial year ending 31 January 2021. **Resolution 1**
3. To re-elect Mr. Tham Vui Yun who retires by rotation as a Director of the Company pursuant to Article 91 of the Company's Constitution. **Resolution 2**
4. To re-elect Mr. Wong Peng Mun who retires by rotation as a Director of the Company pursuant to Article 91 of the Company's Constitution. **Resolution 3**
5. To re-elect Mdm. Hong Kun Yee who retires as a Director of the Company pursuant to Article 97 of the Company's Constitution. **Resolution 4**
6. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 5**

AS SPECIAL BUSINESS:-

To consider and, if thought fit, to pass the following resolutions with or without modification:-

7. ORDINARY RESOLUTION

Continuation in Office as Independent Non-Executive Directors

- i. "THAT approval be and is hereby given to Mr. Tham Vui Yun who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years and more than twelve (12) years to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next annual general meeting." **Resolution 6**
- ii. "THAT Mr. Wong Peng Mun who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next annual general meeting." **Resolution 7**

8. ORDINARY RESOLUTION

Authority for Directors to Allot and Issue Shares

"THAT, subject always to the Companies Act 2016 ("the Act"), the Company's Constitution and approvals of the relevant authorities, the Directors be and are hereby empowered pursuant to Sections 75 and 76 of the Act to allot and issue new ordinary shares in the Company, from time to time and upon such terms and conditions and for such purposes and to such person or persons whomsoever as the Directors may, in their absolute discretion deem fit and expedient in the interest of the Company, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being AND THAT the Directors be and are hereby empowered to obtain the approval for the listing and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad AND FURTHER THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting ("AGM") of the Company, or at the expiry of the period within which the next AGM of the Company is required by law to be held, whichever is the earlier, unless such approval is revoked or varied by the Company at a general meeting." **Resolution 8**

NOTICE OF ANNUAL GENERAL MEETING

9. ORDINARY RESOLUTION

Proposed Renewal of Shareholders' Mandate for Existing Recurrent Related Party Transactions and Shareholders' Mandate for Additional Recurrent Related Party Transactions

“THAT subject always to the Companies Act 2016 (“the Act”), the Company’s Constitution and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into the existing and additional recurrent related party transactions of a revenue or trading nature as set out in Sections 3.2(A) and 3.2(B) of the circular to shareholders dated 29 June 2020 with the related parties mentioned therein, provided that such transactions are necessary for the day-to-day operations and are carried out in the ordinary course of business on normal commercial terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company (“Shareholders’ Mandate”).” **Resolution 9**

THAT the Shareholders’ Mandate shall commence upon passing of this resolution and continue to be in force until:

- (i) the conclusion of the next annual general meeting (“AGM”) of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
- (ii) the expiration of the period within which the next AGM is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (iii) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier.

AND THAT the Directors of the Company be and are hereby authorised to complete and do such acts and things to give full effect to the transactions contemplated and/or authorised by this resolution.”

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

BY ORDER OF THE BOARD

JULIAN YEOH YUN KIAT (MIA 28007)
Company Secretary

Tawau, Sabah.

Dated this 29 June 2020

NOTICE OF ANNUAL GENERAL MEETING

NOTES:-

1. A proxy may but need not be a member of the Company and there is no restriction as to the qualification of a proxy. Provided that, having appointed a proxy or an attorney to attend in his stead, if such member personally attends the meeting, his proxy or attorney shall be precluded from attending such meeting.
2. A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting and where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
3. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account) as defined under the Securities Industry Central Depositories Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
4. If the appointor is a corporation, the proxy form must be executed under its Common Seal or under the hand of attorney.
5. To be valid the duly completed proxy form must be deposited at the Registered Office of the Company at 318, Teck Guan Regency, Jalan St. Patrick, Off Jalan Belunu, 91000 Tawau, Sabah, not less than 96 hours before the time fixed for holding the Meeting.
6. Only members whose names appear in the Record of Depositors as at 18 May 2020, issued by Bursa Malaysia Depository Sdn. Bhd., will be entitled to attend, vote and speak at the meeting or appoint proxy(ies) to attend, vote and speak on their behalf.
7. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of Annual General Meeting ("AGM") will be put to vote by way of poll.

Explanatory Note on Ordinary Business

8. The audited financial statements are laid in accordance with Section 340(1)(a) of the Companies Act 2016 for discussion only under Agenda I. It does not require shareholders' approval and hence, will not be put for voting.
9. Pursuant to Section 230(1) of the Companies Act 2016, the fees of the directors and any benefits payable to the directors shall be approved at a general meeting. The proposed Resolution I is to facilitate the payment of Directors' fees on a current financial year basis, calculated based on the current Board of Directors ("Board") size. In the event the proposed amount is insufficient (due to enlarged Board size), approval will be sought at the next AGM for additional fees to meet the shortfall.

Explanatory Notes on Special Business

10. Resolutions 6 & 7

The proposed Resolutions 6 & 7, if passed, will enable Mr. Tham Vui Vun and Mr. Wong Peng Mun respectively to continue to act as Independent Non-Executive Directors of the Company until the conclusion of next AGM of the Company.

The Board holds the view that the following Independent Non-Executive Directors:

- (i) Mr. Tham Vui Vun who has served as an Independent Non-Executive Director of the Company for a tenure exceeding a cumulative term of nine (9) years and more than twelve (12) years; and
- (ii) Mr. Wong Peng Mun who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years,

have remain objective and independent in carrying out their role and responsibility as members of the Board and Board Committees and the length of their service does not interfere with their ability and exercise of independent judgment as Independent Directors. Therefore, the Board has recommended that the approval of the shareholders be sought on a single tier voting basis for each of them to continue to act in the capacity as the Independent Non-Executive Director of the Company until the conclusion of the next AGM of the Company.

NOTICE OF ANNUAL GENERAL MEETING

11. Resolution 8

The proposed Resolution 8 is to renew the general mandate obtained in the last AGM. As at the date of this Notice, no new shares in the Company were issued pursuant to the existing general mandate which will lapse at the conclusion of this forthcoming AGM.

This proposed resolution, if passed, would provide flexibility to the Directors to undertake fund raising activities, including but not limited to further placement of shares for the purpose of funding the Company's future investment, working capital and/or acquisition(s), by the issuance of new shares (other than bonus or rights issue) in the Company to such persons at any time as the Directors may deem fit, provided that the aggregate number of shares issued pursuant to the mandate does not exceed 10% of the total number of issued shares of the Company for the time being. This authority, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next AGM or at the expiry of the period within which the next annual general meeting is required to be held after the approval was given, whichever is earlier.

12. Resolution 9

The proposed Resolution 9 is in relation to Renewal of Shareholders' Mandate for Existing Recurrent Related Party Transactions and Shareholders' Mandate for Additional Recurrent Related Party Transactions which are necessary for the day-to-day operations of the Company. If approved by the shareholders, it will empower the Company to conduct transactions of revenue or trading nature with the parties related to the Company. Please refer to the Circular to Shareholders dated 29 June 2020 for more information.

Personal Data Privacy

13. By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

STATEMENT ACCOMPANYING NOTICE OF ANUAL GENERAL MEETING

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

1. No individual is seeking election as a Director at the forthcoming 26th Annual General Meeting of the Company.
2. The Company is seeking the shareholders' approval to renew the general mandate to issue shares in the Company pursuant to Sections 75 and 76 of the Companies Act 2016, as proposed under Resolution 8 in the Notice of AGM of the Company. Further details of the said mandate/resolution are contained in the Explanatory Note 11 to the Notice of AGM.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tham Vui Yun
Chairman and Independent Non-Executive Director

Datuk Hong Ngit Ming
Managing Director

Hong Kun Yee
Executive Director

Fung Hiuk Bing
Independent Non-Executive Director

Wong Peng Mun
Independent Non-Executive Director

AUDIT & RISK MANAGEMENT COMMITTEE

Fung Hiuk Bing (Chairman)
Tham Vui Yun
Wong Peng Mun

NOMINATION & REMUNERATION COMMITTEE

Wong Peng Mun (Chairman)
Tham Vui Yun
Fung Hiuk Bing

COMPANY SECRETARY

Julian Yeoh Yun Kiat (MIA 28007)

REGISTERED OFFICE

318, Teck Guan Regency, Jalan St. Patrick, Off Jalan Belunu, 91000 Tawau, Sabah
Tel: 6089-772275 Fax: 6089-761052 Email: perdana@teckguan.com

SHARE REGISTRAR

Bina Management (M) Sdn Bhd
Lot 10, The Highway Centre, Jalan 51/205, 46050 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel: 603-77843922 Fax: 603-77841988

AUDITORS

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

BANKERS

RHB Bank Berhad
Malayan Banking Berhad
Hong Leong Bank Berhad

SOLICITORS

Ting, Rosen & Co
Alex Pang & Co
Ho Chong Yong
Chung & Associates

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad (Main Market)
Stock Short Name : **TECGUAN**
Stock Code : **7439**

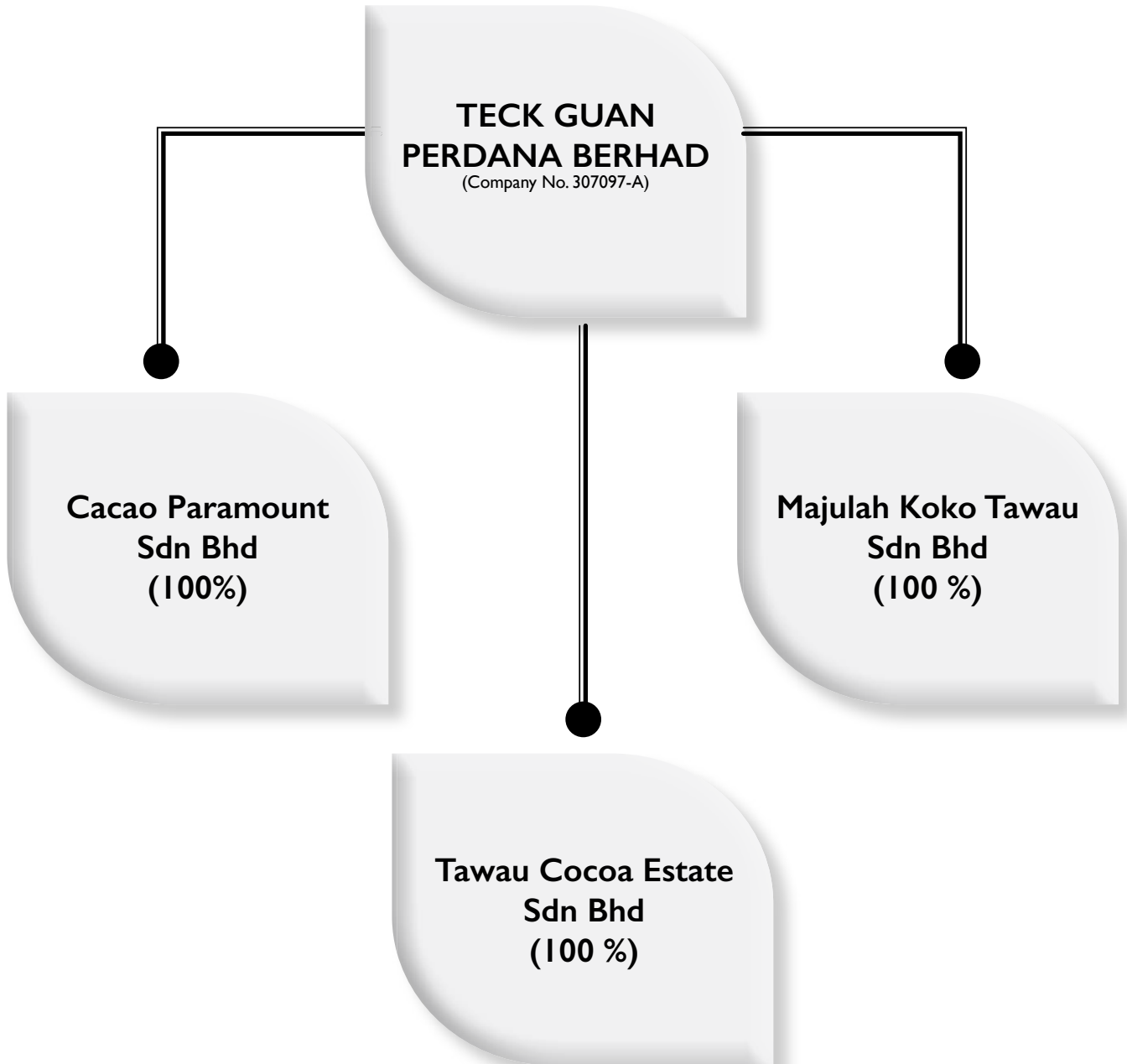
WEBSITE

www.teckguan.com/tgp

FINANCIAL HIGHLIGHTS

| FINANCIAL YEAR ENDED 31 JANUARY | 2020 RM'000 | 2019 RM'000 |
|-------------------------------------------------------------------------------------|------------------------|------------------------|
| RESULT OF OPERATIONS | | |
| Revenue | 273,652 | 301,902 |
| Pre-Tax Profit | 4,561 | 3,924 |
| After-Tax Profit | 3,159 | 2,521 |
| FINANCIAL POSITION | | |
| Working Capital | 27,869 | 27,691 |
| Net Assets | 52,233 | 49,074 |
| Total Assets | 143,795 | 98,755 |
| Paid-up Capital | 40,104 | 40,104 |
| Shareholders' Funds | 52,233 | 49,074 |
| PER SHARE (in SEN) | | |
| Net Assets | 130.3 | 122.4 |
| Profit Before Tax* | 11.4 | 9.8 |
| Profit After Tax* | 7.9 | 6.3 |
| Dividend - Final (Gross) | 0.0 | 0.0 |
| * Calculated based on ordinary shares in issue throughout the financial year (unit) | 40,096,902 | 40,096,902 |

CORPORATE STRUCTURE



PROFILES OF DIRECTORS AND KEY SENIOR MANAGEMENT

MR. THAM VUI VUN

Position : Chairman and Independent Non-Executive Director

Age : 63

Gender : Male

Nationality : Malaysian

Qualification :

Fellow Member of the Chartered Association of Certified Accountant, United Kingdom.
Chartered Accountant Malaysia (C.A.(M))

Working Experience :

He was appointed as an Independent and Non-Executive Director of Teck Guan Perdana Bhd on 15 November 2001. He was appointed the post of Chairman on 15 April 2013. He is also a Chartered Accountant, Malaysia having more than thirty years working experience in both accounting and auditing fields and heads his own practice as V.V.Tham & Co since 1998 and in 2018 as V.V.Tham & Partners PLT.

Occupation : Auditor

Date first appointed to the Board : 15 November 2001

Date appointed as Board Chairman : 15 April 2013

Details of any Board Committee appointment:

Audit & Risk Management Committee – Member
Nomination & Remuneration Committee – Member

Directorship of other public companies and listed corporation : NIL

Family relationship with any directors and/or major shareholder of the Company : NIL

Conflict of interest with the Company : NIL

List of convictions for offences within the past 5 years (other than traffic offence) and any public sanction or penalty imposed by the relevant regulatory bodies during the financial year :
NIL

Number of board meetings attended in the financial year :

Please refer to para A1.1 under the section on Corporate Governance Overview Statement of this Annual Report

PROFILES OF DIRECTORS AND KEY SENIOR MANAGEMENT

DATUK HONG NGIT MING

Position : Managing Director (Key Senior Management)

Age : 67

Gender : Male

Nationality : Malaysian

Qualification :

Enrolled in 1973 into the renowned Imperial College London and graduated in 1976 with two (2) qualifications: BSc (Hons) and ACGI. He also earned a master degree in economics from the University Malaysia Sabah.

Working Experience :

He was appointed the Deputy Executive Chairman of Teck Guan Perdana Berhad on 18 June 1996 and its Executive Chairman on 20 April 1998. He was appointed the new Managing Director following his cessation as Executive Chairman on 15 April 2013. He joined Teck Guan Holdings Sdn Bhd's Group of Companies on 1 October 1976 as a management trainee, based in the Agriculture Division. He was appointed a director in 1979 and in 1983, he became the Deputy Managing Director of the Teck Guan Holdings Group, a very large diversified multi-national company with worldwide operations in many countries.

He has excellent business acumen due to his multi-disciplinary background in business. His scientific knowledge has led him to revolutionise the cocoa industry in Malaysia when he pioneered "The Zero-Shade Cocoa Planting", which forever changed the entire cocoa cultivation industry. He has in the year 2002, published his works entitled "Development History of Zero-Shade Cocoa and Its Theories - Let there be Light". Both local and international researchers have sought his advice on technical aspects of cocoa.

His lifelong dream for economic greatness has been fulfilled with his 2007 publication of his book entitled "Wealth Creation Mystery - You Win, I Win, Everyone Wins, Who then is the Loser" which shattered long held economic fundamentals on wealth creation and created tremendous excitement in the world of economics. His book is a must-read book on wealth creation.

He has great foresight in business and among the first to venture into the high-end oleo chemical fatty alcohol and his views are much sought after.

Occupation : Director

Date first appointed to the Board : 18 June 1996

Date appointed as Managing Director : 15 April 2013

Details of any Board Committee appointment : NIL

Directorship of other public companies and listed corporation : NIL

Family relationship with any directors and/or major shareholder of the Company:

Datuk Hong Ngit Ming is deemed interested by virtue of his direct interest in shares in and being director of the holding company and his daughter, Mdm. Hong Kun Yee is a member of the Board.

Conflict of interest with the Company : NIL

List of convictions for offences within the past 5 years (other than traffic offence) and any public sanction or penalty imposed by the relevant regulatory bodies during the financial year:

NIL

Number of board meetings attended in the financial year :

Please refer to para A1.1 under the section on Corporate Governance Overview Statement of this Annual Report

PROFILES OF DIRECTORS AND KEY SENIOR MANAGEMENT

MDM. HONG KUN YEE

Position : Executive Director (Key Senior Management)

Age : 40

Gender : Female

Nationality : Malaysian

Qualification :

Bachelor of Science in Electrical Engineering from Purdue University, United States of America

Working Experience :

She was initially attached to the Teck Guan Holdings Sdn Bhd's Group of Companies with the Industry Division as Engineer in January 2003 and subsequently assigned as Senior Engineer with Teck Guan Steel Sdn Bhd which manufactures steel bars, wire mesh and barbed wire. In May 2014, she took up the post of Branch Manager of Teck Guan Trading Sdn Bhd at Kota Kinabalu. Over the years, she has gained much experience in managing business activities involving both the manufacturing and trading sector.

Occupation : Director

Date first appointed to the Board : 29 November 2019

Details of any Board Committee appointment : NIL

Directorship of other public companies and listed corporation : NIL

Family relationship with any directors and/or major shareholder of the Company :

Her father, Datuk Hong Ngit Ming is a member of the Board.

Conflict of interest with the Company : NIL

List of convictions for offences within the past 5 years (other than traffic offence) and any public sanction or penalty imposed by the relevant regulatory bodies during the financial year:

NIL

Number of board meetings attended in the financial year :

Please refer to para A1.1 under the section on Corporate Governance Overview Statement of this Annual Report

PROFILES OF DIRECTORS AND KEY SENIOR MANAGEMENT

MR. FUNG HIUK BING

Position : Independent Non-Executive Director

Age : 51

Gender : Male

Nationality : Malaysian

Qualification :

Fellow member of CPA Australia

Fellow member of Chartered Tax Institute of Malaysia (FCTIM)

Chartered Accountant of the Malaysian Institute of Accountants (MIA)

Working Experience :

He was appointed as an Independent and Non-Executive Director of Teck Guan Perdana Bhd on 19 December 2013. He is also a Chartered Accountant, Malaysia having more than twenty years working experience in both accounting and auditing fields and currently heads his own practice as HB Fung & Co. since 2007.

Occupation : Auditor

Date first appointed to the Board : 19 December 2013

Details of any Board Committee appointment:

Audit & Risk Management Committee – Chairman

Nomination & Remuneration Committee – Member

Directorship of other public companies and listed corporation : NIL

Family relationship with any directors and/or major shareholder of the Company : NIL

Conflict of interest with the Company : NIL

List of convictions for offences within the past 5 years (other than traffic offence) and any public sanction or penalty imposed by the relevant regulatory bodies during the financial year :

NIL

Number of board meetings attended in the financial year :

Please refer to para A1.1 under the section on Corporate Governance Overview Statement of this Annual Report

PROFILES OF DIRECTORS AND KEY SENIOR MANAGEMENT

MR. WONG PENG MUN

Position : Independent Non-Executive Director

Age : 60

Gender : Male

Nationality : Malaysian

Qualification :

Bsc (Hons) in Physics, Diploma in Management
Licensed Secretary (LS 003897)

Working Experience :

He was appointed as an Independent and Non-Executive Director of Teck Guan Perdana Bhd on 5th December 2008. He has more than 20 years of working experience in both secretarial and auditing fields. He has worked as audit senior with Ernst & Young and the then secretarial firm providing secretarial services for 8 years before establishing the current consultancy firm, Konsep Bisnes that provides corporate secretarial services.

Occupation : Director

Date first appointed to the Board : 5 December 2008

Details of any Board Committee appointment:

Audit & Risk Management Committee – Member
Nomination & Remuneration Committee – Chairman

Directorship of other public companies and listed corporation : NIL

Family relationship with any directors and/or major shareholder of the Company : NIL

Conflict of interest with the Company : NIL

List of convictions for offences within the past 5 years (other than traffic offence) and any public sanction or penalty imposed by the relevant regulatory bodies during the financial year:

NIL

Number of board meetings attended in the financial year :

Please refer to para A1.1 under the section on Corporate Governance Overview Statement of this Annual Report

PROFILES OF DIRECTORS AND KEY SENIOR MANAGEMENT

MR. CHONG NYET WUI

Position : Chief Financial Officer of the Group (Key Senior Management)

Age : 63

Gender : Male

Nationality : Malaysian

Qualification :

Fellow Member of the Chartered Association of Certified Accountant, United Kingdom.
Chartered Accountant Malaysia (C.A.(M))

Working Experience :

He has accumulated more than thirty years of working experience in auditing with Ernst & Young and KPMG for more than five years, an accountant with experience in accounting and finance with Pacific Hardwoods Sdn Bhd for six years and as commercial manager with Pamol Plantations Sdn Bhd for seven years. He was also the Group Accountant of Cepatwawasan Group Berhad for four years. Prior to his current position, he was the senior accountant with Teck Guan Holdings Sdn Bhd, deemed related to the Company.

Date appointed as Chief Financial Officer : 26 March 2013

Directorship of other public companies and listed corporation : NIL

Family relationship with any directors and/or major shareholder of the Company : NIL

Conflict of interest with the Company : NIL

List of convictions for offences within the past 5 years (other than traffic offence) and any public sanction or penalty imposed by the relevant regulatory bodies during the financial year:
NIL

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Teck Guan Perdana Berhad, I am pleased to present to you the Annual Report and Audited Financial Statements of the Group and Company for the financial year ended 31 January 2020.

Financial Performance

For the year ended 31 January 2020, the Group registered revenue of RM273.65 million, representing a decrease of 9.36% compared to RM301.90 million in the preceding year. The lower revenue was mainly attributed to decrease in both sales volume and selling price.

The Group registered a profit after tax of RM3.16 million as compared to RM2.52 million in the preceding year mainly due to higher operating margin.

Operations Review

(a) Oil Palm Products:

During the financial review, all planted areas under oil palm segment of the Group have attained maturity with average crop age of 17 years. Fresh fruit bunches yield registered a decrease of approximately 21.12%. The sales volume for crude palm kernel oil and palm kernel expeller had also registered a decrease of approximately 23.86% and 23.79% respectively as compared with preceding year.

The operating profit for palm oil products segment increased from RM3.27 million in the preceding year to RM4.34 million in the current year. The increase was mainly attributed to increase in operating margin for palm oil products.

(b) Cocoa Products:

The operating profit for cocoa products segment decreased from RM1.83 million in the preceding year to RM1.33 million in the current year. The decrease was mainly attributed to decrease in operating margin for cocoa products.

Dividend

The Board did not recommend any dividend for the financial year ended 31 January 2020.

Prospects

The overall financial performance in financial year 2020 was performing satisfactorily supported by increase in operating margin, despite the challenging external environment on palm oil market. For the forthcoming year, the palm oil market is expected to remain volatile and vulnerable to fluctuating global economy coupled with the recent outbreak of COVID-19 pandemic. However, Management is optimistic on the long-term prospects of the palm-based industry and anticipates its operating performance for FY2020 to be positive.

Appreciation

On behalf of the Board, I would like to express our thanks and appreciation to our valued customers as well as our business associates, suppliers and stakeholders for their continued support. I also wish to record my sincere appreciation to my fellow Board members, the management team and employees for their ongoing dedication and invaluable contribution to the Group over the years.

THAM VUI VUN
Chairman

MANAGEMENT DISCUSSION & ANALYSIS

DESCRIPTION OF TECK GUAN PERDANA GROUP'S BUSINESS

Teck Guan Perdana Group is a palm oil and cocoa producer which involved the following business activities:

- Sale of plantation produce
- Sale of crude palm kernel oil
- Sale of palm kernel expeller
- Trading of palm oil related products
- Sale of cocoa products
- Sale of dried cocoa beans

A. Group Financial Review

The Group's revenue for the financial year ended 31 January 2020 at RM273.65 million was 9.36% lower than the last financial year whilst profit before tax at RM4.56 million was higher than the last financial year's profit before tax of RM3.92 million mainly attributed by favourable palm product segment results. During the financial year, palm oil products segment reported a higher operating profit of RM4.34 million from RM3.27 million in the last financial year was mainly attributed by the increase in operating margin. Cocoa products segment reported lower operating profit of RM1.33 million compared to RM1.83 million in the last financial year.

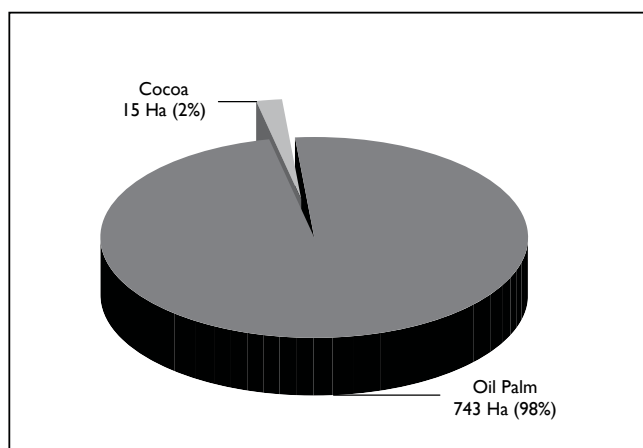
Consequently, Group recorded profit after tax for the financial year ended 31 January 2020 at RM3.16 million was higher than the last financial year's profit before tax of RM2.52 million.

The Group's operations are mainly affected by seasonal crop production, climatic conditions and fluctuating commodity prices. The palm oil products segment remains as significant contributors to the overall profitability of the Group. Despite the palm oil prices have been soft during the financial year, the palm oil products segment is performed satisfactorily, supported by increase in operating margin.

Moving toward into the year 2020, the Management expects the palm oil market to remain volatile and vulnerable to fluctuating global economy coupled with the recent outbreak of COVID-19 pandemic. Despite the current economic environment, Management is cautiously optimistic on the long term prospects of the palm-based industry and will continue to focus on cost efficiency, enhanced productivity and to mitigate business associated risks so as to achieve long term sustainability.

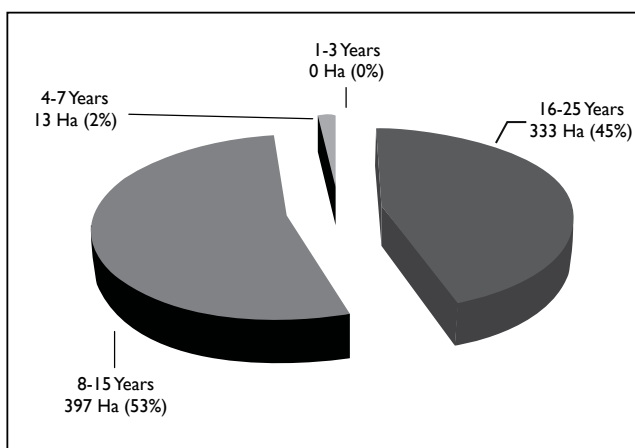
B. Group Business Review - Oil Palm and Cocoa Plantations

CROP MIX



Total Planted Area - 758 Ha

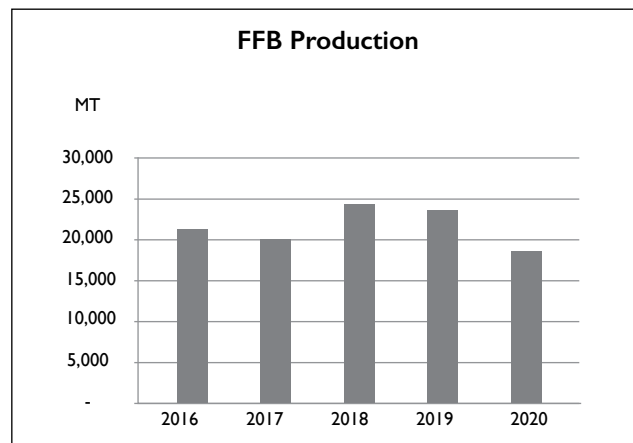
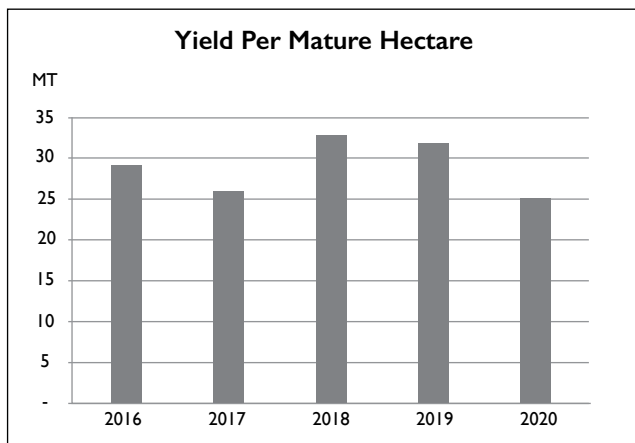
OIL PALM HECTARAGE BY AGE



Total Oil Palm Planted Area - 743 Ha

MANAGEMENT DISCUSSION & ANALYSIS

OIL PALM PLANTATION



PLANTATION STATISTICS

Area Statement

| | Unit | FY2020 | FY2019 | FY2018 | FY2017 | FY2016 |
|------------------------------------------------------------|----------------|------------|------------|------------|------------|------------|
| Oil Palm Area | | | | | | |
| Mature | Hectare | 743 | 753 | 740 | 740 | 754 |
| Immature | Hectare | - | - | 13 | 13 | 13 |
| Total | Hectare | 743 | 753 | 753 | 753 | 767 |
| Cocoa Area | | | | | | |
| Mature | Hectare | 15 | 15 | 15 | 17 | 17 |
| Immature | Hectare | - | - | - | - | - |
| Total | Hectare | 15 | 15 | 15 | 17 | 17 |
| Total Planted Area | Hectare | 758 | 768 | 768 | 770 | 784 |
| Total Unplanted, Buildings and Infrastructure Areas | Hectare | 57 | 57 | 59 | 57 | 43 |
| Total Area | Hectare | 815 | 825 | 827 | 827 | 827 |

MANAGEMENT DISCUSSION & ANALYSIS

Crop Statement

| | Unit | FY2020 | FY2019 | FY2018 | FY2017 | FY2016 |
|--------------------------|----------|--------|--------|--------|--------|--------|
| Oil Palm | | | | | | |
| FFB Production | Tonne | 18,563 | 23,849 | 24,404 | 20,138 | 20,138 |
| Yield per mature hectare | Tonne | 24.99 | 31.68 | 33.00 | 27.23 | 27.23 |
| Average selling price | RM/Tonne | 382 | 384 | 511 | 547 | 547 |

As at 31 January 2020, the Group's total planted area owned by subsidiary companies stood at 758 hectares. Approximately 98.00% of the planted area owned by subsidiary companies are planted with oil palm. The Group has 5 estates and total oil palm planted area as at the end of the financial year stood at 743 hectares. Approximately 83.47% of the Group's oil palm and cocoa plantation holdings are located at Tawau, Sabah, and the remaining of 16.53% at Lahad Datu, Sabah. The Group's plantation produce are principally processed by palm oil mills owned by the related companies.

For the current year under review, all oil palm and cocoa planted areas have attained maturity. The Group's estates produced a total of 18,563MT of FFB which was about 22.16% lower than the previous year mainly due to lower yield. FFB yield had decreased to 24.99 MT as compared to 31.68 MT in last financial year. Average FFB selling price in current financial year of RM382 per MT is about 0.52% lower than the last financial year.

The Management is cautiously optimistic on the prospects of the plantation industry. Management will continue to focus on the cost efficiency and yield management in 2020.

C. Group Business Review - Resource - Based Manufacturing

Operation of Palm Kernel Crushing Plant and Trading of Palm Oil Related Products

| | Unit | FY2020 | FY2019 | FY2018 | FY2017 | FY2016 |
|------------------------------------------|-------|--------|--------|--------|--------|--------|
| Production | | | | | | |
| Crude Palm Kernel Oil | Tonne | 37,342 | 49,678 | 48,648 | 36,484 | 37,870 |
| Palm Kernel Expeller | Tonne | 40,853 | 53,908 | 55,867 | 39,607 | 42,176 |
| Extraction Rates | | | | | | |
| Crude Palm Kernel Oil | % | 47.40 | 47.23 | 46.23 | 46.41 | 46.02 |
| Palm Kernel Expeller | % | 51.86 | 51.25 | 53.09 | 50.38 | 51.26 |
| Average Selling Price (Per Tonne) | | | | | | |
| Crude Palm Kernel Oil | RM | 2,552 | 3,742 | 5,320 | 5,074 | 3,581 |
| Palm Kernel Expeller | RM | 431 | 474 | 416 | 397 | 333 |
| Trading of palm oil related products | RM | 2,496 | 2,918 | 3,406 | 4,156 | 3,674 |

MANAGEMENT DISCUSSION & ANALYSIS

The Group owns one kernel crushing plant located at Tawau, Sabah. It has crushing capacity of 13,000 MT/Month. The crushing plant is strategically located along the shipping routes with direct port access facility.

This crushing plant produces crude palm kernel oil and palm kernel expeller mainly for export market. With the Group's integrated business model, the crushing plant plays an important role in the supply chain.

Extraction rate of the crude palm kernel oil for the current financial year has increased to 47.40% as compared last financial year at 47.23%.

The overall financial performance for the operation of kernel crushing plant and trading of palm products in financial year 2020 was challenging due to external environment on palm-based market. For the coming year, the palm oil market is expected to remain challenging with vulnerable exchange rates and unstable commodity prices. However, Management is cautiously optimistic on the prospects of the palm oil industry and continue its management effort to mitigate these risks to ensure the Group remains competitive and to be resilient in the face of adversity.

2. Manufacturing and Trading of Cocoa Products

| | Unit | FY2020 | FY2019 | FY2018 | FY2017 | FY2016 |
|------------------------------------------|-------|--------|--------|--------|--------|--------|
| Average Selling Price (Per Tonne) | | | | | | |
| Cocoa Products | RM | 11,657 | 9,792 | 11,056 | 11,694 | 10,826 |
| Chocolate Products | RM | 12,437 | 13,649 | 13,741 | 13,294 | 12,115 |
| Dried Cocoa Beans | RM | 8,628 | 7,524 | 7,100 | 9,166 | 10,033 |
| Sales Volume | | | | | | |
| Cocoa Products | Tonne | 733 | 981 | 863 | 664 | 598 |
| Chocolate Products | Tonne | 142 | 117 | 119 | 143 | 147 |
| Dried Cocoa Beans | Tonne | 0.4 | 0.3 | 0.3 | 4 | 34 |

Cocoa products' contribution of 3.77% to the revenue for the current year of the Group is insignificant.

During the financial period, the Group continued to market and ship cocoa products to overseas and local buyers. Exports of the cocoa products were mainly delivered to Jordan, Pakistan, Karachi, and China.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of Teck Guan Perdana Berhad is committed to excellence in corporate governance standards at all times in conducting the business affairs of the Group with integrity, accountability and transparency which are key components to building a sustainable business. These will protect and enhance shareholders' investment and value and the financial performance of the Group.

This Corporate Governance Overview statement provides information about the Company's corporate governance practices during the reporting financial year. The Board is pleased to report on how the Company and the Group have applied the principles and the extent of compliance with the best practices set out in the Malaysian Code on Corporate Governance ("the Code") issued by the Securities Commission.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

A1 BOARD DYNAMICS AND STRUCTURE

A1.1 Members of the Board of Directors

The Company is headed by a dynamic Board consisting of 5 members with more than half of Board consist of Independent Non-Executive Directors ("Independent Directors") as follows:

| Members of the Board | Designation | Number of Meetings During the FY 2020 | | Attendance Record |
|----------------------|--------------------------------|---------------------------------------|------|-------------------|
| | | Attended | Held | |
| Mr. Tham Vui Yun | Chairman, Independent Director | 4 | 5 | 80% |
| Datuk Hong Ngit Ming | Managing Director | 3 | 5 | 60% |
| Mdm. Hong Kun Yee | Executive Director | 2 | 2* | 100% |
| Mr. Fung Hiuk Bing | Independent Director | 5 | 5 | 100% |
| Mr. Wong Peng Mun | Independent Director | 5 | 5 | 100% |
| Ms. Hong Dunn Yee | Executive Director | 1 | 3** | 33%*** |

* Appointed as member of the Board on 29 November 2019

** Resigned as member of the Board on 29 November 2019

*** Due to unavoidable reason (pregnancy)

The profile of each of the Director can be found in the section on "Profiles of Directors and Key Senior Management" of this Annual Report.

A1.2 Separate Positions of the Board Chairman and the Managing Director for Accountability

The positions of Chairman and Managing Director are held by different individuals, and this separation of positions promotes accountability, facilitates the division of responsibilities between them and further enhances the existing balance of power and authority.

The Chairman of the Company is Mr. Tham Vui Yun, an independent non-executive member of the Board. The Chairman is primarily responsible for matters pertaining to the Board, provides leadership in ensuring effective functioning of the Board as a whole, encourage active and fair participation from every Board member and instilling good corporate governance practices and overall conduct of the Group.

Datuk Hong Ngit Ming, an executive member of the Board, is the Managing Director and he focuses on the business and day-to-day management of the Company and the Group with all powers, discretions and delegations authorised from time to time by the Board. He is primarily responsible for the implementation of the Board's policies and decisions, overseeing the Group's operations and developing the Group's business strategies.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

A1.3 Presence of Independent Directors to Provide Objectivity

Role of Independent Directors

The Board recognises that the Independent Directors, who has no connection with the Company, bring dispassionate objectivity to the Company and significantly contribute to the Company's decision making by bringing in the quality of detached impartiality.

The Independent Directors are independent of management and have no relationship that could materially interfere with the exercise of their independent judgement. The Independent Directors are actively involved in the existing Board Committees of the Company for enhanced governance. They provide the relevant checks and balances for the effective functioning of the Board, focusing on shareholders' and other stakeholders' interests and ensuring that high standards of corporate governance are applied.

Composition of Independent Directors

The current Board size consist of 5 members comprising a Non-Executive Chairman who is also an Independent Director, a Managing Director, an Executive Director and 2 other Independent Directors. The present composition reflects more than half of the Board members consist of Independent Directors. The present Board composition complies with both the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad, that requires two directors or one-third of the Board whichever is higher, to be independent director and the Code's best practice of at least half of the Board comprises independent directors.

Tenure of Independent Directors

The Board notes that the Code's practice prescribes that the tenure of an Independent Director should not exceed a cumulative terms of nine (9) years. However, an Independent Director may continue to serve the Board upon reaching the 9-year limit subject to his re designation as a Non-Independent Non-Executive Director. In the event the Board intends to retain such Director to be Independent Director, the Board shall justify the decision and seek annual shareholders' approval. Furthermore, the practice under the Code prescribes that if the Board continues to retain the Independent Director after the twelfth (12th) year, the Board should seek annual shareholders' approval through a two tier voting process.

The Company does not have a policy to limit the tenure of its Independent Directors to 9 years as it intends to seek shareholders' approval to retain the following Independent Directors in their present capacity:

- a. Mr. Wong Peng Mun, has served the Company for a cumulative terms of more than 9 year but less than 12 years as an Independent Director and the Board will be seeking shareholders' approval at the forthcoming AGM to continue to retain him in the capacity as an Independent Director.
- b. Mr. Tham Vui Yun has served the Company for a cumulative term of more than 12 years as an Independent Director and the Board intends to continue to retain him as an Independent Director by seeking shareholders' approval at the forthcoming AGM through the normal voting process. This is a departure from the prescribed practice of the Code on the two-tier voting procedure, as the Board consider that every shareholder should exercise their voting rights on the same level and each share shall entitled to one vote.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

AI.4 Board Diversity to Widen Perspective

The Board recognises that a diverse Board in the Company could offer greater depth and breadth compared to non-diverse Board whilst the diversity at senior management will provide constructive debates, which lead to better decisions. The Nomination & Remuneration Committee in considering recommendation on new appointment to the Board are generally based on objective criteria with due regard to diversity in skills, knowledge, experience, ethnicity, age and gender. Notwithstanding the challenges in achieving the appropriate level of diversity on the Board and senior management, the Company will work towards addressing this as and when vacancies arise and suitable candidates are identified with the aim to select the best candidates available with necessary character that fits the Company's needs.

Furthermore, the Board is supportive of gender diversity in the Board composition and senior management, even though there is no specific gender policy and target set by the Company, as the Board believes that appointment to the Board and senior management should be based on the candidate's merit, qualification, experience and character. At present the Board has one female Board member as the Company is committed to have at least one female representation in the Board as specified in the Board Charter.

AI.5 Board Committees to Enhance Governance

The Board has established the following Board Committees from amongst the Board members to ensure good governance in decision making:

a. **Audit & Risk Management Committee ("ARMC")**

The primary objectives of the ARMC are to assist the Board in the oversight of financial reporting process, internal control system and risk management process and the internal audit function. The ARMC comprising solely of Independent Directors is chaired by Mr. Fung Hiuk Bing.

(see the section on "Audit & Risk Management Committee Report" of this Annual Report for further details)

b. **Nomination & Remuneration Committee ("NRC")**

The NRC oversees the process of recruiting and appointment of Directors, evaluating the performance of the Board and reviewing the remuneration of the Directors. The NRC comprising solely of Independent Directors is chaired by Mr. Wong Peng Mun.

(see the section on "Nomination & Remuneration Committee Report" of this Annual Report for further details)

These Board Committees operate within specific terms of reference that were drawn up in accordance with best practices in the Code and function principally to assist the Board in the execution of its duties and responsibilities. The respective Board Committees' terms of reference are available on the Company's website at www.teckguan.com/tgp.

The Board retains full responsibility for the direction and control of the Group as the ultimate responsibility for decision making lies with the Board, notwithstanding the delegation of specific powers to the Board Committees.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

A2 CLEAR ROLES AND RESPONSIBILITY OF THE BOARD

A2.1 Demarcation of Responsibilities

There is a clear distinction between the roles and responsibilities of the Board, Board Committees, individual Directors and management. The primary role of the Board is to lead the Company and promote the long-term success of the Company and the oversight of the management. The management is responsible for the execution of activities to meet corporate plans as well as instituting various measures to ensure due compliance with various governing legislations. The Board Committees are established with specific tasks to assist the Board in the discharge of its oversight function.

Their respective responsibilities, authorities and expectations are encapsulated in the Board Charter of the Company.

The Board Charter provides guiding principles for the Board to achieve the objectives of the Company and serves as a reference point for the Board's activities by setting out the Board's strategic intent, authority and terms of reference. In the Board Charter, the Board has established clear functions in respect of the role and responsibilities of the Board, Board Committees, individual Directors and management. It also provides insights and guidance on the roles and responsibilities of the Chairman, Managing Director and Independent Directors. The Board Charter also specifies the key issues and decisions that are reserved for the Board.

The Board Charter which is reviewed periodically is available on the Company's website at www.teckguan.com/tgp.

A2.2 Board Leadership

The Board duly acknowledged that it bears the collectively responsibility for the leadership, oversight, control, development and sustainable growth of the Group as well as inculcating the appropriate culture and values throughout the organization.

In performing its role in leading the Company, the Board is responsible for setting the strategic direction & goals and directs the policies, strategic action plans and stewardship of the Group's resources with the aim to achieve those goals. Where strategic planning, key decisions, policies and values are reserved for the Board, the Board delegates to the management the authority and responsibility for the day-to-day operations and affairs of the Company.

A2.3 Board Oversight

The Board oversight functions concerns the review of the management performance in which the Board is assisted by the ARMC that provides effective oversight of the management performance, risk assessment, controls over business operations and corporate governance. The Board, at its quarterly meetings, reviews business financial results, risk management initiatives, oversees the implementation and effectiveness of internal control systems as well as enforces the compliance of legal and statutory requirements within the Group.

A2.4 Board Values

The Board is committed to promoting good business conduct and maintaining a healthy corporate culture as it recognises that the Company's culture is largely shaped by its leadership. In recognising the need to have clear policies on what is considered acceptable behaviour and practice, the Company has adopted the following code and policy:

CORPORATE GOVERNANCE OVERVIEW STATEMENT

- a. The Code of Ethics and Conduct of the Company which outlines the standards or business conduct and ethical behavior for the Directors, officers and employees of the Company in the performance and exercise of their responsibilities and ensure accountability. The Code of Ethics and Conduct requires all employees and Directors to observe high ethical business standards, honesty and integrity and act in good faith in the best interest of the Company and its shareholders.
- b. The Whistleblowing Policy which is to assist and ensure that the Company's business and operations are conducted in an ethical, moral and legal manner. The Whistleblowing Policy is designed to encourage employees or external parties to disclose suspected malpractice or misconduct and to provide protection to employees or external parties who report allegations of such practices.

A3 BOARD PROCESS

A3.1 Recruitment and Appointment Process

The NRC is responsible for making recommendations to the Board on the suitability of candidates nominated for appointment to the Board and Board Committees. In identifying candidates for appointment of directors, the Board does not solely rely on recommendations from existing Board members, management or major shareholders. The NRC is also authorised by the Board through its Terms of Reference to utilise independent sources (such as any available directors' registry, industry and professional associations, open advertisements or independent search firms) to identify suitable qualified candidates for directorship, where required and necessary.

The NRC in considering such recommendation shall first evaluate the balance and composition including mix of skills, independence, experience and diversity (including gender diversity) of the Board. In making recommendation of suitable candidates, the NRC shall consider the following:

- i. skills, knowledge, expertise and experience;
- ii. time commitment and contribution;
- iii. honesty, integrity, professional conduct and business ethics/practices;
- iv. number of directorship in other companies and other external obligations which may affect his/her commitment; and
- v. for position of independent non-executive directors, the candidate shall be evaluated at minimum, with reference to the definition of "Independent Director" as stipulated by the MMLR.

The decision as to who should be appointed is the responsibility of the full Board after considering the recommendation of the NRC. The Company Secretary will ensure that all appointments are properly made; all necessary information is obtained as well as all legal and regulatory obligations are met. The NRC shall ensure all new directors participate in the board induction and mandatory accreditation programme as stipulated by the MMLR.

The NRC having considered the present Board size and balance, has not proposed or seek any candidate from independent sources for additional non-executive director position.

A3.2 Re-election of Directors

Any Director appointed during the year is required under the Company's Constitution to retire and seek re-election by the shareholders at the following Annual General Meeting ("AGM") immediately after their appointment. The Constitution also require one-third of the Directors including the Managing Director to retire by rotation and seek re-election at each AGM and that each Director are to retire from office at least once in three years but shall be eligible for re-election.

The performance of those Directors who are subject to re-election at the forthcoming AGM are assessed by the NRC whereupon recommendations are submitted to the Board for decision on the tabling of the proposed re-election of the Directors concerned for shareholders' approval.

The directors to retire from office and eligible for re-election at the forthcoming AGM are Mr. Tham Vui Yun, Mr. Wong Peng Mun and Mdm. Hong Kun Yee.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

A3.3 Board Evaluation

The Board regularly evaluates its performance and the governance processes that support the Board's work with the aim to improve individual contributions, effectiveness of the Board and the Board Committees. The annual evaluation conducted internally through a formal process, involves the Directors completing a set of assessment questionnaires and submitting the results to the NRC for review who then reports the outcome of the evaluation to the Board for further consideration.

The effectiveness of the Board is assessed by all the Directors in terms of composition with regard to size and balance, mix of skills, governance, competencies, duties and responsibilities. The Board also assessed whether it has established the appropriate Board Committees to undertake the mandate from the Board. And also, all the Directors assessed the Board Committees on the adequacy of the terms of reference, composition, credentials of the members and appointment of committee chair, reporting process and responsibilities. In addition, each Board Committee has conducted self-assessment on the adequacy of its charter, role, responsibilities, functions, process and procedures in determining how the respective Board Committees had performed.

An assessment was also conducted on each and every Director involving self and peer review, where each individual Director will assess his/her own performance and that of his/her fellow Directors in the area of integrity & ethics, governance, strategic perspective, judgement & decision making, teamwork, communication and leadership. These relate directly to areas in which a Director would be expected to contribute to the effectiveness of the Director individually and the Board as a whole.

The Directors who are the Independent Directors are further assessed on their independence and objectivity where the evaluation took into account the individual Director's ability to exercise judgment at all times and that such Director continue to comply with the definition of "Independent Director" as stipulated in the MMLR.

In addition, all the Directors, saved for the respective Chairman and Managing Director where he is the subject of evaluation, were required to assess the performance of the Board Chairman and the Managing Director. The Chairman was assessed on his role and performance in leadership, working relationship, commitment and governance, whereas the Managing Director was assessed on areas such as leadership, communication, strategic planning, operational management and implementation of policies.

The Board is satisfied with the results of the annual assessment on the effectiveness of the Board and that its composition in terms of size, balance between Executive and Independent Directors and mix of skills is adequate. The Board is also satisfied with the Board Committees having discharged their duties and responsibilities effectively; the performance of the individual Directors, the Chairman and the Managing Director; and that all the Independent Directors remain objective and independent.

A3.4 Information and Support for Directors

The Board has full and timely access to information concerning the Company and the Group. The Board is provided with the relevant agenda and board papers at least one week before the meeting for their review and facilitate informed decision making. However, materials on certain items which are sensitive in nature are distributed only during the respective meetings. Minutes of the Board meetings are maintained by the Company Secretary and circulated to all members of the Board.

The Board has unrestricted access to all information within the Company including access to the advice of Company Secretary and other senior management, whether as a full board or in their individual capacity, which is necessary for discharge of its responsibilities and may obtain independent professional advice at the Company's expense in furtherance of their duties.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Company Secretary

The Board has ready and unrestricted access to the advice and services of the Company Secretary who is suitably qualified under Section 235(2) of the Companies Act, 2016. The Board is satisfied with the competency, performance and support rendered by the Company Secretary, who play a vital role in advising the Board on corporate governance matters, ensuring the effective functioning of the Board and that applicable statutory and regulatory requirements are complied with.

The Company Secretary ensure that all Board and Board Committees deliberations and resolutions are properly and accurately minuted and regularly updates the Board during meetings and via emails, on any development in corporate governance and any changes to the statutory and regulatory requirements and the resultant implications on such changes to the Company and Directors in relation to their duties and responsibilities.

A3.5 Board Induction and Training

New appointees to the Board are given an introduction to familiarize with the Company's corporate governance, culture and business operations as it is vital for new members to orientate themselves in new environment in order to contribute to the Board. Mdm. Hong Kun Yee, the new member to the Board was duly given an induction session on the Company's corporate information, governance framework, the business operation and performance to assist her in discharging her duties and responsibilities.

All the present Directors have completed the Mandatory Accreditation Program (MAP) as required by the MMLR for first time directors of listed issuer. The Directors of the Company continuously update and upgrade their knowledge and exposure through attending training, seminars, conferences, trade fairs and conventions and have attended the following during the financial year:

Mr. Tham Vui Vun

- Quarterly Tax Updates 2019
- National Tax Conference 2019
- 2020 Budget Seminar
- MFRS 15 and MPERS S34 – Application to Construction Contracts and Property Development Activities
- Agriculture – Financial Reporting Requirements

Datuk Hong Ngit Ming

- Global International 2019 - the Premier International Conference & Exhibition on Vegetable / Edible Oil, Feed & Feed Ingredients, Oilseeds & Related Industries

Mdm. Hong Kun Yee

- Mandatory Accreditation Program (MAP) for first time Director
- Sales Marketing 34 Basic Law

Mr. Fung Hiuk Bing

- Latest on Employers' Tax Obligations in 2019
- Key Learning Points from Review of MIA's Illustrative MPERS
- MFRS 15 and MPERS S34 – Application to Construction Contracts and Property Development Activities
- Agriculture – Financial Reporting Requirements
- Optimising Tax Benefits for Companies and related entities
- Risk-Based Core Audit Training Programmes – Module C: Audit Completion
- Risk-Based Core Audit Training Programmes – Module D: Audit Reporting
- 2020 Budget Seminar
- Latest updates in 2020 on employers' Tax Statutory Obligations
- Tax issues for SME
- Auditor's Report, Audit Modifications, Going Concern and Other Matters Paragraph.
- Audit Sampling Procedures for SME
- Capital Reduction & Members' Voluntary Winding Up

CORPORATE GOVERNANCE OVERVIEW STATEMENT

A4 REMUNERATION

A4.1 Remuneration Policy

The Board recognises that the level and composition of remuneration of Directors and senior management should take into account the Company's desire to attract and retain the right talent in the Board and senior management to drive the company's long-term objectives.

Therefore, the Company has in place policies and procedures to determine the remuneration of Directors and senior management, which takes into account the demands, complexities and performance of the Company as well as skills and experience required. The objective of the Company's remuneration policy is to attract and retain the Directors and senior management required to lead and control the Group effectively. In the case of Executive Directors and senior management, the components of the remuneration package are linked to corporate and individual performance. For Non-Executive Directors, the level of remuneration is reflective of their experience and level of responsibilities.

Furthermore, in line with the MMLR, the salaries payable to the Executive Directors do not include a commission or percentage of turnover, while fees payable to the Independent Directors take the form of a fixed sum and not a commission or percentage of profits or turnover. In compliance with the provisions of the Companies Act 2016, the fees and any benefits payable to Directors are subject to annual approval at general meetings.

The process of reviewing and recommending matters relating to the remuneration of the Board is undertaken by the NRC.

A4.2 Disclosure of Remuneration

The Board acknowledged that disclosure of remuneration of the Directors and senior management on an individual basis provides transparency and enable the stakeholders to assess whether the remuneration commensurate with their individual performance, taking into consideration of the Company's performance. However, the Board also understand that such disclosure at employee level for senior management have to be considered in terms of how its affect the dynamics of the workforce internally which may yield unintended outcome among the employees, who themselves are part of the Company's stakeholders, and for this reason has not adopted any disclosure of such employees' remuneration.

The remuneration of the Directors of the Company for the reporting financial year is as follow:

| | Fees | Salaries & Allowances | Bonuses | Other* | Total |
|----------------------|--------|-----------------------|---------|--------|---------|
| Datuk Hong Ngit Ming | - | 183,912 | - | 22,769 | 206,681 |
| Mdm. Hong Dunn Yee | - | 55,539 | - | 7,578 | 63,117 |
| Mdm. Hong Kun Yee | - | 5,049 | - | 689 | 5,738 |
| Mr. Fung Hiuk Bing | 18,000 | - | - | - | 18,000 |
| Mr. Tham Vui Yun | 18,000 | - | - | - | 18,000 |
| Mr. Wong Peng Mun | 18,000 | - | - | - | 18,000 |
| | 54,000 | 244,500 | - | 31,036 | 329,536 |

* Others consist of contributions to defined contribution plan, social security and employment insurance scheme

** None of the Directors of the Company received any remuneration from the Group's subsidiary companies

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

BI AUDIT & RISK MANAGEMENT COMMITTEE

BI.1 Integrity in Financial Reporting

The Board aims to present a balanced and understandable assessment of the Group's financial performance and prospects, primarily through the presentation of annual audited financial statements and the unaudited quarterly financial results announced to the shareholders.

To enable the Board to objectively review the Company's financial statement so as to ensure that it is a reliable source of information, the Board has established the ARMC to assist the Board by reviewing the information to be disclosed in the financial statements, to ensure completeness, accuracy, adequacy and compliance with applicable financial reporting standards.

In ensuring that the ARMC remains effective and independent, the said Committee comprises solely of Independent Directors and that it is not chaired by the Board Chairman nor does the present ARMC has any former key audit partner as its member. All members of the ARMC are financially literate and are able to understand matters under the purview of the Committee including financial reporting process and have undertaken continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

In addition, the ARMC has oversight of the following:

External Auditors

Through the ARMC, the Company has established an appropriate and transparent relationship with the Group's external auditors. The external auditors of the Company fulfill an essential role on behalf of the Company in giving assurance to the shareholders and others, of the reliability of the financial statements of the Company.

From time to time, the external auditors highlighted to the ARMC on matters that requires the Board's attention. The Company maintains a transparent relationship with the external auditors in seeking professional advice and ensuring compliance with applicable approved financial reporting standards in Malaysia. Key features underlying the relationship of the ARMC and the external auditors are set out in the section on "Audit & Risk Management Committee Report" of this Annual Report.

The ARMC has considered the non-audit services provided by the external auditors during the reporting financial year. The ARMC had concluded that these services have not compromised the external auditors' independence and objectivity as the amount of non-audit fee paid was not significant as compared to the total fees paid/payable. The fees for such non-audit services as referred to in the table below comprising mainly on the review of the statement on risk management and internal control.

The amount of audit and non-audit fees incurred for services rendered by the external auditors during the financial year are as follows:-

| Amount in RM | Company | Group |
|----------------|---------|--------|
| Audit Fees | 49,000 | 98,500 |
| Non-Audit Fees | 4,500 | 7,500 |

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Internal Audit Function

The Group has in place an in-house Internal Audit Department which is independent of the activities that it audits. The internal auditor is provided with sufficient resources to carry out its audit work. En. Muhammad Danish Abdullah, an associate member of The Institute of Internal Auditors Malaysia from the Internal Audit Department reports directly to the ARMC and he is free from any relationships or conflict of interest, which could impair his objectivity. The risk based internal audit plan that comprises of internal audit coverage and scope of work are presented to the ARMC for approval annually and the audit is conducted in accordance with recognised framework. Internal audit reports encompassing audit findings together with recommendations are presented to the ARMC during its quarterly meetings.

B1.2 Managing Risk

The Board has ultimate responsibility for reviewing the Company's risks, approving the risk management framework and policies, and overseeing the Company's strategic risk management and internal control framework. The Group has in place an on-going risk management process consist of Risk & Sustainability Department that coordinates with the risk owners to identify and documenting major risks, assessing the potential impact and likelihood of occurrence and mitigating controls through the adoption of risk management methodology and approach.

The Board through the ARMC reviews the key risks identified on a regular basis to ensure proper management of risks and measure taken to mitigate any weakness in the control environment. The ARMC reviews the risk assessment report from the Risk & Sustainability Department and submit recommendations to the Board for action to ensure adequacy and effectiveness of the system of risk management and internal control.

The Board is required under the MMLR to provide a statement about the state of risk management and internal control of the Group, which has been reviewed by the external auditors, is presented under the section on "Statement of Risk Management and Internal Control" of this Annual Report.

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

CI COMMUNICATION WITH STAKEHOLDERS

CI.1 Integrity in Corporate Reporting

The Company is committed to provide shareholders and other stakeholders with comprehensive, accurate and quality information on a timely and even basis. It adheres to the Corporate Disclosure Policy & Procedures in disseminating information to the stakeholders and the public at large.

This Policy which applies to all Company's Directors, management, officers and employees of the Group, 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. This policy covers the means and method of communication, persons responsible to communicate with stakeholders, handling and maintaining confidentiality of information, obligation to disclose material information on timely basis with a level of clarity and reliability, and that stakeholders and public at large shall have equal access to material information.

In addition, the Board is required under the MMLR to provide a statement explaining the Directors' responsibilities for preparing the annual audited financial statements which can be found in the section on "Statement of Directors' Responsibilities in respect of the Audited Financial Statements" of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

C1.2 Timely and Regular Dissemination of Information

The Board acknowledges the need for shareholders to be informed on all material business developments affecting the Group's state of affairs. To ensure shareholders and other stakeholders are well informed, information are disseminated through various disclosures and announcement to Bursa Malaysia Securities Berhad. This includes timely release of quarterly financial results on the Group's performance and operations. The circulation of the Company's annual reports, relevant announcements made through Bursa Malaysia Securities Berhad and the Company's website are currently the primary means of communication between the Company, its shareholders, other stakeholders and the general public.

C2 GENERAL MEETINGS OF THE COMPANY

C2.1 Shareholders Participation at General Meetings

General meetings of the Company represent the principal forum for dialogue between shareholders and the Company. Shareholders are encouraged to attend and participate at these meetings.

In an effort to encourage greater shareholders' participation at general meeting, the Board takes cognisance in serving longer than the required minimum notice for general meeting by giving at least 28 days' notice prior to the meeting (as proposed by the Code), where possible. To further promote participation of the members, the Chairman of the meeting will brief the members, corporate representatives or proxies present at the meeting of their rights to speak and vote on the resolutions set forth in the general meeting.

The shareholders are given the opportunity to seek clarification on any matters pertaining to the business and financial performance of the Company. The Board endeavors to ensure that all Board members including the chair of the Board Committees, the Chief Financial Officer and the external auditors are present at the Company's Annual General Meetings to answer questions raised at the meeting. Extraordinary General Meetings are held as and when required and if necessary, the financial advisors will also be present to attend to shareholders' queries at these meetings.

C2.2 Voting

Pursuant to MMLR, any resolution set out in the notice of any general meetings, or in any notice or resolution which may properly be moved and is intended to be moved at any general meeting, must be voted by poll for all general meetings from 1 July 2016 onwards. Hence, voting for all resolutions set out in the forthcoming and future general meetings will be conducted as such. An independent scrutineer will be appointed to validate the votes cast at the general meetings.

The Board is cognisants of the advantages of poll voting and electronic voting at general meetings to ensure the accuracy, transparency and efficiency of the voting process and the outcomes at general meetings. Going forward, the Board will consider the electronic voting should the need arise.

CORPORATE GOVERNANCE REPORT

The Board recognises the importance of good corporate governance towards long term sustainability of the Group. To this end, the Board always strives to adopt the principles and practices promoted by the Code. Save as disclosed within this Annual Report, the Company has, and will continue to apply the principles and practices as set out in the Code where practical and appropriate. The detailed application for each practice as sets out in the Code is disclosed in the "Corporate Governance Report 2019" which is available on the Company's website at www.teckguan.com/tgp.

NOMINATION & REMUNERATION COMMITTEE REPORT

CONSTITUTION, COMPOSITION AND MEETINGS

The Nomination Committee and the Remuneration Committee were both established on 31 March 2003 and these two committees were merged into the present Nomination & Remuneration Committee (“NRC” or “the Committee”) on 22 January 2018.

The composition of the NRC has complied with the requirements on its memberships as stated in its charter and in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and also applied the practice as set out in the Malaysian Code on Corporate Governance (“the Code”):

- The Committee members are appointed from amongst its directors by the Board;
- The Committee shall consist of no less than three (3) members and all members of the Committee must be non-executive directors, with a majority being independent directors;
- The Committee shall elect a chairman from amongst its member who is an independent director.

The membership and the number of meetings held for the reporting financial year together with the detail of attendance of each committee member are as follows:

| Name of Independent Non-Executive Director | Committee Position | Number of Meetings | | Attendance Record |
|--------------------------------------------|--------------------|--------------------|------|-------------------|
| | | Attended | Held | |
| Mr. Wong Peng Mun | Chairman | 2 | 2 | 100% |
| Mr. Fung Hiuk Bing | Member | 2 | 2 | 100% |
| Mr. Tham Vui Yun | Member | 2 | 2 | 100% |

There is no change to the composition of the NRC’s members as at the date of this Annual Report.

OBJECTIVE, POWERS AND DUTIES

The principal functions of the NRC are to assist the Board primarily in:

- Board Recruitment, Appointment and Re-election Process – to identify, review and recommend candidatures for appointment to the Board and/or Board Committees; and to review the annual retirement of Directors by rotation and recommend the same for re-election by shareholders, including the review and recommending to the Board if the Company intends to seek shareholders’ approval to retain an Independent Director to continue in that capacity beyond the 9 years prescribed limit by the Code.
- Board Composition and Performance Evaluation – to conduct annual evaluation on the performance of individual Directors and other key officers, Board Committees and the effectiveness of the Board as a whole including the Board size, balance and mix of skills.
- Board Remuneration – to review and recommend to the Board, the remuneration package of the Directors, both executives and non-executives, with due consideration to the individual Director’s responsibilities and expertise, complexity of the Company’s activities and is structured to align with the business strategy and long term objectives of the Company.

The NRC shall have the necessary resources to perform its duties and may obtain the assistance of internal management/ professional advice or independent professional advice where necessary. Furthermore, if there is a need, the NRC may utilise independent sources (such as any available directors’ registry, industry and professional associations, open advertisements or independent search firms) to identify suitable candidates for directorship.

NOMINATION & REMUNERATION COMMITTEE REPORT

SUMMARY OF WORK OF THE NOMINATION & REMUNERATION COMMITTEE

The summary of work and the main matters that the NRC considered during the reporting financial year are described below:

a. Annual Evaluation of the Directors and the Board

The Company has conducted the annual evaluation exercise of the Board whereby the NRC reviewed the performance of the individuals Directors, the Board Committees and the effectiveness the Board including the its size, balance and mix of skills. Furthermore the NRC has also reviewed the performance of the Board Chairman, the Managing Director and evaluated the independence of the Independent Directors. The evaluation process and assessment criteria are disclosed in para A3.3 under section on 'Corporate Governance Overview Statement' of the Annual Report. Besides the evaluation carried out on the Directors, the Chief Financial Officer was also assessed on his competency, contribution and character by all Directors, and the results were submitted to the NRC for review during the year.

The NRC had reviewed the annual evaluation and reported the outcome to the Board accordingly in which the Board is satisfied with the overall results of the annual evaluation above.

b. Board Recruitment, Appointment and Re-election Process

During this reporting period, the NR Committee has reviewed and recommended the following to the Board:

- i. the appointment of Mdm. Hong Kun Yee as a Director of the Company which was approved by the Board and she was duly appointed on 29 November 2019;
- ii. to seek the re-election of Mr. Tham Vui Vun, Mr. Wong Peng Mun and Mdm. Hong Kun Yee in which the Board has included these in the agenda at the forthcoming Annual General Meeting ("AGM"); and
- iii. to retain Mr. Tham Vui Vun and Mr. Wong Peng Mun in the capacity as Independent Director, in which the Board has also included these in the agenda at the forthcoming AGM.

c. Board Remuneration

During the reporting period, the NRC had reviewed the remuneration package of the Executive Directors and the Directors' fee, in which the Board has proposed to seek shareholders' approval for the payment of the Directors fee for the next financial year, at the forthcoming AGM, whereas the detailed remuneration of the Executive Directors as well the Directors' fee for the current financial year are disclosed in para A4.2 under the section on "Corporate Governance Overview Statement" of this Annual Report.

AUDIT & RISK MANAGEMENT COMMITTEE REPORT

CONSTITUTION, COMPOSITION AND MEETINGS

The Board has established the Audit Committee and the Risk Management Committee on 15 June 1996 and 23 December 2003 respectively and these two committees were merged into the present Audit & Risk Management Committee (“ARMC” or “the Committee”) on 22 January 2018.

The composition of the ARMC has complied with the requirements and/or restrictions on its memberships as stated in its charter and in accordance with the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Malaysia”) and also applied the practice as set out in the Malaysian Code on Corporate Governance (“the Code”):

- The Committee members are appointed from amongst its directors by the Board;
- The Committee shall consist of no less than three (3) members and all members of the Committee must be non-executive directors, with a majority being independent directors;
- The Committee shall consist of at least one (1) member who is a member of Malaysian Institute of Accountants or complied with the conditions stipulated in the MMLR or as prescribed or approved by Bursa Malaysia;
- No alternate director of the Board shall be appointed as a member of the Committee;
- The Committee shall elect a chairman from amongst its member who is an independent director;
- The chairman of the Committee is not the chairman of the Board.

The membership and the number of meetings held for the reporting financial year together with the detail of attendance of each committee member are as follows:

| Name of Independent Non-Executive Director | Committee Position | Number of Meetings | | Attendance Record |
|--------------------------------------------|--------------------|--------------------|------|-------------------|
| | | Attended | Held | |
| Mr. Fung Hiuk Bing (MIA 11342*) | Chairman | 5 | 5 | 100% |
| Mr. Tham Vui Yun (MIA 3667*) | Member | 4 | 5 | 80% |
| Mr. Wong Peng Mun | Member | 5 | 5 | 100% |

* denotes the membership number of the Malaysian Institute of Accountants

There is no change to the composition of the ARMC’s members as at the date of this Annual Report.

OBJECTIVE, POWERS AND DUTIES

The principal objective of the ARMC is to assist the Board in fulfilling its fiduciary responsibilities and overall responsibilities of the Group’s activities, primarily to provide oversight of the financial reporting process, the audit process, internal control system and risk management process, corporate governance matters and compliance with laws and regulations.

The ARMC has the authority to investigate any matters within its terms of reference and shall report to the Board on matters considered and any recommendations thereof. It shall have the necessary resources to perform its duties and have the unrestricted access to any information of the Group and direct communication channel with internal auditors and external auditors, discretion to invite any directors and employees of the Group to attend its meetings and is able to obtain independent professional advice.

Where the ARMC is of the view that a matter reported by it to the Board has not been satisfactory resolved resulting in a breach of MMLR, the ARMC has a duty to report such matter to Bursa Malaysia.

AUDIT & RISK MANAGEMENT COMMITTEE REPORT

SUMMARY OF WORK OF THE AUDIT & RISK MANAGEMENT COMMITTEE

The summary of work and the main matters that the ARMC considered during the reporting financial year are as follow:

1. Oversight of the Financial Reporting Process

During the financial year, the ARMC has discussed and reviewed the:

- Unaudited Interim Financial Statements for each quarter ended during the financial year; and
- The Audited Annual Financial Statements.

In the review of such Financial Statements, the ARMC had focused on the following key areas:

- changes in or implementation of major accounting policy changes;
- compliance with accounting standards and other legal requirements;
- significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transaction and how these matters are addressed, if any; and
- any significant adjustment arising from audit.

The ARMC had carried out the review of the Interim and Annual Financial Statements on a timely basis and make recommendation to the Board for approval of the said Financial Statements. The ARMC had also noted that the Financial Statements were released or announced within the time stipulated in the MMLR.

2. Oversight of the External Audit Function

The ARMC had reviewed with the external auditors, their audit plan prior to commencement of audit for the financial year, outlining the audit scope, methodology and timetable, audit materiality, area of focus, fraud considerations and risk of management override and the proposed audit fees.

The ARMC had reviewed the external audit reports, discussed and considered the audit findings and management response thereto. It also had met with the external auditor in the financial year without the presence of the management to discuss privately on any audit issues concerning the Group.

It had evaluated the performance of the external auditors covering areas such as the quality of audit team, adequacy of resources, the skills and knowledge including knowledge of the business and industry in which the Group operates, their demonstration of objectivity and independence throughout the audit as well as the level of audit and non-audit fees of the external auditors.

The ARMC having been satisfied with the suitability and independence of the external auditors had recommended to the Board to seek shareholders approval at the forthcoming Annual General Meeting to re-appoint the external auditors, Messrs Ernst & Young, for the ensuing financial year audit.

3. Oversight of Internal Audit Function

During the reporting financial year, the ARMC had reviewed and approved the Internal Audit Plan prepared by in-house internal auditor for the financial year to ensure there is adequate scope, sufficient coverage over the activities of the Group and the resources are adequate and available to perform the audit activities for each audit cycle.

The audit work conducted by the Internal Auditor (as disclosed herein below under the heading “Summary of Work of the Internal Audit Function”) were reviewed by the ARMC on a quarterly basis through meetings held with the Internal Auditor and management to discuss and consider the internal audit reports, the internal audit findings and recommendations to improve weaknesses or non-compliance, the management responses thereto and sought updates from the Internal Auditor on the status of implementation of post-audit recommendations which has been agreed by the management or the Board.

AUDIT & RISK MANAGEMENT COMMITTEE REPORT

The ARMC has also carried out an annual assessment of the internal audit function, obtained the confirmation of the in-house internal auditors' organisational independence, the independence and objectivity of the internal audit team and conformance with recognised framework in carrying out the internal audit. It has also held a private meeting with the head of internal audit to discuss any audit issues without the presence of management.

The ARMC having evaluated the performance of the internal audit function in areas of the scope, functions, competency, independence, resources, communication and reporting process is satisfied with the adequacy and effectiveness of the internal audit function of the Company.

4. Oversight of Risk Management

The ARMC reviewed and reported to the Board accordingly on the quarterly meetings held to review key risks, and measures undertaken by the Group to address such risks that are likely to affect the core business of the Group.

5. Other Oversight Activities

5.1 Related Party Transactions

The ARMC reviewed the related party transactions entered into by the Group and any conflict of interest situation that may arise within the Group and ensured that such transactions are at arms length's basis and considered whether such transactions will require the necessary announcement and shareholders' approval.

During the reporting financial year, the ARMC reviewed the related party transactions and adequacy of the Group's procedures and processes in identifying, monitoring, reporting and reviewing related party transactions in a timely and orderly manner.

It had reviewed the draft circular to shareholders in relation to the proposed renewal of shareholders' mandate and shareholders' mandate for additional Recurrent Related Party Transactions and recommended the same for Board approval.

5.2 Annual Report

The ARMC reviewed and recommended the "Audit & Risk Management Committee Report" and the "Statement on Risk Management and Internal Control" in respect of the financial year ended 31 January 2020 to the Board for consideration and approval for inclusion in the Annual Report.

SUMMARY OF WORK OF THE INTERNAL AUDIT FUNCTION

In discharging the ARMC's duties and responsibilities, the ARMC is supported by an in-house internal audit that is independent of the activities that it audits. The cost incurred for the internal audit function in respect of the financial year under review amounted to RM66,500.

The ARMC has full access to the internal auditors and has received reports at its quarterly meeting on audit performed during the financial year on the following areas:

- comparison of prices of purchase of palm kernels from related companies, sales of fresh fruit bunches and sales of crude palm kernel oil to related companies;
- comparison of actual recurrent related party transactions against those transactions which are comprised in the Mandate approved by shareholders of the Group to ensure established procedures are strictly followed and adhered to including any variations of 10% or more;
- compliance with procedures and controls set by management in the annual stock take exercise; and
- adequacy, integrity and adherence to internal control system, focusing on key internal controls pertaining to the core business process namely sales and collection cycles, purchase cycle, production quality control, payroll and inventory management of the Agriculture Division .

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors (“the Board”) of Teck Guan Perdana Berhad is pleased to provide the following Statement on Risk Management and Internal Control (“the Statement”) pursuant to paragraph 15.26(b) of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad which outlines the nature and state of risk management and internal control of the Group for the financial year ended 31 January 2020. This is in accordance with the guidelines as contained in the publication “Statement on Risk Management & Internal Control – Guidelines for Directors of Listed Issuers”.

Board Responsibilities

The Board affirms its overall responsibility for the establishment of the Group’s system of internal control and risk management practices and the review of its adequacy and integrity. The system of risk management and internal control will serve as a framework for identifying, evaluating and managing business risks faced by the Group and will assist the Group to achieve its corporate objectives. Because of the limitations that are inherent in any system of risk management and internal control, the Board recognises that the Group’s system of risk management and internal control is a concerted and continuing process, designed to manage rather than eliminate the risk of failure to achieve business objectives. However, this system only provides a reasonable but not absolute assurance against material errors, fraud or loss.

Risk Management Framework

The Group recognises risk management as an integral part of system of internal control and good management practice in pursuit of its strategic objectives. The Board is assisted by the Audit & Risk Management Committee (“ARMC”) to undertake the audit and risk oversight role within the Group.

The Group has in place an on-going risk management process consist of Risk & Sustainability Department that coordinates with the risk owners to identify and documenting major risks, assessing the potential impact and likelihood of occurrence and mitigating controls through the adoption of risk management methodology and approach. The Group’s financial performance and operations are influenced by a vast range of risks factor. Under the risk management framework, the Group aims to manage and monitor the following principal risks through regular review and reporting:

- a. The Group’s day-to-day operational risks includes those relating to supply chain, production, marketing, safety & health and compliance with laws and regulations and various certifications and quality accreditations are mainly managed at the business and support unit level and guided by standard operating procedures. Whereas the operational risks that cut across the organisation include those relating to resource planning, treasury management and group sustainability are coordinated centrally.
- b. The Group is exposed to various financial risks relating to credit, liquidity, interest rates, foreign currency exchange rates, and market prices. The Group’s risk management objectives and policies, coupled with the required quantitative and qualitative disclosures relating to its financial risks are set out in Note 27 to the Financial Statements of this Annual Report.

Internal Control System

Some key aspects of the Group’s system of internal control are as follows:-

- The ARMC monitors the effectiveness of the entire Group’s system of internal control. ARMC comprises all non-executive directors, all of whom are independent and holds regular meetings throughout the financial year. The current composition of members, with two who are members of an accounting association or body, brings with them a wide variety of experience from different fields and background. Members have full and unrestricted access to both the internal and external auditors during the financial year.
- ARMC reviews and approves the yearly Audit Plan;
- ARMC members are briefed and updated on the matters of corporate governance practice, legal and regulatory matters. The Internal Audit Department reports directly to the ARMC on internal control issues identified. The ARMC then reports to the Board on the findings and makes recommendations on possible action plans to improve and tighten the system of internal control of the Group;
- Regular meetings are held to assess performance and controls on all areas of operations with recommendations for improvements;

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- Clear lines of responsibilities and appropriate authority levels are in place for the Management and operating units including matters requiring Board's approval. Key functions within the group such as Sales and Marketing, Finance and Procurement are appropriately staffed by qualified staff in achieving business objectives;
- Regular and comprehensive information provided to the Management and the Board, encompassing financial and operational performance for monitoring and decision making. The Finance and Accounts Department adheres closely to the monthly closing and reporting period, timely transaction recording, full compliance to acceptable reporting standards, and ensuring proper cash flow and capital requirements;
- Purchasing procedures are documented and monitored;
- A set of documented internal policies and procedures in relation to matters on human resource is distributed to various sections for their execution and monitoring; and
- The quarterly financial results and yearly audited financial statements are reviewed by the ARMC prior to their approval by the Board.

ADEQUACY AND EFFECTIVENESS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

A number of minor internal control weaknesses were identified during the year, all of which has been or is being addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require a disclosure in the Annual Report. The Board has received assurance from the Managing Director and the Group Chief Financial Officer that the Group's risk management and internal control system is operating adequately and effectively in all material aspects. It is of the view that the risk management and internal control system in place for the whole financial year under review with regular review by the Board, is satisfactory and no material internal control failures nor have any of the reported weaknesses resulted in material losses or contingencies during the financial year under review.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by paragraph 15.23 of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad, the external auditors have reviewed this Statement on Risk Management & Internal Control pursuant to the scope set out in Audit and Assurance 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 Malaysian Institute of Accountants (MIA) for inclusion in the annual report of the Group for the year ended 31 January 2020, and reported to the Board that nothing has come to their attention that causes them to believe that the statement intended to be included in the annual report of the Group, in all material aspects: has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether this Statement covers all risk and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control systems including the assessment and opinion by the Directors and management thereon. This report from the external auditor 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 of directors in respect of any aspect of this report.

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

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

The Directors are responsible for ensuring the financial statements for the year ended 31 January 2020 are drawn up in accordance with the provisions of the Companies Act 2016, the applicable Financial Reporting Standards in Malaysia and Main Market Listing Requirements of Bursa Malaysia Securities Berhad so as to give a true and fair view of the state of affairs of the Group and the Company as at the end of accounting year and the results and cash flows for the year then ended.

The Directors consider that, in preparing those financial statements, the Group and Company have used appropriate accounting policies and applied them consistently and make judgement and estimates that are reasonable and prudent. The Directors also confirm that the financial statements have been prepared on a going concern basis.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Company and which enable them to ensure that the financial statements comply with the provisions of the Companies Act, 2016 and applicable approved accounting standards in Malaysia.

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

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

ADDITIONAL COMPLIANCE INFORMATION

1. UTILISATION OF PROCEEDS

The Company did not raise any fund through any corporate proposal during the reporting financial year.

2. MATERIAL CONTRACTS INVOLVING DIRECTORS AND MAJOR SHAREHOLDERS

During the financial year under review, save as disclosed in para 3 herein below on "Recurrent Related Party Transactions of Revenue Nature", the Company and its subsidiaries do not have any material contracts involving the interests of its Directors and major shareholders. There were no contracts relating to loans entered by the Company and its subsidiaries involving the directors and major shareholders' interests.

3. RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE NATURE

At the last Annual General Meeting of the Company held on 27 June 2019, the Company had obtained a Mandate from its shareholders to allow the Group to enter into recurrent related party transactions of revenue or trading nature. The details of the recurrent related party transactions conducted pursuant to the shareholders' mandate during the reporting financial year are set out in Note 25 to the Financial Statements of this Annual Report, disclosing the type of recurrent related party transactions, the parties involved and the relationship with the Company.

4. EMPLOYEE SHARE SCHEME

There was no Employee Share Scheme implemented by the Company during the reporting financial year.

SUSTAINABILITY STATEMENT

ABOUT THIS STATEMENT

Teck Guan Perdana Group (“the Group”) recognizes sustainability as one of the drivers towards the Group’s continuous and long-term business activities. The Group remains committed to constantly improve its sustainability-related initiatives to deliver value to sustainable business, environmental management, and social accountability throughout the Group’s business activities.

This statement is prepared in accordance with Bursa Malaysia Securities Berhad’s Sustainability Reporting Guidelines and Main Market Listing Requirements.

SCOPE

The scope of this Sustainability Statement comprises of the Group’s various activities in Malaysia which include among others the operation of kernel crushing plant and oil palm & cocoa estates, and focuses on the economic, environmental and social impact that are most material to both our organization and stakeholders for the financial year ended 31st January 2020.

SUSTAINABILITY GOVERNANCE

| | |
|----------------------------------|------------------------------------------------------------------------------------------------------------|
| Board of Director | Oversee sustainability strategies, direction, performance and other sustainability-related matters |
| Managing Director | Determine and approve sustainability initiatives with the assistance from Risk & Sustainability Department |
| Risk & Sustainability Department | Monitor sustainability initiatives and performance, and prepares Sustainability Report |
| Business Units & Employees | Implementation of sustainability initiatives |

STAKEHOLDERS ENGAGEMENT

Constant and significant engagement with the Group’s key stakeholders is essential to build mutual respect and understanding of the ongoing tasks needed to realize their expectations and to accomplish the Group’s sustainability goals.

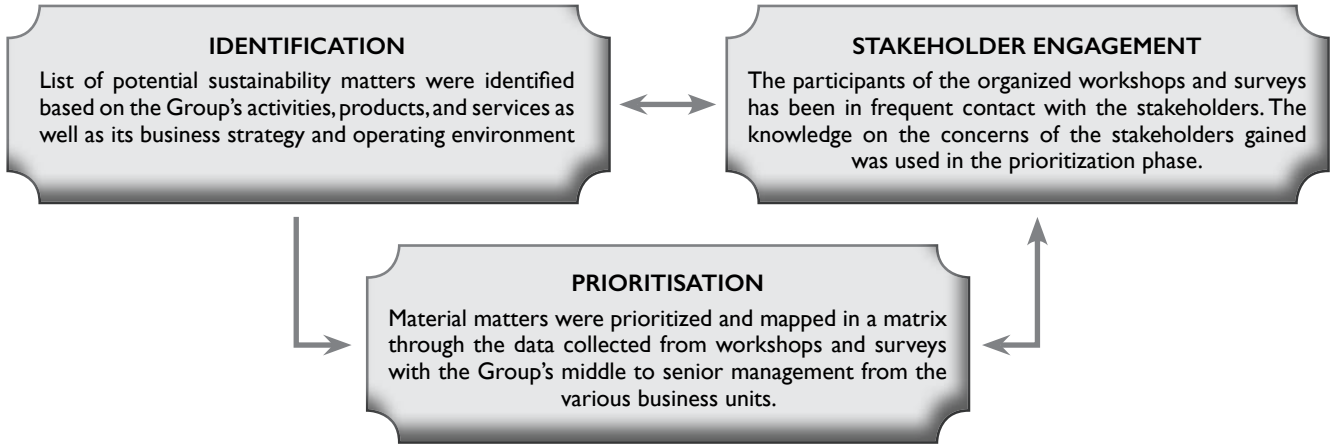
The Group engages its stakeholders through multiple channels involved in our business activities. The Group key stakeholders have been identified through numerous activities in the palm oil industry. They include shareholders, employees, customers, suppliers, and government authorities. Outlined below is a summary of the Group’s engagement with these stakeholders that enables the Group to understand and better manage potential issues and risks in the Group’s business.

SUSTAINABILITY STATEMENT

| Stakeholders | Engagement Method | Areas of Interest | Outcome |
|--------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Shareholders & Investors | <ul style="list-style-type: none"> AGM Annual reports Quarterly updates Company website | <ul style="list-style-type: none"> Financial returns Future development plans | <ul style="list-style-type: none"> Better Group's strategy for profit maximization |
| Employees | <ul style="list-style-type: none"> Meetings Daily muster Notices Visits Annual appraisal Multichannel engagements | <ul style="list-style-type: none"> Job satisfaction Salary & wages Working conditions, facilities, safety, and trainings Career development Benefits | <ul style="list-style-type: none"> Employee retention Happier & safer working environment Better understanding of company policies & procedures |
| Customers | <ul style="list-style-type: none"> Meetings Phone calls Company website Annual reports | <ul style="list-style-type: none"> Product quality Timely delivery/shipment | <ul style="list-style-type: none"> Positive reputation High customer satisfaction |
| Suppliers | <ul style="list-style-type: none"> Meetings Phone calls Visits | <ul style="list-style-type: none"> Timely payment Long-term relationship | <ul style="list-style-type: none"> Positive reputation Better relationship and communication |
| Government Authorities | <ul style="list-style-type: none"> Formal & informal meetings On-site inspection | <ul style="list-style-type: none"> Transparency Support for government policies and initiatives in the palm oil industry Compliance to legal requirements | <ul style="list-style-type: none"> Compliance to the government's MSPO initiative Compliance to various regulations |

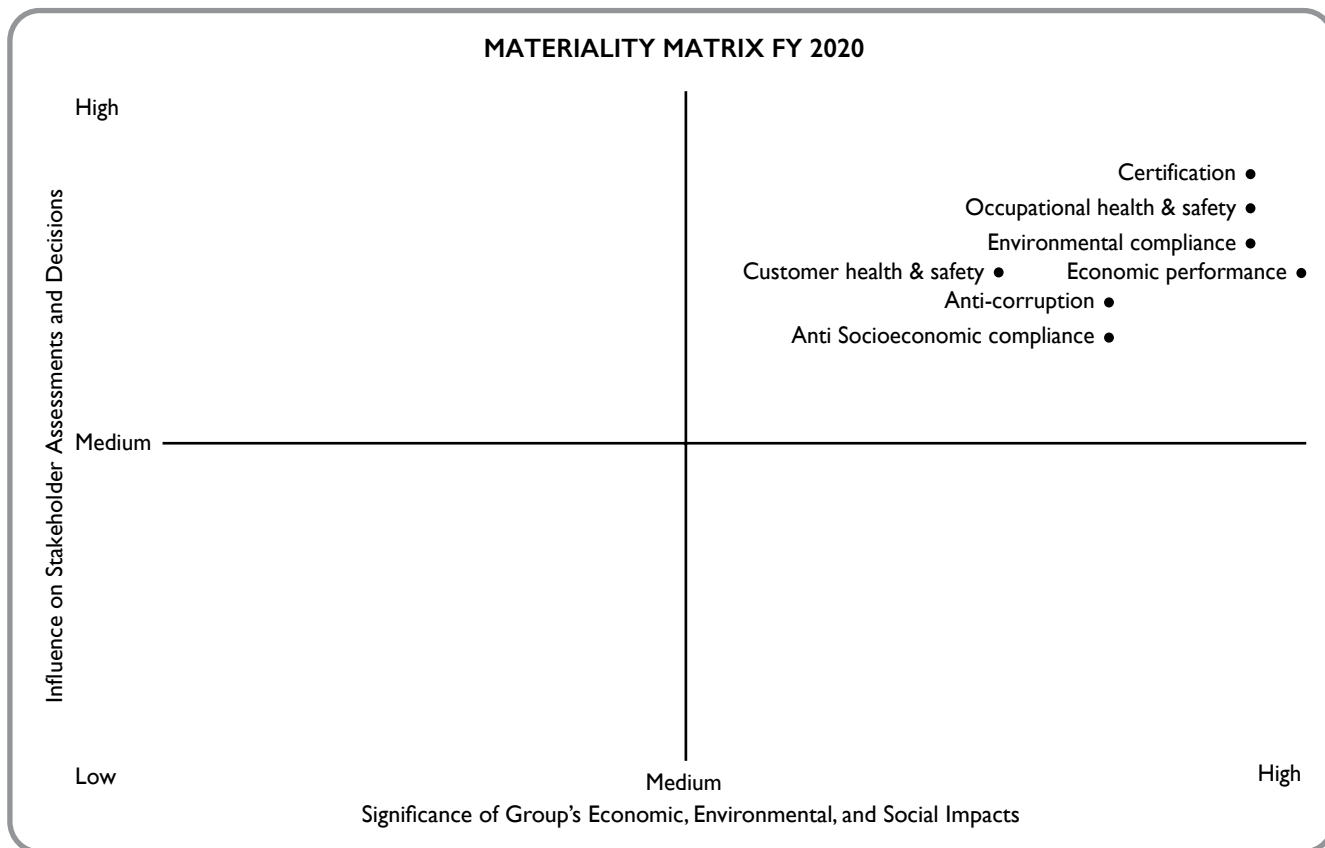
MATERIAL SUSTAINABLE MATTERS

Material sustainability matters are those that have a significant impact on the Group's business activities and all its stakeholders. The materiality assessment is performed through a guided method, using Bursa Malaysia's Sustainability Reporting Guide as illustrated below:



SUSTAINABILITY STATEMENT

The major topics raised were then plotted on a materiality matrix, where issues with the highest significance to both the internal and external stakeholders were selected:



| Aspect | Material Matters for FY 2020 |
|------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Economic Sustainability | <ul style="list-style-type: none"> Economic performance Anti-corruption |
| Environmental Sustainability | <ul style="list-style-type: none"> Certification Environmental compliance |
| Social Sustainability | <ul style="list-style-type: none"> Occupational health & safety Customer health & safety Socioeconomic compliance |

Economic Sustainability: Managing Sustainable Business

Economic Performance

The Group believes sustainable returns play a big part in enhancing stakeholders' value. Profitability in the Group's business enables the Group to reinvest its earnings into the operating environment including providing job opportunities and improving the living standards of our employees and local communities.

The Group created a direct economic value of RM273.7 million and distributed a total economic value of RM273.6 million in the areas of operating cost, employees' wages and benefits, interests, and taxes. The following table provides the breakdown of this summary:

SUSTAINABILITY STATEMENT

| | FY 2020 (RM Million) | FY 2019 (RM Million) |
|----------------------------------------|-------------------------|-------------------------|
| Direct Economic Value Generated | | |
| Revenue | 273.7 | 301.9 |
| Economic Value Distributed | | |
| Our Suppliers: Operating Costs | 263.0 | 293.7 |
| Our Employees: Wages & Benefits | 6.5 | 6.5 |
| Our Lenders: Payments to Lenders | 1.8 | 1.5 |
| The Government: Payments to Government | 2.3 | 2.4 |
| Total | 273.6 | 304.1 |

Anti-Corruption

The Group has a zero-tolerance approach towards bribery and corruption in any form and is committed to behaving professionally, fairly and with integrity in all our business dealings. To date, the Group has developed the Code of Ethics and Conduct to establish the standard of ethical behaviour expected from the Directors, management, and employees.

The Group has also formulated a Whistleblowing Policy to promote internal and external stakeholders to disclose any malpractice or misconduct involving fraud, bribery, corruption and other irregularities that they witness, and to provide them with protection once they have done so.

The Code of Ethics and Conducts and Whistleblowing Policy are accessible through the Group's website at <http://www.teckguan.com/tgp>.

The Group is also continuously developing preventive measures such as putting in place adequate procedures with parameters set to prevent the occurrence of bribery and corrupt practices.

During the period under review, the Group has not received any complaints nor reports of any improper conduct within the Group, nor instances of corruption involving management, employees, workers and third parties associated with the Group.

Environmental Sustainability: Environmental Stewardship

Certification

The Group is committed to sustainable production and manufacturing practices through relevant certifications. Outlined below are the obtained and planned certifications to date for each business units:

| Business Units | Certification Obtained | Certification Planned |
|--------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|
| Agriculture | Malaysian Sustainable Palm Oil (MSPO) – All estates | Roundtable Sustainable Palm Oil (RSPO) – Expected by 2021 |
| Industry | <ul style="list-style-type: none"> • Makanan Selamat Tanggungjawab Industri (MESTI) • Halal Certification • Kosher Certification • MSPO: Supply Chain Certification (MSPO-SCC) – Kernel Crushing Plant • U.S. Food and Drug Administration (U.S. FDA) – Chocolate Factory | n/a |
| Marketing & Export | MSPO: Supply Chain Certification (MSPO-SCC) | n/a |

SUSTAINABILITY STATEMENT

Environmental Compliance

Environmental impact is one of the Group's key focus areas and the Group is committed to always stay within the local, federal and international environmental rules and regulations such as the:

- Environment Protection Enactment 2002 – Environment Protection Department;
- Environmental Quality Act 1974 – Department of Environment;
- Forest Enactment 1968 – Sabah Forestry Department;
- Wildlife Enactment 1997 – Sabah Wildlife Department;
- Sabah Biodiversity Enactment 2000 – Natural Resources Office Sabah;
- Water Resources Enactment 1998 – Drainage and Irrigation Department;
- Pesticides Act 1974 – Agriculture Department;
- Parks Enactment 1984 – Sabah Parks; and
- Stockholm Conference 1972 – United Nations;

Compliance is achieved through the following initiatives:

- High Conservation Value assessment, awareness program and monitoring;
- Provision of riparian reserve for ecological functions;
- Water management in terms of quality and quantity;
- Monitoring on rubbish pit to ensure proper waste management;
- Scheduled waste disposal and management;
- Awareness program on triple rinse procedure to premix operator for pesticide;
- Prohibition of open burning at all times; and
- Prohibition of illegal hunting.

In the 2019-2020 period, no reported material deviations were causing the risk of environmental effects.

Social Sustainability: Social Accountability

Occupational Health & Safety

The Group is committed to ensuring a safe and healthy workplace for all our employees. The following setup and measures were established in every division:

- Occupational Safety & Health (OSH) unit oversee all matters concerning employee's safety and health;
- Development of OSHA Policy and self-regulation (Safe Operating Procedure) based on OSHA 1994 at every estate.
- Safety committee meeting between management and worker's representative at a quarterly basis to discuss any unsafe or unhealthy work conditions or practices at the workplace together with recommendations for corrective actions;
- Internal audits and inspection by in-house safety and health officer at specific intervals involving all operations to ensure safety programs are implemented and in compliance with legislative requirements.
- Promotion of a safe working culture through the conduct of workplace inspections;
- Analyse trends of accidents, near-miss incidents, dangerous occurrences, occupational poisoning and occupational disease occurring at the workplace;
- Personal protective equipment (PPE) is provided for those working in environments exposed to hazards and risks including contractors and visitors. Full compliance with the use of PPE is mandatory and strictly monitored daily;
- Hazard Identification Risk Assessment and Risk Controls ("HIRARC") system and related facilities are in place to eliminate and reduce hazards;
- Medical and physical check-ups (pre-employment check-up, pesticide handling check-up, audiometry test, spirometry test, and biological monitoring) are regularly conducted for new employees and employees exposed to high noise and chemical exposure level at our estates and kernel crushing plant; and
- Regular safety training programs are conducted to enable employees to understand the work procedures and requirements of the Occupational Safety & Health Act (OSHA) and also to boost safety and health awareness.

SUSTAINABILITY STATEMENT

We are pleased to report that in the 2019-2020 period, there were no fatalities from our operations.

Customer Health & Safety

The Group has a duty to care for our customers' health and safety who put their trust in our products. In ensuring our products and public premises are safe for our customers, we commit to:

- Treat our customers fairly, openly and honestly;
- Assess risks related to health, safety and the environment associated with our products and public premises;
- Perform periodical auditing and reviewing methods and procedures to ensure they are still valid;
- Ensure information, instruction, and training are timely and appropriate;
- Re-appraise products and public premises when circumstances change or new hazards arise; and
- Identify hazards through incident reporting to strengthen our precautions.

We are pleased to report that for the 2019-2020 period, there were no reports, complaints, or incidents of non-compliance concerning the health and safety impacts of our products and public premises to our customers.

Socioeconomic Compliance

Socioeconomic compliance is a pre-condition for successful operation in the palm oil industry. Legal requirements in the socioeconomic areas such as accounting and tax fraud, competition, and labour issues, including international declarations, conventions, and treaties, as well as national, regional and local regulations shall always be met since it ensures our business legitimacy.

Our socioeconomic compliance is specifically monitored at the operational level and is supported centrally by departments and/or units such as Group Human Resource Department, Accounts and Finance Department, Sustainability Units, and Occupational Safety and Health Units.

We are pleased to report that for the 2019-2020 period, there were no significant fines or non-monetary sanctions regarding social and economic performance that have come to the Group's attention.

ANALYSIS OF SHAREHOLDINGS

AS AT 18 May 2020

| | |
|-------------------------------|-------------------------------|
| Total Number of Issued Shares | : 40,096,902 |
| Issued Share Capital | : RM40,103,902 |
| Class of Shares | : Ordinary |
| Voting Rights | : One vote per ordinary share |

DISTRIBUTION OF SHAREHOLDINGS

| Size Of Holdings | No. of Holders | % | No. of Shares | % |
|-----------------------------------------------------|----------------|---------------|-------------------|---------------|
| Less than 100 | 5 | 0.44 | 19 | 0.00 |
| 100 - 1,000 | 151 | 13.32 | 104,901 | 0.26 |
| 1,001 - 10,000 | 777 | 68.52 | 2,984,500 | 7.44 |
| 10,001 - 100,000 | 178 | 15.70 | 5,356,000 | 13.36 |
| 100,001 - 2,004,844 (less than 5% of issued shares) | 22 | 1.94 | 7,674,500 | 19.14 |
| ≥ 2,004,845 (5% and above of issued shares) | 1 | 0.09 | 23,976,982 | 59.80 |
| TOTAL | 1,134 | 100.00 | 40,096,902 | 100.00 |

SUBSTANTIAL SHAREHOLDERS

| Name of Substantial Shareholders | Direct Interest | | Indirect Interest | |
|----------------------------------|-----------------|-------|-------------------|------|
| | No. of Shares | % | No. of Shares | % |
| HTG Holdings Sdn Bhd | 23,976,982 | 59.80 | 2,001,200* | 4.99 |

* Deemed interested by virtue of shares held by Teck Guan Development (Sabah) Sdn Bhd, a subsidiary of HTG Holdings Sdn Bhd.

DIRECTORS' SHAREHOLDING IN THE COMPANY

| Name of Directors | Direct Interest | | Indirect Interest | |
|----------------------|-----------------|---|-------------------|-------|
| | No. of Shares | % | No. of Shares | % |
| Datuk Hong Ngit Ming | - | - | 25,978,182* | 64.79 |
| Fung Hiuk Bing | - | - | - | - |
| Hong Kun Yee | - | - | - | - |
| Tham Vui Vun | - | - | - | - |
| Wong Peng Mun | - | - | - | - |

* Deemed interested by virtue of his indirect interests in shares (direct and indirect) held by HTG Holdings Sdn Bhd, its holding company.

DIRECTORS' SHAREHOLDING IN ITS RELATED COMPANY (HTG HOLDINGS SDN BHD)

| Name of Directors | 10% Cumulative Preference Shares | | | |
|----------------------|----------------------------------|-------|-------------------|---|
| | Direct Interest | | Indirect Interest | |
| | No. of Shares | % | No. of Shares | % |
| Datuk Hong Ngit Ming | 100,000 | 17.30 | - | - |
| Fung Hiuk Bing | - | - | - | - |
| Hong Kun Yee | - | - | - | - |
| Tham Vui Vun | - | - | - | - |
| Wong Peng Mun | - | - | - | - |

Note: The Directors of the Company do not hold any ordinary shares in HTG Holdings Sdn Bhd

ANALYSIS OF SHAREHOLDINGS

LIST OF TOP 30 SECURITIES ACCOUNT HOLDERS

| No. | Name | No. of Shares | % |
|--------------|----------------------------------------------------------------------------------------------------------|-------------------|--------------|
| 1. | HTG Holdings Sdn Bhd | 23,976,982 | 59.80 |
| 2. | Teck Guan Development (Sabah) Sdn Bhd | 2,001,200 | 4.99 |
| 3. | Tan Ah Lim | 1,042,000 | 2.60 |
| 4. | Chor King Chun | 769,300 | 1.92 |
| 5. | Tan Jin Tuan | 769,000 | 1.92 |
| 6. | AllianceGroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Kong Kok Choy | 303,000 | 0.76 |
| 7. | Chew Lim Cheong @ Hong Thiam Soon | 300,000 | 0.75 |
| 8. | Te Kim Leng | 300,000 | 0.75 |
| 9. | Choo Sai Hooi | 265,000 | 0.66 |
| 10. | Tan Jin Tuan | 252,000 | 0.63 |
| 11. | Tan Han Chuan | 203,100 | 0.51 |
| 12. | Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Wang Choon Seang | 147,900 | 0.37 |
| 13. | HLIB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chor King Chun | 146,000 | 0.36 |
| 14. | Chong Thin Tuck | 137,000 | 0.34 |
| 15. | Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ting Siu Ming | 131,700 | 0.33 |
| 16. | AllianceGroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Soon Mui Yen @ Soon Nyuk Hen | 130,000 | 0.32 |
| 17. | UOBM Nominees (Asing) Sdn Bhd CBP Quilvest Trust Ltd For The Sipadan Trust | 120,000 | 0.30 |
| 18. | CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Yoong Kah Yin | 114,000 | 0.28 |
| 19. | Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Gim Leong | 113,300 | 0.28 |
| 20. | Tan Kim Huat & Sons Motor Sdn Bhd | 110,000 | 0.27 |
| 21. | Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ho Phea Keat | 108,800 | 0.27 |
| 22. | Adikin Wong Shyh Chyi | 108,000 | 0.27 |
| 23. | Ng Chee Peng | 103,200 | 0.26 |
| 24. | Hong Lee Fen | 100,000 | 0.25 |
| 25. | Hong Ying Ying | 100,000 | 0.25 |
| 26. | Tan Kim Huat & Sons Holdings Sdn Bhd | 100,000 | 0.25 |
| 27. | Teoh Hock Soon | 100,000 | 0.25 |
| 28. | Siaw Teck Hwa | 96,000 | 0.24 |
| 29. | Jimmy Pang Kia Lock | 95,200 | 0.24 |
| 30. | Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chung Kong Fui (E-Twu) | 92,800 | 0.23 |
| Total | | 32,335,482 | 80.64 |

LIST OF PROPERTIES

AS AT 31 JANUARY 2020

| Item No. | Location | Tenure (Date of Expiry) | Land Area/ Build up Area sq.m | Existing use/ Description | Net Book Value As At 31-Jan-20 RM | Age of Building | Tenure of Leasehold Land | Date of Acquisition |
|----------|--------------------------------------------------------------------------|------------------------------------------|-------------------------------------|----------------------------------------------|-----------------------------------------|-----------------------|--------------------------------|---------------------|
| 1. | CL 105312703 Quion Hill Apas Road, Tawau, Sabah. | Leasehold (expiring on 28.02.2058) | 4,028,645 | Cocoa and Oil Palm Estate | 2,619,477 | 25 | 38 | 19/10/1978 |
| 2. | CL 105334996 Brantian, Merotai Rd. Tawau, Sabah. | Leasehold (expiring on 31.12.2072) | 1,211,629 | Oil Palm Estate | 250,854 | - | 52 | 12/6/1979 |
| 3. | CL 105339099 Brantian, Merotai Rd. Tawau, Sabah. | Leasehold (expiring on 31.12.2073) | 400,234 | Oil Palm Estate | 45,940 | - | 53 | 11/6/1979 |
| 4. | CL 105347493 Quion Hill Apas Road, Tawau, Sabah. | Leasehold (expiring on 31.12.2069) | 81,261 | Cocoa and Oil Palm Estate | 58,461 | - | 49 | 20/1/1981 |
| 5. | CL 105354050 Balung Apas Road, Tawau, Sabah. | Leasehold (expiring on 31.12.2073) | 653,567 | Oil Palm Estate | 78,855 | - | 53 | 13/8/1984 |
| 6. | CL 105436299 Quion Hill Apas Road, Tawau, Sabah. | Leasehold (expiring on 31.12.2079) | 16,147 | Cocoa and Oil Palm Estate | 15,486 | - | 59 | 13/9/1980 |
| 7. | CL 245316849 (105316848/old) Tingkayu, Lahad Datu/Tawau, Sabah. | Leasehold (expiring on 31.12.2071) | 1,216,485 | Cocoa and Oil Palm Estate | 662,991 | 6 | 51 | 28/7/1979 |
| 8. | CL 105368607 Sebatik Island Tawau, Sabah. | Leasehold (expiring on 31.12.2078) | 513,951 | Oil Palm Estate | 670,814 | - | 58 | 1/7/2006 |
| 9. | CL 105339071 Mile 2 ½ Tanjung Batu Laut Tawau, Sabah | Leasehold (expiring on 08.10.2902) | 25,617/ 9,834 | Cocoa processing factory and office | 5,950,897 | 25 | 882 | 9/11/1989 |
| 10. | CL 105339053 Mile 2 ½ Tanjung Batu Laut Tawau, Sabah | Leasehold (expiring on 08.10.2902) | 19,627/ 3,973 | Cocoa processing office | 1,105,451 | 42 | 882 | 1/10/1977 |

FINANCIAL STATEMENTS

For the Financial Year Ended 31 January 2020

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DIRECTORS' REPORT

The directors are pleased to present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 January 2020.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of administrative services to its subsidiaries.

The principal activities of the subsidiaries are the processing and sale of cocoa butter, cocoa powder and other cocoa products, export of trading produce and crude palm kernel oil and the operation of kernel crushing plant, oil palm and cocoa plantations.

Other information relating to the subsidiaries are disclosed in Note 14 to the financial statements.

RESULTS

| | Group RM | Company RM |
|----------------------------------------------------------|---------------------|-----------------------|
| Profit net of tax | <u>3,159,224</u> | <u>17,598,920</u> |
| Profit attributable to: Owners of the Company | <u>3,159,224</u> | <u>17,598,920</u> |

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

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

DIVIDENDS

There were no dividends paid, declared or recommended since the end of the previous financial year.

DIRECTORS

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

Tham Vui Vun – Chairman *
Datuk Hong Ngit Ming – Managing Director
Wong Peng Mun
Fung Hiuk Bing
Hong Kun Yee * (Appointed on 29 November 2019)
Hong Dunn Yee * (Resigned on 29 November 2019)

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

The name of the director of the subsidiaries of the Company since the beginning of the financial year to the date of this report, not including those directors listed above is:

Ozie Hong

DIRECTORS' REPORT

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown below) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed in Note 25 to the financial statements. The directors' benefits (directors of the Company and its subsidiaries) are as follows:

| | Group RM | Company RM |
|--------------------------------------------|----------------|----------------|
| Salaries and other emoluments | 261,732 | 244,500 |
| Bonus | 1,050 | - |
| Contributions to defined contribution plan | 31,974 | 29,520 |
| Social security contributions | 1,718 | 1,421 |
| Employment insurance scheme contributions | 129 | 95 |
| Fees | 54,000 | 54,000 |
| | <u>350,603</u> | <u>329,536</u> |

DIRECTORS' INTERESTS

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

| The Company | Number of ordinary shares | | | 31.1.2020 |
|--------------------------------------------|---------------------------|----------|------|------------|
| | 1.2.2019 | Acquired | Sold | |
| Indirect interest: Datuk Hong Ngit Ming | 25,978,182 | - | - | 25,978,182 |

| Holding company - HTG Holdings Sdn. Bhd. | Number of 10% cumulative preference shares | | | 31.1.2020 |
|---------------------------------------------|--------------------------------------------|----------|------|-----------|
| | 1.2.2019 | Acquired | Sold | |
| Direct interest: Datuk Hong Ngit Ming | 100,000 | - | - | 100,000 |

The other directors in office at the end of the financial year had no interest in shares in the Company or its related corporations during the financial year.

HOLDING COMPANY

The holding company of the Company is HTG Holdings Sdn. Bhd., a private limited liability company incorporated and domiciled in Malaysia.

DIRECTORS' REPORT

SUBSEQUENT EVENTS

Details of subsequent events are disclosed in Note 31 to the financial statements.

OTHER STATUTORY INFORMATION

- (a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
 - (i) it necessary to write off any bad debts or to make any provision for doubtful debts in respect of the financial statements of the Group and of the Company; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) At the date of this report, there does not exist:
 - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
 - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

DIRECTORS' REPORT

AUDITORS AND AUDITORS REMUNERATIONS

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

Auditors' remuneration of the Group and of the Company for the financial year amounted to RM98,500 and RM49,000 respectively.

INDEMNITIES TO DIRECTORS, OFFICERS OR AUDITORS

There were no indemnities given to or insurance effected for directors, officers or auditors of the Company during the financial year.

Signed on behalf of the Board in accordance with a resolution of the directors dated 10 June 2020.

Datuk Hong Ngit Ming

Tham Vui Vun

STATEMENT BY DIRECTORS

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

We, **Datuk Hong Ngit Ming** and **Tham Vui Yun**, being two of the directors of **Teck Guan Perdana Berhad**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 58 to 119 give a true and fair view of the financial position of the Group and of the Company as at 31 January 2020 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board in accordance with a resolution of the directors dated 10 June 2020.

Datuk Hong Ngit Ming

Tham Vui Yun

STATUTORY DECLARATION

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

I, **Datuk Hong Ngit Ming**, being the director primarily responsible for the financial management of **Teck Guan Perdana Berhad**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 58 to 119 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed **Datuk Hong Ngit Ming**
at Tawau in the State of Sabah
on 10 June 2020

Datuk Hong Ngit Ming

Before me,
Mohd Afendi Bin Hashim
A-S 125
Mahkamah Sesyen Tawau

INDEPENDENT AUDITORS' REPORT

to the members of Teck Guan Perdana Berhad (Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Teck Guan Perdana Berhad, which comprise statements of financial position as at 31 January 2020 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 58 to 119.

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 January 2020, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

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

Key audit matters

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

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

Recognition of related party transactions, including revenue recognition

About 30% of the Group's current year's revenue from the sale of crude palm kernel oil, oil palm fresh fruit bunches, chocolate products and cocoa powder, and a significant amount of the Group's purchases of palm kernel are with related parties. These include the sale of crude palm kernel oil to Teck Guan (China) Ltd, which is a subsidiary of HTG Holdings Sdn. Bhd., the Company's holding company. Related party transactions, particularly those not at arm's length terms, may affect assessments of the Group's operations. There is also a risk that such related party transactions, if not at arm's length or not reflecting the goods transferred in the appropriate period, could be used to manipulate earnings or to distribute profits to the Company's holding company. Due to the above and due to the significance of the related party transactions, we considered this to be a key audit matter.

INDEPENDENT AUDITORS' REPORT

to the members of Teck Guan Perdana Berhad (continued)

Key audit matters (continued)

Our audit procedures included the evaluation of the appropriateness of management's process for identifying and recording related party transactions. We read contracts and agreements with related parties to understand the nature of the transactions. Throughout the performance of our audit procedures, we remained alert for any related party transactions outside the normal course of business. In addition, we also evaluated the related party disclosures in Note 25 to the financial statements.

We have performed the following procedures in respect of the revenue recognition:

- Obtained an understanding of the Group's basis in arriving at the negotiated selling prices between the Group and Teck Guan (China) Ltd for the current year;
- Read the terms and conditions of the sales contracts to assess that revenue are recognised in accordance to the Group's accounting policy;
- Agreed on a sample basis the revenue transactions recorded to the delivery documents; and
- Performed testing on transactions around the year end to evaluate whether revenues were recognised in the correct accounting period.

The Group's accounting policies and disclosures on revenue recognition are disclosed in Notes 2.18 and 4 respectively to the financial statements.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the Annual Report, which is expected to be made available to us after the date of this auditors' report.

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

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

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

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

INDEPENDENT AUDITORS' REPORT

to the members of Teck Guan Perdana Berhad (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 Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error; design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT

to the members of Teck Guan Perdana Berhad (continued)

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

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Other matters

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

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

Tawau, Malaysia
10 June 2020

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

STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 31 January 2020

| | Note | Group | | Company | |
|----------------------------------------------------------------------------------|------|---------------|---------------|-------------|-------------|
| | | 2020 RM | 2019 RM | 2020 RM | 2019 RM |
| Revenue | 4 | 273,652,065 | 301,901,922 | 20,436,000 | 756,000 |
| Cost of sales | 5 | (263,020,680) | (293,738,017) | (951,126) | (996,352) |
| Gross profit/(loss) | | 10,631,385 | 8,163,905 | 19,484,874 | (240,352) |
| Other item of income | | | | | |
| Other income | 6 | 1,682,224 | 2,447,088 | 518,797 | 689,149 |
| Other items of expense | | | | | |
| Administrative expenses | | (5,704,154) | (5,137,983) | (167,430) | (208,060) |
| Other expenses | | (269,848) | - | - | - |
| Finance costs | 7 | (1,778,178) | (1,549,097) | (2,207,542) | (3,001,852) |
| Profit/(loss) before tax | 8 | 4,561,429 | 3,923,913 | 17,628,699 | (2,761,115) |
| Income tax expense | 11 | (1,402,205) | (1,402,430) | (29,779) | (42,092) |
| Profit/(loss) net of tax | | 3,159,224 | 2,521,483 | 17,598,920 | (2,803,207) |
| Other comprehensive income | | - | - | - | - |
| Total comprehensive income/(loss) for the year | | 3,159,224 | 2,521,483 | 17,598,920 | (2,803,207) |
| Profit/(loss) attributable to: | | | | | |
| Owners of the Company | | 3,159,224 | 2,521,483 | 17,598,920 | (2,803,207) |
| Total comprehensive income/(loss) attributable to: | | | | | |
| Owners of the Company | | 3,159,224 | 2,521,483 | 17,598,920 | (2,803,207) |
| Earnings per share attributable to owners of the Company (sen per share): | | | | | |
| Basic | 12 | 7.88 | 6.29 | | |

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31 January 2020

| | | Group | |
|-----------------------------------------------------|------|--------------------|-------------------|
| | Note | 2020 RM | 2019 RM |
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 13 | 40,364,305 | 23,135,701 |
| Current assets | | | |
| Biological assets | 15 | 275,461 | 240,395 |
| Inventories | 16 | 27,739,773 | 27,884,882 |
| Trade and other receivables | 17 | 41,433,032 | 6,912,481 |
| Income tax refundable | | 689,027 | 1,205,672 |
| Cash and bank balances | 18 | 33,293,163 | 39,376,347 |
| | | 103,430,456 | 75,619,777 |
| Total assets | | 143,794,761 | 98,755,478 |
| Equity and liabilities | | | |
| Current liabilities | | | |
| Loans and borrowings | 19 | 62,511,654 | 36,420,105 |
| Trade and other payables | 21 | 13,039,659 | 11,343,843 |
| Derivatives | 22 | 10,100 | 24,253 |
| Income tax payable | | - | 140,700 |
| | | 75,561,413 | 47,928,901 |
| Net current assets | | 27,869,043 | 27,690,876 |
| Non-current liabilities | | | |
| Deferred tax liabilities | 23 | 1,702,710 | 1,752,708 |
| Loans and borrowings | 19 | 14,297,545 | - |
| | | 16,000,255 | 1,752,708 |
| Total liabilities | | 91,561,668 | 49,681,609 |
| Net assets | | 52,233,093 | 49,073,869 |
| Equity attributable to owners of the Company | | | |
| Share capital | 24 | 40,103,902 | 40,103,902 |
| Retained earnings | | 12,129,191 | 8,969,967 |
| Total equity | | 52,233,093 | 49,073,869 |
| Total equity and liabilities | | 143,794,761 | 98,755,478 |

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

COMPANY STATEMENTS OF FINANCIAL POSITION

As at 31 January 2020

| | | Company | |
|-----------------------------------------------------|------|---------------------|---------------------|
| | Note | 2020 RM | 2019 RM |
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 13 | 6 | 6 |
| Investment in subsidiaries | 14 | 30,064,430 | 30,064,430 |
| | | 30,064,436 | 30,064,436 |
| Current assets | | | |
| Trade and other receivables | 17 | 12,534,224 | 10,621,125 |
| Income tax refundable | | - | 51,841 |
| Cash and bank balances | 18 | 204,080 | 786,611 |
| | | 12,738,304 | 11,459,577 |
| Total assets | | 42,802,740 | 41,524,013 |
| Equity and liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 21 | 29,520,541 | 45,850,115 |
| Income tax payable | | 9,381 | - |
| Total liabilities | | 29,529,922 | 45,850,115 |
| Net current liabilities | | (16,791,618) | (34,390,538) |
| Net liabilities | | 13,272,818 | (4,326,102) |
| Equity attributable to owners of the Company | | | |
| Share capital | 24 | 40,103,902 | 40,103,902 |
| Accumulated losses | | (26,831,084) | (44,430,004) |
| Total equity | | 13,272,818 | (4,326,102) |
| Total equity and liabilities | | 42,802,740 | 41,524,013 |

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 January 2020

← Attributable to
owners of the Company →

| | Equity, total | Share capital | Retained earnings |
|-------------------------------------------|-------------------|-------------------|----------------------|
| | (Note 24) | | |
| Group | RM | RM | RM |
| Opening balance at 1 February 2019 | 49,073,869 | 40,103,902 | 8,969,967 |
| Profit net of tax | 3,159,224 | - | 3,159,224 |
| Other comprehensive income | - | - | - |
| Total comprehensive income for the year | 3,159,224 | - | 3,159,224 |
| Closing balance at 31 January 2020 | 52,233,093 | 40,103,902 | 12,129,191 |
| Opening balance at 1 February 2018 | 46,552,386 | 40,103,902 | 6,448,484 |
| Profit net of tax | 2,521,483 | - | 2,521,483 |
| Other comprehensive income | - | - | - |
| Total comprehensive income for the year | 2,521,483 | - | 2,521,483 |
| Closing balance at 31 January 2019 | 49,073,869 | 40,103,902 | 8,969,967 |

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

COMPANY STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 January 2020

| Company | Equity, total | Share capital | Accumulated losses |
|------------------------------------------------|--------------------|-------------------|-----------------------|
| | RM | RM | RM |
| | (Note 24) | | |
| Opening balance at 1 February 2019 | (4,326,102) | 40,103,902 | (44,430,004) |
| Profit net of tax | 17,598,920 | - | 17,598,920 |
| Other comprehensive income | - | - | - |
| Total comprehensive income for the year | 17,598,920 | - | 17,598,920 |
| Closing balance at 31 January 2020 | 13,272,818 | 40,103,902 | (26,831,084) |
| Opening balance at 1 February 2018 | (1,522,895) | 40,103,902 | (41,626,797) |
| Loss net of tax | (2,803,207) | - | (2,803,207) |
| Other comprehensive income | - | - | - |
| Total comprehensive loss for the year | (2,803,207) | - | (2,803,207) |
| Closing balance at 31 January 2019 | (4,326,102) | 40,103,902 | (44,430,004) |

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

STATEMENTS OF CASH FLOWS

For the year ended 31 January 2020

| | Note | Group | | Company | |
|---------------------------------------------------------------------|------|---------------------|-------------------|---------------------|------------------|
| | | 2020 RM | 2019 RM | 2020 RM | 2019 RM |
| Operating activities | | | | | |
| Profit/(loss) before tax | | 4,561,429 | 3,923,913 | 17,628,699 | (2,761,115) |
| <u>Adjustments for:</u> | | | | | |
| Gain on disposal of property, plant and equipment | 6 | (135,134) | - | - | - |
| Depreciation of property, plant and equipment | 8 | 3,295,034 | 1,598,093 | - | - |
| Property, plant and equipment written off | 8 | 2,481 | 3 | - | - |
| Finance costs | 7 | 1,778,178 | 1,549,097 | 2,207,542 | 3,001,852 |
| Interest income | 6 | (573,940) | (612,861) | (518,797) | (689,149) |
| Inventories written down | 8 | - | 62,916 | - | - |
| Inventories written off | 8 | 106,605 | - | - | - |
| Net unrealised fair value (gain)/loss on forward currency contracts | 8 | (14,153) | 180,446 | - | - |
| Net unrealised loss/(gain) on foreign exchange | 8 | 299,642 | (114,816) | - | - |
| Net fair value (gain)/loss on biological assets, net | 6,8 | (35,066) | 217,079 | - | - |
| Total adjustments | | 4,723,647 | 2,879,957 | 1,688,745 | 2,312,703 |
| Operating cash flows before changes in working capital | | 9,285,076 | 6,803,870 | 19,317,444 | (448,412) |
| <u>Changes in working capital:</u> | | | | | |
| Inventories | | 38,504 | 20,043,316 | - | - |
| Trade and other receivables | | (34,874,294) | 4,399,663 | (1,193,099) | (632,718) |
| Trade and other payables | | 1,748,985 | (8,981,493) | (16,329,574) | 3,503,415 |
| Total changes in working capital | | (33,086,805) | 15,461,486 | (18,242,673) | 2,870,697 |
| Cash flows (used in)/from operations | | (23,801,729) | 22,265,356 | 1,074,771 | 2,422,285 |
| Interest paid | | (1,778,178) | (1,549,097) | (2,207,542) | (3,001,852) |
| Interest received | | 573,940 | 612,861 | 518,797 | 689,149 |
| Income tax paid | | (2,299,481) | (2,432,125) | (37,949) | (19,840) |
| Income tax refunded | | 1,223,223 | - | 69,392 | - |
| Net cash flows (used in)/from operating activities | | (26,082,225) | 18,896,995 | (582,531) | 89,742 |

STATEMENTS OF CASH FLOWS

For the year ended 31 January 2020 (continued)

| | Note | Group | | Company | |
|---------------------------------------------------------------------|------|--------------------|---------------------|------------------|----------------|
| | | 2020 RM | 2019 RM | 2020 RM | 2019 RM |
| Investing activities | | | | | |
| Proceeds from disposal of property, plant and equipment | | 287,042 | - | - | - |
| Purchase of property, plant and equipment | 13 | (3,618,340) | (680,188) | - | - |
| Net cash flows used in investing activities | | (3,331,298) | (680,188) | - | - |
| Financing activities | | | | | |
| Drawdown of letters of credit | | 92,023,866 | 34,881,828 | - | - |
| Repayment of letters of credit | | (70,197,037) | (40,972,565) | - | - |
| Proceeds from bankers' acceptances | | 101,105,000 | 167,008,000 | - | - |
| Repayment of bankers' acceptances | | (98,223,000) | (192,957,000) | - | - |
| Payment of principal portion of lease liability | | (1,346,348) | - | - | - |
| Net cash flows from/(used in) financing activities | | 23,362,481 | (32,039,737) | - | - |
| Net (decrease)/increase in cash and cash equivalents | | (6,051,042) | (13,822,930) | (582,531) | 89,742 |
| Effect of exchange rate changes on cash and cash equivalents | | 932 | 153,236 | - | - |
| Cash and cash equivalents at beginning of year | | 38,976,242 | 52,645,936 | 786,611 | 696,869 |
| Cash and cash equivalents at end of year | 18 | 32,926,132 | 38,976,242 | 204,080 | 786,611 |

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

1. Corporate information

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 No. 318, Teck Guan Regency, Jalan St. Patrick, Off Jalan Belunu, 91000 Tawau, Sabah.

The principal activities of the Company are investment holding and the provision of administrative services to its subsidiaries. The principal activities of the subsidiaries are the processing and sale of cocoa butter, cocoa powder and other cocoa products, export of trading produce and crude palm kernel oil and the operation of kernel crushing plant, oil palm and cocoa plantations.

The holding company is HTG Holdings Sdn. Bhd., a private limited liability company incorporated and domiciled in Malaysia.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

The financial statements of the Group and of the Company have been prepared on the historical cost basis, unless otherwise indicated in this summary of significant accounting policies.

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

2.2 Changes in accounting policies

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

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

| Description after | Effective for annual periods beginning on or |
|-------------------------------------------------------------------------------|----------------------------------------------|
| Annual Improvements to MFRS Standards 2015 - 2018 Cycle | 1 January 2019 |
| MFRS 9: Prepayment Features with Negative Compensation (Amendments to MFRS 9) | 1 January 2019 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

| Description | Effective for annual periods beginning on or after |
|-----------------------------------------------------------------------------------------|----------------------------------------------------|
| MFRS 16: Leases | 1 January 2019 |
| MFRS 128: Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128) | 1 January 2019 |
| MFRS 119: Plan Amendments, Curtailment or Settlement (Amendments to MFRS 119) | 1 January 2019 |
| IC Interpretation 23: Uncertainty over Income Tax Treatments | 1 January 2019 |

The adoption of the above standards and interpretation did not have any material effect on the financial statements of the Group and of the Company, except as discussed below:

Accounting standard that have been adopted in preparing these financial statements

MFRS 16 Leases

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

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

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

The effect of adopting MFRS 16 to the statement of financial position of the Group as at 1 February 2019 are as follows. There are no effects arising from the adoption of MFRS 16 on the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

MFRS 16 Leases (continued)

| | At 31 January 2019 | Effect of adoption of MFRS 16 | At 1 February 2019 |
|-----------------------------------|-----------------------|----------------------------------|-----------------------|
| | RM | RM | RM |
| Non-current assets | | | |
| Property, plant and equipment | 23,135,701 | 17,059,687 | 40,195,288 |
| Impact to non-current assets | 23,135,701 | 17,059,687 | 40,195,288 |
| Current liabilities | | | |
| Loans and borrowings | 36,420,105 | 1,346,348 | 37,766,453 |
| Impact to current liabilities | 36,420,105 | 1,346,348 | 37,766,453 |
| Non-current liabilities | | | |
| Loans and borrowings | - | 15,713,339 | 15,713,339 |
| Impact to non-current liabilities | - | 15,713,339 | 15,713,339 |

Upon adoption of MFRS 16, the Group and the Company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2.17 *Leases* for the accounting policy beginning 1 February 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group and the Company.

Leases previously classified as finance leases

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

Leases previously accounted for as operating leases

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

MFRS 16 Leases (continued)

Leases previously accounted for as operating leases (continued)

Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate of 5.04% at the date of initial application.

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

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

Based on the above, as at 1 February 2019:

- Right-of-use assets of RM17,059,687 were recognised and included within the same line item as that within which the corresponding underlying assets would be presented if were owned.
- Lease liabilities of RM17,059,687 were recognised and included in loans and borrowings.

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

| | |
|--------------------------------------------------------------------------------------------------------------|-------------------|
| | 2020 |
| | RM |
| Operating lease commitments as at 31 January 2019 | 4,513,000 |
| Weighted average incremental borrowing rate as at February 2019 | 5.04% |
| | <hr/> |
| Discounted operating lease commitments as at 1 January 2019 | 4,279,764 |
| Add: | |
| Lease payments relating to renewal periods not included in operating lease commitments as at 31 January 2019 | 12,779,923 |
| | <hr/> |
| Lease liabilities as at 1 February 2019 | 17,059,687 |
| | <hr/> <hr/> |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

2. Summary of significant accounting policies (continued)

2.3 Standards issued but not yet effective

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

| Description | Effective for annual periods beginning or after |
|---------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|
| Revised Conceptual Framework for Financial Reporting | 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 |
| Amendment to MFRS 16 Leases: Covid-19 Related Rent Concessions | 1 June 2020 |
| MFRS 17 Insurance Contracts | 1 January 2021 |
| Amendments to MFRS 101: Classification of Liabilities as Current or Non-current | 1 January 2022 |
| Annual Improvements to MFRS Standards 2018-2020 | 1 January 2022 |
| Amendments to MFRS 3: Reference to the Conceptual Framework | 1 January 2022 |
| Amendments to MFRS 116: Property, Plant and Equipment - Proceeds before Intended Use | 1 January 2022 |
| Amendments to MFRS 137: Onerous Contracts – Cost of Fulfilling a Contract | 1 January 2022 |
| Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Deferred |

The directors expect that the adoption of the above standards and interpretations would have no material impact on the financial statements in the period of initial application.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

2. Summary of significant accounting policies (continued)

2.4 Basis of consolidation

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

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

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

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

- (i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- (ii) Potential voting rights held by the Company, other vote holders or other parties;
- (iii) Rights arising from other contractual arrangements; and
- (iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

2. Summary of significant accounting policies (continued)

2.4 Basis of consolidation (continued)

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

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

Business combinations

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

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

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

2. Summary of significant accounting policies (continued)

2.5 Subsidiaries

A subsidiary is an entity over which the Group has all the following:

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

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2.6 Foreign currency

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

(b) Foreign currency transactions

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

2.7 Property, plant and equipment

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

2. Summary of significant accounting policies (continued)

2.7 Property, plant and equipment (continued)

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

Bearer plants of oil palms consists of accumulated plantation development costs incurred from land clearing to the point of maturity of the crop cultivated. Capitalisation of plantation development and other operating costs ceases upon commencement of commercial harvesting, which is approximately 3 years. When a bearer crop has reached the end of its useful life and is replanted, the carrying amount of the old bearer plants are derecognised, and the costs of the new bearer plants are treated as a replacement of the old bearer plants and capitalised. The bearer plants are amortised over 25 years.

Leasehold land with an unexpired lease term of less than 50 years is classified as short term whilst those with unexpired lease terms in excess of 50 years are classified as long term.

Depreciation of other property, plant and equipment are computed on a straight-line basis over the estimated useful lives of the assets as follows:

| | |
|-----------------------------------|---------------|
| Buildings and infrastructure | 10 - 50 years |
| Plantation infrastructure | 50 years |
| Tractors and motor vehicles | 5 years |
| Plant and machinery | 10 - 20 years |
| Equipment, furniture and fixtures | 5 - 10 years |

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

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

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

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

2.8 Biological assets

Biological assets comprise produce growing on bearer plants. Biological assets are classified as current assets as they are expected to be harvested and sold or used for production on a date not more than four (4) weeks after the reporting date.

Biological assets are measured at fair value less costs to sell. Any gains or losses arising from changes in the fair value less costs to sell are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

2. Summary of significant accounting policies (continued)

2.9 Impairment of non-financial assets

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

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

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

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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

2.10 Current versus non-current classification

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

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

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

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

The Group classifies all other liabilities as non-current.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

2. Summary of significant accounting policies (continued)

2.11 Financial instruments – initial recognition and subsequent measurement

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

(a) Financial assets

Initial recognition and measurement

A financial asset is initially measured at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. However, a trade receivable without a significant financing component is initially measured at the transaction price.

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are:

(i) Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

This category generally applies to trade and other receivables. For more information on receivables, refer to Note 17.

(ii) Fair value through other comprehensive income (“FVOCI”)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

The Group did not have any debt instruments under this category during the year ended 31 January 2020 and 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

2. Summary of significant accounting policies (continued)

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

(a) Financial assets (continued)

(iii) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

The Group did not have any debt instruments under this category during the year ended 31 January 2020 and 2019.

Investments in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group and the Company may irrevocably elect to present subsequent changes in fair value in other comprehensive income. Dividends from such investments are to be recognised in profit or loss when the right to receive payments is established. For investments in equity instruments where the Group and the Company has not elected to present subsequent changes in fair value in other comprehensive income, changes in fair value are recognised in profit or loss.

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered and are subsequently remeasured at their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

(b) Impairment of financial assets

An allowance is recognised for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows expected to be received, discounted at the original effective interest rate. The expected cash flows will include cash flows from the sale of collaterals held or other credit enhancements that are integral to the contractual terms.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

2. Summary of significant accounting policies (continued)

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

(b) Impairment of financial assets (continued)

For trade receivables, a simplified approach is applied in calculating ECLs. Therefore, credit risk is not tracked, but instead recognise a loss allowance based on lifetime ECLs at each reporting date. A provision matrix is established that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

(c) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or at amortised cost.

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

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

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

2. Summary of significant accounting policies (continued)

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

(c) Financial liabilities (continued)

At amortised cost

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

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

This category generally applies to interest-bearing loans and borrowings. For more information refer Note 19.

Financial guarantee contracts

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

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

Derecognition

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

(d) Offsetting of financial instruments

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

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at bank and demand deposits that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

2. Summary of significant accounting policies (continued)

2.13 Inventories

Inventories are stated at lower of cost and net realisable value.

Inventories are valued on the weighted average method. The cost of raw materials comprises cost of purchase. The costs of finished goods and work-in-progress comprise costs of raw materials, direct labour, other direct costs and appropriate proportions of manufacturing overheads based on normal operating capacity.

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

2.14 Provisions

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

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

2.15 Borrowing costs

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

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

2.16 Employee benefits

(a) Short term benefits

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

2. Summary of significant accounting policies (continued)

2.16 Employee benefits (continued)

(b) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees' Provident Fund ("EPF").

2.17 Leases

Current financial year

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

Group as a lessee

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

(i) Right-of-use assets

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

| | |
|----------------|----------------|
| Leasehold land | 39 - 883 years |
| Buildings | 10 years |

The right-of-use assets are also subject to impairment. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.9.

(ii) Lease liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

2. Summary of significant accounting policies (continued)

2.17 Leases (continued)

Group as a lessee (continued)

(ii) Lease liabilities (continued)

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

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

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

Group as a lessor

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

Previous financial year

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

(i) As lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

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

Operating lease payments are recognised as an operating expense in profit or loss on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

2. Summary of significant accounting policies (continued)

2.17 Leases (continued)

Group as a lessor (continued)

Previous financial year (continued)

(ii) As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.18 Revenue recognition

Revenue is measured based on the consideration to which the Group and the Company expect to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when a performance obligation is satisfied by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Revenue from contracts with customers

(a) Sale of goods

Revenue from sale of goods is recognised net of discount and taxes at the point in time when control of the goods has transferred to the customers. The transaction price is allocated to each performance obligation based on the standalone selling price of the goods. There is no element of financing present as the sale of goods are either on cash terms (immediate payment or advance payment not exceeding 30 days) or on credit terms of up to 30 days.

(b) Administrative fee

Administrative fee is recognised net of service taxes as and when the services are rendered.

Other income

(a) Rental income

Rental income is accounted for on a straight-line basis over the lease term.

(b) Dividend income

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

(c) Interest income

Interest is recognised on a time proportion basis that reflects the effective yield on the asset.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

2. Summary of significant accounting policies (continued)

2.19 Income taxes

(a) Current tax

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

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

(b) Deferred tax

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

2. Summary of significant accounting policies (continued)

2.19 Income taxes (continued)

(b) Deferred tax (continued)

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

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

(c) Goods and Services Tax (“GST”)

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of other current assets or liabilities in the statements of financial position.

(d) Sales and Service Tax (“SST”)

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

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

2.20 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Group who regularly reviews the segment results in order to allocate resources to the segments and to assess the segments' performance. Additional disclosures on each of these segments are shown in Note 29, including the factors used to identify the reportable segments and the measurement basis of segment information.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

2. Summary of significant accounting policies (continued)

2.21 Share capital and share issuance expenses

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

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.22 Contingencies

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

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

2.23 Fair value measurement

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

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

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

3. Significant accounting judgements and estimates

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

Use of estimates and judgements

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group and the Company based their assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change or circumstances arising that are beyond the control of the Group and the Company. Such changes are reflected in the assumptions when they occur.

(a) Bearer plants

Bearer plants comprise pre-cropping expenditure incurred from land clearing to the point of maturity. Such expenditure is capitalised and is depreciated at maturity of the plants over the useful economic lives of the plants. Management estimates the useful economic lives of the Group's oil palms to be 25 years.

(b) Biological assets

The biological assets of the Group comprise of fresh fruit bunches prior to harvest. To arrive at the fair value of FFB prior to harvest, the management considers the oil content of the unripe FFB. It is assumed that the net cash flow to be generated from FFB in excess of 4 weeks prior to harvest to be negligible and are accordingly excluded from valuation. The fair value of FFB prior to harvest is computed based on market approach and takes into consideration the market price of harvested FFB, adjusted to the estimated oil content of unharvested FFB less harvesting, transport and other costs to sell.

(c) Leases – determination of the lease term

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised. As a lessee, the Group has a lease contract for the use of the land and buildings that includes an extension and a termination option. The Group applies judgement in evaluating whether or not it is reasonably certain to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

4. Revenue

| | Group | | Company | |
|-----------------------------------------------|--------------------|--------------------|-------------------|----------------|
| | 2020 RM | 2019 RM | 2020 RM | 2019 RM |
| Revenue from contracts with customers: | | | | |
| Types of goods or services | | | | |
| Sale of crude palm kernel oil | 92,048,768 | 179,178,701 | - | - |
| Sale of palm oil related products | 133,069,572 | 64,529,356 | - | - |
| Sale of palm kernel expeller | 19,943,304 | 28,877,666 | - | - |
| Sale of plantation produce | 7,182,627 | 9,161,456 | - | - |
| Sale of cocoa products | 9,824,906 | 10,762,838 | - | - |
| Sale of dried cocoa beans | 8,611 | 12,112 | - | - |
| Freight income | 11,574,277 | 9,379,793 | - | - |
| Administrative fees from subsidiaries | - | - | 756,000 | 756,000 |
| | 273,652,065 | 301,901,922 | 756,000 | 756,000 |
| Other revenue | | | | |
| Dividend income | - | - | 19,680,000 | - |
| | 273,652,065 | 301,901,922 | 20,436,000 | 756,000 |
| Timing of revenue recognition | | | | |
| At a point in time | 262,077,788 | 292,522,129 | - | - |
| Over time | 11,574,277 | 9,379,793 | 756,000 | 756,000 |
| Total revenue from contracts with customers | 273,652,065 | 301,901,922 | 765,000 | 756,000 |

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 January are as follows:

| | Group | | Company | |
|------------------------|------------------|-------------------|------------|------------|
| | 2020 RM | 2019 RM | 2020 RM | 2019 RM |
| Within one year | 3,615,132 | 42,251,757 | - | - |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

5. Cost of sales

| | Group | | Company | |
|---------------------------|--------------------|--------------------|----------------|----------------|
| | 2020 RM | 2019 RM | 2020 RM | 2019 RM |
| Cost of goods sold | 263,020,680 | 293,738,017 | - | - |
| Cost of services rendered | - | - | 951,126 | 996,352 |
| | <u>263,020,680</u> | <u>293,738,017</u> | <u>951,126</u> | <u>996,352</u> |

6. Other income

| | Group | | Company | |
|---------------------------------------------------|------------------|------------------|----------------|----------------|
| | 2020 RM | 2019 RM | 2020 RM | 2019 RM |
| Interest income | 573,940 | 612,861 | 518,797 | 689,149 |
| Gain on disposal of property, plant and equipment | 135,134 | - | - | - |
| Gain on foreign exchange: | | | | |
| - realised | - | 101,953 | - | - |
| - unrealised | - | 114,816 | - | - |
| Rental income | 174,200 | 171,000 | - | - |
| Realised gain on commodity futures contracts | 98,950 | 298,500 | - | - |
| Fair value gain on biological assets, net | 35,066 | - | - | - |
| Miscellaneous | 664,934 | 797,958 | - | - |
| Insurance claim | - | 350,000 | - | - |
| | <u>1,682,224</u> | <u>2,447,088</u> | <u>518,797</u> | <u>689,149</u> |

7. Finance costs

| | Group | | Company | |
|-----------------------------|------------------|------------------|------------------|------------------|
| | 2020 RM | 2019 RM | 2020 RM | 2019 RM |
| Interest expense on: | | | | |
| Bank overdrafts | 401 | 175 | - | - |
| Bankers' acceptances | 957,885 | 1,548,922 | - | - |
| Amounts due to subsidiaries | - | - | 2,207,542 | 3,001,852 |
| Lease liabilities (Note 20) | 819,892 | - | - | - |
| | <u>1,778,178</u> | <u>1,549,097</u> | <u>2,207,542</u> | <u>3,001,852</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

8. Profit/(loss) before tax

The following amounts have been included in arriving at profit/(loss) before tax :

| | Group | | Company | |
|-----------------------------------------------------------|------------|------------|------------|------------|
| | 2020 RM | 2019 RM | 2020 RM | 2019 RM |
| Employee benefits expense (Note 9) | 6,447,459 | 6,500,468 | 860,326 | 900,240 |
| Non-executive directors' remuneration (Note 10) | 54,000 | 54,000 | 54,000 | 54,000 |
| Auditors remuneration: | | | | |
| - Statutory audits: | | | | |
| - current year | 98,500 | 95,700 | 49,000 | 49,200 |
| - under/(over) provision in respect of previous year | 3,300 | 5,500 | (200) | 1,000 |
| - Other services | | | | |
| - current year | 7,500 | 7,500 | 4,500 | 7,500 |
| - under provision in respect of previous year | - | 4,000 | - | 4,000 |
| Depreciation of property, plant and equipment (Note 13) | 3,295,034 | 1,598,093 | - | - |
| Fair value loss on biological assets, net | - | 217,079 | - | - |
| Net (gain)/loss on foreign exchange: | | | | |
| - realised | (39,894) | (101,953) | - | - |
| - unrealised | 299,642 | (114,816) | - | - |
| Net fair value loss/(gain) on forward currency contracts: | | | | |
| - realised | 10,100 | - | - | - |
| - unrealised | (14,153) | 180,466 | - | - |
| Property, plant and equipment written off | 2,481 | 3 | - | - |
| Inventories written down | - | 62,916 | - | - |
| Inventories written off | 106,605 | - | - | - |
| Rental expense: | | | | |
| - equipment | 95,749 | 92,279 | 10,798 | 10,889 |
| - land and factory | - | 2,193,288 | - | - |
| - premises | 45,960 | 45,960 | 25,200 | 25,200 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

9. Employee benefits expense

| | Group | | Company | |
|--------------------------------------------|------------------|------------------|----------------|----------------|
| | 2020 RM | 2019 RM | 2020 RM | 2019 RM |
| Salaries, wages and allowances | 5,947,530 | 6,008,116 | 776,068 | 805,016 |
| Contributions to defined contribution plan | 430,491 | 439,620 | 77,448 | 88,430 |
| Social security contributions | 64,689 | 48,066 | 6,294 | 6,284 |
| Employment insurance scheme contributions | 4,749 | 4,666 | 516 | 510 |
| | 6,447,459 | 6,500,468 | 860,326 | 900,240 |

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM296,603 (2019: RM308,185) and RM275,536 (2019: RM277,907) respectively as disclosed in Note 10.

10. Directors' remuneration

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

| | Group | | Company | |
|--------------------------------------------|----------------|----------------|----------------|----------------|
| | 2020 RM | 2019 RM | 2020 RM | 2019 RM |
| Executive: | | | | |
| Salaries and other emoluments | 261,732 | 269,251 | 244,500 | 244,500 |
| Bonus | 1,050 | 1,575 | - | - |
| Contributions to defined contribution plan | 31,974 | 35,355 | 29,520 | 31,891 |
| Social security contributions | 1,718 | 1,859 | 1,421 | 1,421 |
| Employment insurance scheme contributions | 129 | 145 | 95 | 95 |
| Total executive directors' remuneration | 296,603 | 308,185 | 275,536 | 277,907 |
| Non-executive: | | | | |
| Fees (Note 8) | 54,000 | 54,000 | 54,000 | 54,000 |
| | 350,603 | 362,185 | 329,536 | 331,907 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

11. Income tax expense

Major components of income tax expense

The major components of income tax expense for the financial years ended 31 January 2020 and 2019 are:

| | Group | | Company | |
|------------------------------------------------------|------------------|------------------|---------------|---------------|
| | 2020 RM | 2019 RM | 2020 RM | 2019 RM |
| Statements of comprehensive income: | | | | |
| Current income tax: | | | | |
| - Malaysian income tax | 1,452,113 | 1,496,125 | 29,781 | 37,391 |
| - Under/(over) provision in respect of previous year | 90 | (958) | (2) | (3) |
| | <u>1,452,203</u> | <u>1,495,167</u> | <u>29,779</u> | <u>37,388</u> |
| Deferred income tax (Note 23): | | | | |
| - Origination and reversal of temporary differences | (50,187) | (93,059) | - | 4,704 |
| - Under provision in respect of previous year | 189 | 322 | - | - |
| | <u>(49,998)</u> | <u>(92,737)</u> | <u>-</u> | <u>4,704</u> |
| Income tax expense recognised in profit or loss | <u>1,402,205</u> | <u>1,402,430</u> | <u>29,779</u> | <u>42,092</u> |

Reconciliation between tax expense and accounting profit/(loss)

The reconciliations between tax expense and the product of accounting profit/(loss) multiplied by the applicable corporate tax rate for the years ended 31 January 2020 and 2019 are as follows:

| | Group | | Company | |
|--------------------------------------------------------------------------|------------------|------------------|---------------|---------------|
| | 2020 RM | 2019 RM | 2020 RM | 2019 RM |
| Accounting profit/(loss) before tax | 4,561,429 | 3,923,913 | 17,628,699 | (2,761,115) |
| Taxation at Malaysian statutory tax rate of 24% (2019: 24%) | 1,094,743 | 941,739 | 4,230,888 | (662,668) |
| <u>Adjustments :</u> | | | | |
| Non-deductible expenses | 775,560 | 914,238 | 522,093 | 700,059 |
| Income not subject to tax | (6,386) | (92,548) | (4,723,200) | - |
| Utilisation of previously unrecognised tax losses | (790,354) | (471,195) | - | - |
| Deferred tax assets not recognised on unabsorbed capital allowances | 328,363 | 110,832 | - | 4,704 |
| Under/(over) provision of current income tax in respect of previous year | 90 | (958) | (2) | (3) |
| Under provision of deferred tax in respect of previous year | 189 | 322 | - | - |
| Income tax expense recognised in profit or loss | <u>1,402,205</u> | <u>1,402,430</u> | <u>29,779</u> | <u>42,092</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

12. Earnings per share

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

The following table reflects the profit and share data used in the computation of basic earnings per share for the years ended 31 January 2020 and 2019:

| | Group | |
|---------------------------------------------------------------|------------|------------|
| | 2020 | 2019 |
| Profit net of tax, attributable to owners of the Company (RM) | 3,159,224 | 2,521,483 |
| Weighted average number of ordinary shares in issue | 40,096,902 | 40,096,902 |
| Basic earnings per share (sen) | 7.88 | 6.29 |

The Group does not have any instruments that could potentially dilute basic earnings per share in the future. Accordingly, the diluted earnings per share is equivalent to basic earnings per share.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

13. Property, plant and equipment

| Group | Land and buildings* RM | Bearer plants RM | Tractors and motor vehicles RM | Plant and machinery RM | Equipment, furniture and fixtures RM | Construction work-in-progress RM | Total RM |
|-------------------------------------------------------------|---------------------------|---------------------|-----------------------------------|---------------------------|-----------------------------------------|-------------------------------------|-------------|
| Cost : | | | | | | | |
| At 1 February 2019 | 19,885,550 | 8,162,885 | 2,764,490 | 47,231,206 | 1,520,954 | - | 79,565,085 |
| - effect of adopting MFRS 16 | 17,059,687 | - | - | - | - | - | 17,059,687 |
| Restated balance at 1 February 2019 | 36,945,237 | 8,162,885 | 2,764,490 | 47,231,206 | 1,520,954 | - | 96,624,772 |
| Additions | 13,000 | - | 10,000 | 9,800 | 730,898 | 2,854,642 | 3,618,340 |
| Disposals | - | - | (32,500) | (317,494) | (1,175) | - | (351,169) |
| Written off | - | - | - | (3,900) | (1,290) | - | (5,190) |
| At 31 January 2020 | 36,958,237 | 8,162,885 | 2,741,990 | 46,919,612 | 2,249,387 | 2,854,642 | 99,886,753 |
| Accumulated depreciation and accumulated impairment | | | | | | | |
| At 1 February 2019 | 8,544,439 | 3,893,655 | 2,389,302 | 40,328,695 | 1,273,293 | - | 56,429,384 |
| Depreciation charge for the year (Note 8) | 2,074,105 | 339,027 | 113,199 | 665,395 | 103,308 | - | 3,295,034 |
| Disposals | - | - | (32,499) | (165,588) | (1,174) | - | (199,261) |
| Written off | - | - | - | (1,950) | (759) | - | (2,709) |
| At 31 January 2020 | 10,618,544 | 4,232,682 | 2,470,002 | 40,826,552 | 1,374,668 | - | 59,522,448 |
| Net carrying amount: | | | | | | | |
| At 31 January 2020 | 26,339,693 | 3,930,203 | 271,988 | 6,093,060 | 874,719 | 2,854,642 | 40,364,305 |
| Cost: | | | | | | | |
| At 1 February 2018 | 19,675,924 | 8,162,885 | 2,434,070 | 47,042,705 | 1,496,899 | 75,234 | 78,887,717 |
| Additions | 115,289 | - | 330,420 | 188,501 | 26,875 | 19,103 | 680,188 |
| Written off | - | - | - | - | (2,820) | - | (2,820) |
| Reclassifications | 94,337 | - | - | - | - | (94,337) | - |
| At 31 January 2019 | 19,885,550 | 8,162,885 | 2,764,490 | 47,231,206 | 1,520,954 | - | 79,565,085 |
| Accumulated depreciation and accumulated impairment: | | | | | | | |
| At 1 February 2018 | 8,216,985 | 3,549,638 | 2,324,046 | 39,567,155 | 1,176,284 | - | 54,834,108 |
| Depreciation charge for the year (Note 8) | 327,454 | 344,017 | 65,256 | 761,540 | 99,826 | - | 1,598,093 |
| Written off | - | - | - | - | (2,817) | - | (2,817) |
| At 31 January 2019 | 8,544,439 | 3,893,655 | 2,389,302 | 40,328,695 | 1,273,293 | - | 56,429,384 |
| Net carrying amount: | | | | | | | |
| At 31 January 2019 | 11,341,111 | 4,269,230 | 375,188 | 6,902,511 | 247,661 | - | 23,135,701 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

13. Property, plant and equipment (continued)

* Land and buildings of the Group comprise:

| Group | Long-term leasehold land RM | Short-term leasehold land RM | Plantation infrastructure RM | Buildings RM | Other infrastructure RM | Total RM |
|-------------------------------------------------------------|-----------------------------|------------------------------|------------------------------|-------------------|-------------------------|-------------------|
| Cost: | | | | | | |
| At 1 February 2019 | 3,978,479 | 5,013 | 7,158,995 | 8,277,248 | 465,815 | 19,885,550 |
| - effect of adopting MFRS 16 | - | - | - | 17,059,687 | - | 17,059,687 |
| Restated balance at 1 February 2019 | 3,978,479 | 5,013 | 7,158,995 | 25,336,935 | 465,815 | 36,945,237 |
| Additions | - | - | 13,000 | - | - | 13,000 |
| At 31 January 2020 | 3,978,479 | 5,013 | 7,171,995 | 25,336,935 | 465,815 | 36,958,237 |
| Accumulated depreciation and accumulated impairment: | | | | | | |
| At 1 February 2019 | 230,799 | 2,300 | 3,982,183 | 4,255,205 | 73,952 | 8,544,439 |
| Depreciation charge for the year (Note 8) | 30,667 | 119 | 179,509 | 1,725,569 | 138,241 | 2,074,105 |
| At 31 January 2020 | 261,466 | 2,419 | 4,161,692 | 5,980,774 | 212,193 | 10,618,544 |
| Net carrying amount: | | | | | | |
| At 31 January 2020 | 3,717,013 | 2,594 | 3,010,303 | 19,356,161 | 253,622 | 26,339,693 |
| Cost: | | | | | | |
| At 1 February 2018 | 3,978,479 | 5,013 | 6,949,369 | 8,277,248 | 465,815 | 19,675,924 |
| Additions | - | - | 115,289 | - | - | 115,289 |
| Reclassifications | - | - | 94,337 | - | - | 94,337 |
| At 31 January 2019 | 3,978,479 | 5,013 | 7,158,995 | 8,277,248 | 465,815 | 19,885,550 |
| Accumulated depreciation and accumulated impairment: | | | | | | |
| At 1 February 2018 | 216,713 | 2,181 | 3,850,881 | 4,082,574 | 64,636 | 8,216,985 |
| Depreciation charge for the year (Note 8) | 14,086 | 119 | 131,302 | 172,631 | 9,316 | 327,454 |
| At 31 January 2019 | 230,799 | 2,300 | 3,982,183 | 4,255,205 | 73,952 | 8,544,439 |
| Net carrying amount: | | | | | | |
| At 31 January 2019 | 3,747,680 | 2,713 | 3,176,812 | 4,022,043 | 391,863 | 11,341,111 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

13. Property, plant and equipment (continued)

| Company | Equipment, furniture and fixtures RM |
|--------------------------------------------------------------------------|-----------------------------------------|
| Cost: | |
| At 1 February 2018, 31 January 2019, 1 February 2019 and 31 January 2020 | 16,258 |
| Accumulated depreciation: | |
| At 1 February 2018, 31 January 2019, 1 February 2019 and 31 January 2020 | 16,252 |
| Net carrying amount: | |
| At 1 February 2018, 31 January 2019, 1 February 2019 and 31 January 2020 | 6 |

Right-of-use assets acquired under leasing arrangements are presented together with the owned assets of the same class. Details of such leased assets are disclosed in Note 20(a).

14. Investment in subsidiaries

| | Company | |
|-------------------------------------|--------------|--------------|
| | 2020 RM | 2019 RM |
| Unquoted shares, at cost | 37,563,852 | 37,563,852 |
| Capital contribution | 41,594,233 | 41,594,233 |
| Less: Accumulated impairment losses | (49,093,655) | (49,093,655) |
| | 30,064,430 | 30,064,430 |

Details of the subsidiaries, which are all incorporated and domiciled in Malaysia, are as follows:

| Name of subsidiaries | Proportion of ownership interest held by the Group* | | Principal activities |
|------------------------------|-----------------------------------------------------|------|-------------------------------------------------------------------------------------------------------------------------------------|
| | 2020 | 2019 | |
| Cacao Paramount Sdn. Bhd. | 100% | 100% | Processing of cocoa products, trading of crude palm kernel oil and operation of palm kernel crushing plant and oil palm plantations |
| Majulah Koko Tawau Sdn. Bhd. | 100% | 100% | Processing and sale of cocoa butter, and other cocoa products, and the export of trading produce |
| Tawau Cocoa Estate Sdn. Bhd. | 100% | 100% | Operation of oil palm and cocoa plantations |

* Equals to the proportion of voting rights held.

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

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For the financial year ended 31 January 2020

15. Biological assets

| Fair Value | | Group RM |
|---------------------------|--------------------|--------------------|
| At 1 February 2018 | 18,563 | 457,474 |
| Transfer to produce stock | | (457,474) |
| Changes in the fair value | | 240,395 |
| At 31 January 2019 | | 240,395 |
| Transfer to produce stock | | (240,395) |
| Changes in fair value | | 275,461 |
| At 31 January 2020 | | 275,461 |
| | 2020 MT | 2019 MT |
| Production for the year | 18,563 | 23,849 |

Biological assets of the Group comprise oil palm fresh fruit bunches ("FFB") prior to harvest. The valuation model to be adopted by the Group considers the present value of the net cash flows expected to be generated from the sale of FFB.

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

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

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

16. Inventories

| | Group | |
|-----------------------------|------------|------------|
| | 2020 RM | 2019 RM |
| Cost | | |
| Finished goods | 22,394,846 | 24,204,957 |
| Raw materials | 2,708,695 | 314,520 |
| Trading goods | 1,582,498 | 2,167,609 |
| Stores and supplies | 1,053,734 | 1,197,768 |
| | 27,739,773 | 27,884,854 |
| Net realisable value | | |
| Raw materials | - | 19 |
| Store and materials | - | 9 |
| | 27,739,773 | 27,884,882 |

During the financial year, inventories recognised as an expense in cost of sales of the Group was RM128,167,613 (2019: RM227,589,541).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

17. Trade and other receivables

| | Group | | Company | |
|---------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2020 RM | 2019 RM | 2020 RM | 2019 RM |
| Trade receivables | | | | |
| Third parties | 34,368,973 | 2,892,323 | - | - |
| Amounts due from related companies | 959,509 | 984,856 | - | - |
| | 35,328,482 | 3,877,179 | - | - |
| Other receivables | | | | |
| Amounts due from related parties: | | | | |
| Subsidiaries | - | - | 12,514,841 | 10,601,741 |
| Related companies | 1,181,915 | 64,696 | - | - |
| | 1,181,915 | 64,696 | 12,514,841 | 10,601,741 |
| Deposits | 705,625 | 676,925 | 1,050 | 1,050 |
| Prepayments | 3,874,382 | 30,564 | 18,333 | 18,334 |
| Sundry receivables | 274,204 | 75,737 | - | - |
| GST refundable | 68,424 | 2,187,380 | - | - |
| | 6,104,550 | 3,035,302 | 12,534,224 | 10,621,125 |
| Total trade and other receivables | 41,433,032 | 6,912,481 | 12,534,224 | 10,621,125 |
| Add: Cash and bank balances (Note 18) | 33,293,163 | 39,376,347 | 204,080 | 786,611 |
| Less: Prepayments | (3,874,382) | (30,564) | (18,333) | (18,334) |
| Less: GST refundable | (68,424) | (2,187,380) | - | - |
| Total financial assets carried at amortised cost | 70,783,389 | 44,070,884 | 12,719,971 | 11,389,402 |

(a) Trade receivables

Trade receivables are generally on 30 to 60 days (2019: 30 to 60 days) terms. Trade receivables are non-interest bearing.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

| | Group | |
|------------------------------------------|-------------------|------------------|
| | 2020 RM | 2019 RM |
| Neither past due nor impaired | 34,865,648 | 3,806,740 |
| 1 to 30 days past due not impaired | - | - |
| 31 to 60 days past due not impaired | 462,729 | 62,542 |
| 61 to 90 days past due not impaired | - | - |
| 91 to 120 days past due not impaired | 105 | - |
| More than 121 days past due not impaired | - | 7,897 |
| | 462,834 | 70,439 |
| | 35,328,482 | 3,877,179 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

17. Trade and other receivables (continued)

(a) Trade receivables (continued)

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM462,834 (2019: RM70,439) that are past due at the reporting date but not impaired. These receivables are unsecured in nature.

(b) Amounts due from related companies

Related companies comprise companies within HTG Holdings Sdn. Bhd. group of companies.

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

(c) Amounts due from subsidiaries

Amounts due from subsidiaries are unsecured, bear interest at the rates of 5.04% to 5.26% (2019: 6.65% to 6.93%) per annum and are repayable upon demand.

(d) Sundry receivables

These amounts are unsecured, non-interest bearing and are to be settled in cash.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

18. Cash and bank balances

| | Group | | Company | |
|-----------------------------------------|-------------------|-------------------|----------------|----------------|
| | 2020 RM | 2019 RM | 2020 RM | 2019 RM |
| Cash at banks and on hand | 3,516,947 | 5,944,997 | 4,080 | 6,611 |
| Short-term deposits with licensed banks | 29,776,216 | 33,431,350 | 200,000 | 780,000 |
| | 33,293,163 | 39,376,347 | 204,080 | 786,611 |

Certain cash at bank earns interest at floating rates based on daily bank deposits rates. Short-term deposits are made for varying periods between 1 day and 12 days (2019: 1 day and 11 days) depending on the immediate cash requirements of the Group and the Company and earn interest at the respective short-term deposits rates.

The weighted average effective rates per annum for deposits at the end of the financial year are:

| | Group | | Company | |
|----------------|-----------|-----------|-----------|-----------|
| | 2020 % | 2019 % | 2020 % | 2019 % |
| Licensed banks | 2.24 | 2.68 | 2.25 | 2.85 |

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the reporting date:

| | Group | | Company | |
|---------------------------------|-------------------|-------------------|----------------|----------------|
| | 2020 RM | 2019 RM | 2020 RM | 2019 RM |
| Cash and bank balances | 33,293,163 | 39,376,347 | 204,080 | 786,611 |
| Less: Bank overdrafts (Note 19) | (367,031) | (400,105) | - | - |
| Cash and cash equivalents | 32,926,132 | 38,976,242 | 204,080 | 786,611 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

19. Loans and borrowings

| | | Group | |
|-----------------------------------|-----------|------------|------------|
| | | 2020 RM | 2019 RM |
| Current | | | |
| Secured: | | | |
| Bankers' acceptances | On demand | 38,902,000 | 36,020,000 |
| Letters of credit | On demand | 21,826,829 | - |
| Lease liabilities | 2021 | 1,415,794 | - |
| | | 62,144,623 | 36,020,000 |
| Unsecured: | | | |
| Bank overdrafts | | 367,031 | 400,105 |
| | | 62,511,654 | 36,420,105 |
| Non-current: | | | |
| Secured: | | | |
| Lease liabilities | 2022-2029 | 5 | - |
| | | 14,297,54 | - |
| Total loans and borrowings | | | |
| Bank overdrafts (Note 18) | | 367,031 | 400,105 |
| Bankers' acceptances | | 38,902,000 | 36,020,000 |
| Letters of credit | | 21,826,829 | - |
| Lease liabilities | | 15,713,339 | - |
| | | 76,809,199 | 36,420,105 |

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

| Group | | |
|-----------------------------------------------|------------|------------|
| | 2020 RM | 2019 RM |
| On demand or within one year | 62,511,654 | 36,420,105 |
| Later than 1 year but not later than 2 years | 1,488,821 | - |
| Later than 2 years but not later than 5 years | 12,808,724 | - |
| | 76,809,199 | 36,420,105 |

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

| Group | | |
|----------------------|-----------|-----------|
| | 2020 % | 2019 % |
| Bank overdrafts | 7.04 | 7.54 |
| Bankers' acceptances | 3.68 | 3.91 |
| Letters of credit | 0.10 | 0.10 |
| Lease liabilities' | 5.04 | - |
| | 5.04 | - |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

19. Loans and borrowings (continued)

Bankers' acceptances and letters of credit facilities are secured by corporate guarantees provided by the Company.

Changes in liabilities arising from financing activities:

| Group | Bankers' acceptances RM | Letters of credit RM | Lease liabilities RM | Total RM |
|------------------------------------------|----------------------------|-------------------------|-------------------------|---------------|
| At 1 February 2019 | 36,020,000 | - | - | 36,020,000 |
| Effect of adopting MFRS 16 (Note 2.2) | - | - | 17,059,687 | 17,059,687 |
| Accretion of interest (Note 20) | - | - | 819,892 | 819,892 |
| Drawdown | 101,105,000 | 92,023,866 | - | 193,128,866 |
| Repayment | (98,223,000) | (70,197,037) | (2,166,240) | (170,586,277) |
| At 31 January 2020 | 38,902,000 | 21,826,829 | 15,713,339 | 76,442,168 |

| Group | Bankers' acceptances RM | Letters of credit RM | Total RM |
|--------------------|----------------------------|-------------------------|---------------|
| At 1 February 2018 | 61,969,000 | 6,090,737 | 68,059,737 |
| Drawdown | 167,008,000 | 34,881,828 | 201,889,828 |
| Repayment | (192,957,000) | (40,972,565) | (233,929,565) |
| At 31 January 2019 | 36,020,000 | - | 36,020,000 |

20. Lease

Group as a lessee

The Group has lease contracts for land and buildings. The Group's obligations under these leases are secured by the lessor's title to the leased assets.

(a) Carrying amounts of right-of-use assets classified within property, plant and equipment

| Group | Long-term leasehold land RM | Short-term leasehold land RM | Buildings RM | Total RM |
|------------------------------------------|-----------------------------------|------------------------------------|-----------------|-------------|
| Cost | | | | |
| At 1 February 2019 | 3,978,479 | 5,013 | - | 3,983,492 |
| Effect of adopting MFRS 16 (Note 2.2) | - | - | 17,059,687 | 17,059,687 |
| At 31 January 2020 | 3,978,479 | 5,013 | 17,059,687 | 21,043,179 |
| Accumulated depreciation | | | | |
| At 1 February 2019 | 230,799 | 2,300 | - | 233,099 |
| Depreciation charge for the year | 30,667 | 119 | 1,705,969 | 1,736,755 |
| At 31 January 2020 | 261,466 | 2,419 | 1,705,969 | 1,969,854 |
| Net carrying amount | | | | |
| At 31 January 2020 | 3,717,013 | 2,594 | 15,353,718 | 19,073,325 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

20. Lease (continued)

(b) Lease liabilities

The carrying amounts of lease liabilities (included under loans and borrowings) and the movements during the year are disclosed in Note 19 and the maturity analysis of lease liabilities is disclosed in Note 27(b).

(c) Amounts recognised in profit or loss

| | 2020 RM |
|------------------------------------------------|------------------|
| Depreciation expenses of right-of-use assets | 1,736,755 |
| Interest expense on lease liabilities (Note 7) | 819,892 |
| Total amount recognised in profit or loss | <u>2,556,647</u> |

The Group had total cash outflows for leases of RM2,166,240 in 2020

Group as a lessor

The Group had entered into leases on its properties. These property leases typically have lease term of 3 years with renewal option included in the contract.

Future minimum rentals receivable under non-cancellable operating leases contracted at the reporting date were as follows:

| | 2020 RM | 2019 RM |
|----------------------------------------------|----------------|----------------|
| Not later than 1 year | 1,76,500 | 177,700 |
| Later than 1 year but not later than 5 years | 31,000 | 207,550 |
| | <u>207,500</u> | <u>385,250</u> |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

21. Trade and other payables

| | Group | | Company | |
|--------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2020 RM | 2019 RM | 2020 RM | 2019 RM |
| Trade payables | | | | |
| Amounts due to related companies | 7,648,334 | 5,297,319 | - | - |
| Third parties | 2,620,045 | 3,214,913 | - | - |
| | 10,268,379 | 8,512,232 | - | - |
| Other payables | | | | |
| Amounts due to related parties: | | | | |
| Subsidiaries | - | - | 29,386,287 | 45,754,611 |
| Related companies | 756,878 | 524,282 | 8,847 | 4,356 |
| Holding company | 180 | - | 180 | - |
| | 757,058 | 524,282 | 29,395,314 | 45,758,967 |
| Accruals | 1,243,070 | 516,310 | 123,405 | 77,167 |
| Advances | 21,932 | 299,317 | - | - |
| Deposits | 1,000 | 1,150 | - | - |
| Sundry payables | 748,220 | 1,490,552 | 1,822 | 13,981 |
| | 2,771,280 | 2,831,611 | 29,520,541 | 45,850,115 |
| Total trade and other payables | 13,039,659 | 11,343,843 | 29,520,541 | 45,850,115 |
| Add: Loans and borrowings (Note 19) | 76,809,199 | 36,420,105 | - | - |
| Total financial liabilities carried at amortised cost | 89,848,858 | 47,763,948 | 29,520,541 | 45,850,115 |

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 60 days (2019: 30 to 60 days).

(b) Amounts due to subsidiaries

Amounts due to subsidiaries are unsecured, bear interest at the rates 5.04% to 5.26% (2019: 6.65% to 6.93%) per annum and are repayable upon demand.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

21. Trade and other payables (continued)

(c) **Amounts due to related companies and ultimate holding company (other payables)**

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

(d) **Sundry payables and advances**

These amounts are non-interest bearing and have no fixed terms of repayment

22. Derivatives

| Group | 2020 | | 2019 | |
|-------|--------------------------------------------------------|-------------------|---------------------------------------|-------------------|
| | Contract/ national amount RM | Liabilities RM | Contract/ national amount RM | Liabilities RM |
| | Non-hedging derivatives: Forward currency contracts | 3,406,867 | (10,100) | 10,000,814 |

The Group uses forward currency contracts to manage some of the transaction exposures. These contracts are not designated as cash flows nor 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 for which firm commitments existed at reporting date.

The method and assumptions applied in determining the fair values of derivative are disclosed in Note 26.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

23. Deferred tax (assets)/liabilities

| Group | As at 1 February 2018 RM | Recognised in profit or loss (Note 11) RM | As at 31 January 2019 RM | Recognised in profit or loss (Note 11) RM | As at 31 January 2020 RM |
|----------------------------------|-----------------------------------|-------------------------------------------------------|-----------------------------------|-------------------------------------------------------|-----------------------------------|
| Deferred tax liabilities: | | | | | |
| Property, plant and equipment | 3,835,912 | (318,636) | 3,517,276 | (342,505) | 3,174,771 |
| Biological assets | 109,794 | (52,099) | 57,695 | 8,416 | 66,111 |
| | 3,945,706 | (370,735) | 3,574,971 | (334,089) | 3,240,882 |
| Deferred tax assets: | | | | | |
| Unutilised tax losses | (736,653) | 272,305 | (464,348) | 464,348 | - |
| Unabsorbed capital allowances | (1,363,608) | 5,693 | (1,357,915) | (180,257) | (1,538,172) |
| | (2,100,261) | 277,998 | (1,822,263) | 284,091 | (1,538,172) |
| | 1,845,445 | (92,737) | 1,752,708 | (49,998) | 1,702,710 |
| Company | | | | | |
| Deferred tax liability: | | | | | |
| Property, plant and equipment | 1 | - | 1 | (1) | - |
| Deferred tax assets: | | | | | |
| Unabsorbed capital allowances | (4,705) | 4,704 | (1) | 1 | - |
| | (4,704) | 4,704 | - | - | - |

Presented after appropriate offsetting as follows:

| | Group | | Company | |
|--------------------------|------------------|------------------|------------|------------|
| | 2020 RM | 2019 RM | 2020 RM | 2019 RM |
| Deferred tax assets | - | (1) | - | (1) |
| Deferred tax liabilities | 1,702,710 | 1,752,709 | - | 1 |
| | 1,702,710 | 1,752,708 | - | - |

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

| | Group | |
|----------------------------------------|------------|------------|
| | 2020 RM | 2019 RM |
| Unutilised tax losses | 33,683,952 | 36,977,097 |
| Unabsorbed capital allowances | 4,852,448 | 3,484,269 |
| Other deductible temporary differences | 264,417 | 264,417 |

At the reporting date, the Group has tax losses and unabsorbed capital allowances that are available for offset against future taxable profits of the Group, for which no deferred tax asset is recognised because it is not probable that future taxable profits will be available against which the Group can use the benefits therefrom. The use of these tax losses and unabsorbed capital allowances is subject to the agreement of the tax authority and compliance with certain provisions of the tax legislation. The unutilised tax losses will expire in 2025.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

24. Share capital

| | Number of ordinary shares | | Amount | |
|------------------------------|---------------------------|------------|------------|------------|
| | 2020 | 2019 | 2020 RM | 2019 RM |
| Issued and fully paid | | | | |
| At beginning of year | 40,096,902 | 40,096,902 | 40,103,902 | 40,096,902 |

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction and rank equally with regard to the Company's residual assets.

25. Related party transactions

(a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

| Group | Note | 2020 RM | 2019 RM |
|-------------------------------------------------|------|------------|-------------|
| With subsidiaries of the holding company | | | |
| Sale of crude palm kernel oil to: | | | |
| Teck Guan (China) Ltd. | (ii) | 73,742,910 | 138,570,266 |
| Sale of palm kernel expeller to: | | | |
| Sudutjasa Sdn. Bhd. | (ii) | 100,755 | 126,990 |
| Teck Guan Trading Sdn. Bhd. | (ii) | - | 37,123 |
| Sale of oil palm fresh fruit bunches to: | | | |
| Sungai Burung Industries Sdn. Bhd. | (ii) | 4,289,324 | 5,174,072 |
| Tri Grow Sdn. Bhd. | (ii) | 16,519 | 155,214 |
| Konsep Muktamad Sdn. Bhd. | (ii) | 1,288,473 | 1,740,900 |
| Prosperous Sebatik Sdn. Bhd. | (ii) | 375,969 | 491,995 |
| Utas Sutera Sdn. Bhd. | (ii) | 45,113 | 51,747 |
| Sale of palm oil related products to: | | | |
| Teck Guan (China) Ltd. | (ii) | 214,086 | - |
| Sale of cocoa powder to: | | | |
| Teck Guan Trading Sdn. Bhd. | (ii) | 466,824 | 539,230 |
| Sale of chocolate products to: | | | |
| Teck Guan Trading Sdn. Bhd. | (ii) | 1,757,180 | 1,559,638 |
| Sale of cocoa beans to: | | | |
| Teck Guan Trading Sdn. Bhd. | (ii) | 63 | 10,050 |
| Hotel Emas Sdn. Bhd. | (ii) | 60 | - |
| Teck Guan Sdn. Bhd. | (ii) | 60 | - |
| Sale of fruits to: | | | |
| Hotel Emas Sdn. Bhd. | (ii) | 54,500 | 31,558 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

25. Related party transactions (continued)

(a) Sale and purchase of goods and services (continued)

| Group | Note | 2020 RM | 2019 RM |
|--------------------------------------------------------------------|-------------|--------------------|--------------------|
| <u>With subsidiaries of the holding company (continued)</u> | | | |
| Rental income charged to: | | | |
| Teck Guan Sdn. Bhd. | (ii) | 18,000 | 18,000 |
| Atlantica Sdn. Bhd. | (ii) | 12,000 | 12,000 |
| Brantian Palm Oil Sdn. Bhd. | (ii) | 12,000 | 12,000 |
| Sungai Burung Industries Sdn. Bhd. | (ii) | 12,000 | 12,000 |
| Konsep Muktamad Sdn. Bhd. | (ii) | 101,400 | 101,400 |
| Prosperous Sebatik Sdn. Bhd. | (ii) | 15,000 | 15,000 |
| Electricity charges charged to: | | | |
| Teck Guan Industries Sdn. Bhd. | (ii) | 2,612 | - |
| Brantian Palm Oil Sdn. Bhd. | (ii) | 18,234 | - |
| Teck Guan Trading Sdn. Bhd. | (ii) | 18,234 | - |
| Hiring of vehicle and transport charges charged to: | | | |
| Stellar Energy Sdn. Bhd. | (ii) | 97,211 | 1,452 |
| Sungai Burung Industries Sdn. Bhd. | (ii) | - | 793 |
| Konsep Muktamad Sdn. Bhd. | (ii) | 1,977 | 3,228 |
| Evergreen Intermerge Sdn. Bhd. | (ii) | - | 1,024 |
| Ladang Subur Sdn. Bhd. | (ii) | 35,980 | 25,658 |
| Sudutjasa Sdn. Bhd. | (ii) | 22,201 | - |
| Semporna Estate Sdn. Bhd. | (ii) | 857 | 464 |
| Universal Province Sdn. Bhd. | (ii) | - | 6,300 |
| Weighbridge rental charged to: | | | |
| Prosperous Sebatik Sdn. Bhd. | (ii) | 1,890 | - |
| Purchase of palm kernel from: | | | |
| Atlantica Sdn. Bhd. | (iii) | 7,869,767 | 7,152,715 |
| Brantian Palm Oil Sdn. Bhd. | (iii) | 6,346,181 | 10,993,969 |
| Konsep Muktamad Sdn. Bhd. | (iii) | 7,063,822 | 16,663,953 |
| Prosperous Sebatik Sdn. Bhd. | (iii) | 7,721,386 | 13,038,795 |
| Sungai Burung Industries Sdn. Bhd. | (iii) | 13,974,630 | 21,930,966 |
| Purchase of fresh fruit bunches from: | | | |
| Stellar Energy Sdn. Bhd. | (iii) | 48,830 | - |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

25. Related party transactions (continued)

(a) Sale and purchase of goods and services (continued)

| Group | Note | 2020 RM | 2019 RM |
|-------------------------------------------------------------|-------|------------|------------|
| With subsidiaries of the holding company (continued) | | | |
| Purchase of palm oil related products from: | | | |
| Atlantica Sdn. Bhd. | (iii) | 51,072 | - |
| Brantian Palm Oil Sdn. Bhd. | (iii) | 488,925 | - |
| Konsep Muktamad Sdn. Bhd. | (iii) | 3,216,358 | - |
| Prosperous Sebatik Sdn. Bhd. | (iii) | 3,166,806 | - |
| Sungai Burung Industries Sdn. Bhd. | (iii) | 6,714,452 | - |
| Evergreen Intermerge Sdn. Bhd. | (iii) | 72,151 | - |
| Purchase of goods from: | | | |
| Teck Guan Trading Sdn. Bhd. (chemical and fertilizer) | (iii) | 280,566 | 217,507 |
| Teck Guan Sdn. Bhd. (diesel and lubricant) | (iii) | 398,323 | 323,277 |
| Bio-resources Sdn. Bhd. (fuel and oil) | (iii) | 9,128 | - |
| Prosperous Sebatik Sdn. Bhd. (fertilizer and chemical) | (iii) | 281,198 | 152,646 |
| Bestbricks (Sabah) Sdn. Bhd. (fertilizer) | (iii) | 763,350 | 1,450,745 |
| Teck Guan Fertilizers Sdn. Bhd. (fertilizer) | (iii) | 384,324 | - |
| Teck Guan Steel Sdn. Bhd. (steel products) | (iii) | 14,525 | - |
| Stellar Energy Sdn. Bhd. (wet cocoa beans) | (iii) | 1,603 | 1,129 |
| Teck Guan Industries Sdn. Bhd. (fertilizer) | (iii) | 5,101 | 4,946 |
| Sungai Burung Industries Sdn. Bhd. (store and supplies) | (iii) | 23,356 | - |
| Hotel Emas Sdn. Bhd. (food and beverage) | (iii) | 20,272 | 7,513 |
| Purchase of property, plant and equipment from: | | | |
| Hotel Emas Sdn. Bhd. | (iii) | - | 1,200 |
| Teck Guan Plantations Sdn. Bhd. | (iii) | 10,000 | - |
| Andum Sdn. Bhd. | (iii) | - | 50,000 |
| Electricity, water and utilities charges charged by: | | | |
| Jolly Land Sdn. Bhd. | (iii) | 46,920 | 46,920 |
| Evergreen Intermerge Sdn. Bhd. | (iii) | 584,050 | 1,566,039 |
| Konsep Muktamad Sdn. Bhd. | (iii) | 22,372 | - |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

25. Related party transactions (continued)

(a) Sale and purchase of goods and services (continued)

| Group | Note | 2020 RM | 2019 RM |
|-----------------------------------------------------------------------|-------|------------|------------|
| <u>With subsidiaries of the holding company (continued)</u> | | | |
| Land rental, rental of office and computer charged by: | | | |
| Jolly Land Sdn. Bhd. | (iii) | 45,960 | 45,960 |
| Teck Guan Industries Sdn. Bhd. | (iii) | 2,166,240 | 2,166,240 |
| Teck Guan Plantations Sdn. Bhd. | (iii) | - | 27,048 |
| Hoko Sdn. Bhd. | (iii) | 95,749 | 96,279 |
| Insurance expense charged by: | | | |
| Utas Sutera Sdn. Bhd. | (iii) | 367 | - |
| Teck Guan Holdings Sdn. Bhd. | (iii) | 1,163 | 910 |
| Plantation administrative fee charged by: | | | |
| Prosperous Sebatik Sdn. Bhd. | (iii) | 36,000 | 36,000 |
| Miscellaneous expenses charged by: | | | |
| Hoko Sdn. Bhd. (printing and hiring of camera) | (iii) | 3,449 | 4,623 |
| Teck Guan Trading Sdn. Bhd. (transport fee and hiring of vehicles) | (iii) | 48,960 | 42,857 |
| Wise Mission Sdn. Bhd. (hiring of vehicles) | (iii) | 24,176 | 844 |
| Bestbricks (Sabah) Sdn. Bhd. (transport fee) | (iii) | - | 11,187 |
| Teck Guan Plantations Sdn. Bhd. (printing and office supplies) | (iii) | 26,742 | 3,154 |
| Teck Guan Development Sdn. Bhd. (hiring of vehicles) | (iii) | 35 | 529 |

| Company | Note | 2020 RM | 2019 RM |
|--------------------------------------------------------|-------|------------|------------|
| <u>With subsidiaries of the Company</u> | | | |
| Administrative fees charged to: | | | |
| Cacao Paramount Sdn. Bhd. | (iv) | 420,000 | 420,000 |
| Tawau Cocoa Estate Sdn. Bhd. | (iv) | 300,000 | 300,000 |
| Majulah Koko Tawau Sdn. Bhd. | (iv) | 36,000 | 36,000 |
| Interest income charged to: | | | |
| Cacao Paramount Sdn. Bhd. | (i) | 511,000 | 652,153 |
| Interest expense charged by: | | | |
| Tawau Cocoa Estate Sdn. Bhd. | (i) | 2,115,705 | 3,001,852 |
| Majulah Koko Tawau Sdn. Bhd. | (i) | 91,839 | - |
| <u>With a subsidiary of the holding company</u> | | | |
| Computer rental charged by: | | | |
| Hoko Sdn. Bhd. | (iii) | 10,798 | 10,889 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

25. Related party transactions (continued)

(a) Sale and purchase of goods and services (continued)

Related companies are companies within the HTG Holdings Sdn. Bhd. group.

- (i) Interest income and interest expense arose from amounts due from/(to) subsidiaries.
- (ii) Sale of products and rendering of services to subsidiaries and related companies were made according to the published prices and conditions offered to the major customers of the Group and of the Company, except that a longer credit period is normally granted.
- (iii) Purchase of products and services from related companies were made according to the published prices and conditions offered by these related companies to their major customers, except that a longer credit period is normally granted.
- (iv) Administrative fees received were according to the monthly rate agreed between both parties for the services rendered.

Information regarding outstanding balances arising from related party transactions as at 31 January 2020 is disclosed in Note 17 and Note 21.

(b) Compensation of key management personnel

The remuneration of members of key management during the financial year was as follows:

| | Group | | Company | |
|------------------------------|----------------|----------------|----------------|----------------|
| | 2020 RM | 2019 RM | 2020 RM | 2019 RM |
| Short-term employee benefits | 409,522 | 471,723 | 390,909 | 444,909 |
| Post-employment benefits: | | | | |
| Defined contribution plan | 37,782 | 44,542 | 35,328 | 41,078 |
| | <u>447,304</u> | <u>516,265</u> | <u>426,237</u> | <u>485,987</u> |

Included in compensation of key management personnel is directors' remuneration amounting to RM350,603 (2019: RM362,185) and RM329,536 (2019: RM331,907) of the Group and the Company respectively as disclosed in Note 10.

26. Fair value measurement

(a) Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflect the significance of the inputs used in making the measurements. The categories within the fair value hierarchy are as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices), and
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

26. Fair value measurement (continued)

(a) Fair value hierarchy (continued)

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

Fair value measurement hierarchy as at 31 January 2020 and 31 January 2019 were as follows:

| Group | Level 1 RM | Level 2 RM | Level 3 RM | Total RM |
|------------------------------|---------------|---------------|---------------|-------------|
| 2020 | | | | |
| Assets/(liabilities) | | | | |
| Biological assets | - | - | 275,461 | 275,461 |
| Derivatives | | | | |
| - Forward currency contracts | - | (10,100) | - | (10,100) |
| 2019 | | | | |
| Assets/(liabilities) | | | | |
| Biological assets | - | - | 240,395 | 241,395 |
| Derivatives | | | | |
| - Forward currency contracts | - | (24,253) | - | (24,253) |

There have been no transfers between Level 1, 2 and 3 during the financial year.

(b) Determination of fair value

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

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

Note

| | |
|--------------------------------------------------|----|
| Trade and other receivables | 17 |
| Cash and bank balances | 18 |
| Loans and borrowings (exclude lease liabilities) | 19 |
| Trade and other payables | 21 |

The carrying amounts of these financial assets and liabilities are reasonable approximation of their fair values due to their short term nature.

Derivatives

Forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing model, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates.

Financial guarantees

Fair value is determined based on the probability weighted discounted cash flow method. The probability has been estimated and assigned for the following key assumptions:

- The likelihood of the guaranteed party defaulting within the guaranteed period;
- The exposure on the portion that is not expected to be recovered due to the guaranteed party's default; and
- The estimated loss exposure if the party guaranteed were to default.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

27. Financial risk management objectives and policies

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 Chief Financial Officer. 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.

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

(a) Credit risk

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

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 120 days when they fall due, which are derived based on the Group's historical information.

To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:

- Actual or expected change in external or internal credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- Actual or expected significant changes in the operating results of the borrower
- Significant increases in credit risk on other financial instruments of the same borrower
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

27. Financial risk management objectives and policies (continued)

(a) Credit risk (continued)

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the issuer or the borrower
- A breach of contract, such as a default or past due event
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation
- There is a disappearance of an active market for that financial asset because of financial difficulty

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 180 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the company continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

(i) Trade and other receivables

As there are only a few customers, the Group assessed the risk of loss of each customer individually based on their financial information, past trend of payments and external credit ratings, where applicable. These customers have low risk of default.

Information regarding loss allowance movement of trade and other receivables are disclosed in Note 17.

(ii) Amounts due from subsidiaries

Generally, the Company considers the amounts due from subsidiaries have low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries outstanding balances when they are payable, the Company considers the amounts due from subsidiaries to be in default when the subsidiaries are not able to pay when demanded. The Company considers the amount due from subsidiary to be credit impaired when:

- The subsidiary is unlikely to repay its outstanding balances to the Company in full; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

Information regarding loss allowance movement of amount due from subsidiaries are disclosed in Note 17.

(ii) Financial guarantees

At the reporting date, the Company's maximum exposure to credit risk is represented by the nominal amount of RM197,800,000 (2019: RM197,800,000) relating to corporate guarantees provided by the Company to banks for banking facilities granted to subsidiaries. The Company monitors the ability of the subsidiaries to service their loans on an individual basis. The Company determines the probability of default of the guaranteed loans individually using internal information available.

As at the end of the reporting period, the Group did not recognise any allowance for impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

27. Financial risk management objectives and policies (continued)

(a) Credit risk (continued)

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date is as follows:

| | Group | | | |
|----------------------------|-------------------|------------|------------------|------------|
| | 2020 | | 2019 | |
| | RM | % of total | RM | % of total |
| By country: | | | | |
| Peoples' Republic of China | 30,009,274 | 85 | 587,010 | 15 |
| Singapore | 3,972,803 | 11 | 638,628 | 17 |
| Malaysia | 1,057,455 | 3 | 1,450,302 | 37 |
| India | 135,086 | - | 136,827 | 4 |
| Iran | 358 | - | - | - |
| Turkey | - | - | 673,769 | 17 |
| Pakistan | 153,506 | 1 | 390,643 | 10 |
| | 35,328,482 | 100 | 3,877,179 | 100 |

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 17. Deposits with licensed banks that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 17.

(b) Liquidity risk

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

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

27. Financial risk management objectives and policies (continued)

(b) Liquidity risk (continued)

| | On demand or within one year RM | One to five years RM | Total RM |
|--------------------------------------------------|------------------------------------------|----------------------------|-------------|
| Group | | | |
| At 31 January 2020 | | | |
| Financial liabilities: | | | |
| Trade and other payables | 13,039,402 | - | 13,039,402 |
| Loans and borrowings (exclude lease liabilities) | 61,095,860 | - | 61,095,860 |
| Lease liabilities (Note 20) | 2,166,240 | 17,329,920 | 19,496,160 |
| Total undiscounted financial liabilities | 76,301,502 | 17,329,920 | 93,631,422 |
| At 31 January 2019 | | | |
| Financial liabilities: | | | |
| Trade and other payables | 11,343,843 | - | 11,343,843 |
| Loans and borrowings | 36,420,105 | - | 36,420,105 |
| Total undiscounted financial liabilities | 47,763,948 | - | 47,763,948 |
| Company | | | |
| At 31 January 2020 | | | |
| Financial liabilities: | | | |
| Trade and other payables | 29,520,541 | - | 29,520,541 |
| Total undiscounted financial liabilities | 29,520,541 | - | 29,520,541 |
| At 31 January 2019 | | | |
| Financial liabilities: | | | |
| Trade and other payables | 45,850,115 | - | 45,850,115 |
| Total undiscounted financial liabilities | 45,850,115 | - | 45,850,115 |

| | Company | |
|-------------------------------|-------------|-------------|
| | 2020 RM | 2019 RM |
| Financial guarantee contracts | 197,800,000 | 197,800,000 |

(c) Interest rate risk

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

The Group's and the Company's exposure to interest rate risk arises primarily from loans and borrowings and loans at fixed rate to or from related parties.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

27. Financial risk management objectives and policies (continued)

(c) Interest rate risk(continued)

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been basis 25 points (2019: 25 points) lower/higher, with all other variables held constant, the Group's (loss)/profit net of tax would have been RM38,658 (2019: RM31,809) lower/higher, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings, and lower/higher interest income and expense on floating rates loan to or from related parties. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than in RM. The foreign currency in which the transactions are denominated are mainly US Dollars ("USD").

Approximately 96% (2019: 90%) of the Group's sales are denominated in foreign currencies and 55% (2019: 76%) of cost of sales are denominated in RM. 92% (2019: 69%) of the Group's trade receivables as at reporting date are denominated in foreign currencies.

The Group has also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the reporting date, such foreign currency balances (mainly in USD) amounted to RM8,725,885 (2019: RM15,760,686) for the Group.

The Group uses forward currency contracts to eliminate the currency exposures on 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.

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the USD exchange rates against the functional currency of the Group entities, with all other variables held constant.

| Group | Profit net of tax | |
|--------------------------|-------------------|------------|
| | 2020 RM | 2019 RM |
| RM/USD - strengthened 5% | 2,334,539 | 348,603 |
| - weakened 5% | (2,334,539) | (348,603) |

(e) Market price risk

The Group is exposed to market price risk arising from its operations. The market price of plantation produce, cocoa beans, palm kernel oil and palm kernel expeller is determined by the supply, pricing and demand for competing vegetable oils. These factors can result in fluctuations in the market price.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

28. Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions, business strategies and future commitments on a continuous basis. To achieve this objective, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 January 2020 and 31 January 2019.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, loans and borrowings, trade and other payables, less cash and bank balances. Capital includes equity attributable to the owners of the Company.

| | Note | Group | | Company | |
|----------------------------------------------|------|--------------|--------------|------------|-------------|
| | | 2020 RM | 2019 RM | 2020 RM | 2019 RM |
| Loans and borrowings | 19 | 76,809,199 | 36,420,105 | - | - |
| Trade and other payables | 21 | 13,039,402 | 11,343,843 | 29,520,541 | 45,850,115 |
| Less: Cash and bank balances | 18 | (33,293,163) | (39,376,347) | (204,080) | (786,611) |
| Net debt | | 56,555,438 | 8,387,601 | 29,316,461 | 45,063,504 |
| Equity attributable to owners of the Company | | 52,233,093 | 49,073,869 | 13,272,818 | (4,326,102) |
| Total capital | | 52,233,093 | 49,073,869 | 13,272,818 | (4,326,102) |
| Capital and net debt | | 108,788,531 | 57,461,470 | 42,589,279 | 40,737,402 |
| Gearing ratio | | 52% | 15% | 69% | 111% |

29. Segment information

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

- (i) Cocoa products segment – manufacturing and sale of cocoa products and trading and sale of dried cocoa beans;
- (ii) Oil palm products segment – Operation of oil palm plantations, operation of kernel crushing plant; and
- (iii) Corporate segment – Group-level corporate service and treasury functions.

Except as indicated above, no operating segments have 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 income taxes 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

For the financial year ended 31 January 2020

29. Segment information (continued)

Segment analysis by geographical location has not been prepared as the Group's operations are predominantly conducted in Malaysia.

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segment:

| | Cocoa products | | Oil palm products | | Corporate | | Adjustments and elimination | | Note | Perconsolidated financial statements | |
|---------------------------------|----------------|------------|-------------------|-------------|-------------|-------------|-----------------------------|-------------|------|--------------------------------------|-------------|
| | 2020 RM | 2019 RM | 2020 RM | 2019 RM | 2020 RM | 2019 RM | 2020 RM | 2019 RM | | 2020 RM | 2019 RM |
| Revenue: | | | | | | | | | | | |
| External customers | 10,321,212 | 11,258,900 | 263,330,853 | 290,643,022 | - | - | - | - | | 273,652,065 | 301,901,922 |
| Inter-segment | 3,533 | 668,236 | - | - | - | - | (3,533) | (668,236) | A | - | - |
| | 10,324,745 | 11,927,136 | 263,330,853 | 290,643,022 | - | - | (3,533) | (668,236) | B | 273,652,065 | 301,901,922 |
| Results: | | | | | | | | | | | |
| Interest income | 206,499 | 84,787 | 2,567,186 | 3,492,930 | 518,797 | 689,149 | (2,718,542) | (3,654,005) | A | 573,940 | 612,861 |
| Finance cost | - | - | (2,289,178) | (2,201,250) | (2,207,542) | (3,001,852) | 2,718,542 | 3,654,005 | A | (1,778,178) | (1,549,097) |
| Depreciation | 200,700 | 190,018 | 3,094,334 | 1,408,075 | - | - | - | - | | 3,295,034 | 1,598,093 |
| Segment profit/(loss) | 1,332,972 | 1,825,808 | 4,339,216 | 3,265,521 | (1,110,759) | (1,167,416) | - | - | | 4,561,429 | 3,923,913 |
| Assets: | | | | | | | | | | | |
| Additions to non-current assets | 900 | 56,125 | 3,617,440 | 624,063 | - | - | - | - | C | 3,618,340 | 680,188 |
| Segment assets | 15,537,008 | 19,095,143 | 127,345,257 | 77,648,662 | 223,469 | 806,001 | 689,027 | 1,205,672 | D | 143,794,761 | 98,755,478 |
| Liabilities: | | | | | | | | | | | |
| Segment liabilities | 248,704 | 957,041 | 89,216,924 | 46,450,021 | 393,330 | 381,139 | 1,702,710 | 1,893,408 | E | 91,561,668 | 49,681,609 |

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 Timing of revenue recognition:

| | 2020 | | 2019 | |
|--------------------|----------------------|-------------------------|----------------------|-------------------------|
| | Cocoa products RM | Oil palm products RM | Cocoa products RM | Oil palm products RM |
| At a point in time | 9,833,517 | 252,244,271 | 10,774,950 | 281,747,179 |
| Over time | 487,695 | 11,086,582 | 483,950 | 8,895,843 |
| | 10,321,212 | 263,330,853 | 11,258,900 | 290,643,022 |

C Additions of non-current assets consist of:

| | Note | 2020 RM | 2019 RM |
|-------------------------------|------|------------|------------|
| Property, plant and equipment | 13 | 3,618,340 | 680,188 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 January 2020

29. Segment information (continued)

- D The following items are added to segment assets to arrive at total assets reported in the consolidated statement of financial position:

| | 2020 RM | 2019 RM |
|-----------------------|------------|------------|
| Income tax refundable | 689,027 | 1,205,672 |

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

| | Note | 2020 RM | 2019 RM |
|--------------------------|------|------------|------------|
| Deferred tax liabilities | 23 | 1,702,710 | 1,752,708 |
| Income tax payable | | - | 140,700 |
| | | 1,702,710 | 1,893,408 |

31. Events after the reporting period

The COVID-19 pandemic has significantly disrupted many business operations around the world. For the Group, the impact on business operations has not been a direct consequence of the COVID-19 outbreak, but a result of the measures taken by the Government of Malaysia to contain it. As the outbreak continues to evolve, it is challenging to predict the full extent and duration of its impact on the business and the economy. The Group considers the COVID-19 outbreak is an adjusting post balance sheet event.

Up to the date of these financial statements, the Group has taken into consideration of the COVID-19 outbreak in the assumptions applied in the property, plant and equipment impairment assessment and inputs used in the expected credit losses model and considered the impacts if any. The Group noted that the Group's revenue for the 3-month period ended 30 April 2020 has not changed materially despite the temporary workplace disruption and disruptions in the supply chains. Given the dynamic nature of these circumstances, the Group will continue to monitor the developments of COVID-19 situation closely, assess and react actively to its impacts on the financial position and operating results of the Group.

32. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 January 2020 were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 10 June 2020.

TECK GUAN PERDANA BERHAD
(Incorporated in Malaysia) Company No. 307097-A

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TECK GUAN PERDANA BERHAD

(Company No.307097-A)

(Incorporated in Malaysia)

Registered Office: 318, Teck Guan Regency, Jalan St. Patrick , Off Jalan Belunu , 91000 Tawau, Sabah.

Form of Proxy

I/We, _____
(Please use block letters)

of _____
(Full address)

being a member/members of TECK GUAN PERDANA BERHAD hereby appoint _____
of _____
or failing him/her _____
of _____

as my/our proxy to vote for me/us on my/our behalf at the Twenty-Sixth Annual General Meeting of the Company, to be held at Xocolatt Hall, Ground Floor, Hotel Emas, Jalan Utara, 91000 Tawau, Sabah on Tuesday, 28 July 2020 at 9.00 a.m. and at any adjournment thereof.

| | | For | Against |
|--------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|---------|
| Resolution 1 | To approve the payment of Directors' fees not exceeding the amount RM54,000 and any benefits payable for the financial year ending 31 January 2021. | | |
| Resolution 2 | To re-elect Mr.Tham Vui Yun who retires by rotation as a Director of the Company pursuant to Article 91 of the Company's Constitution. | | |
| Resolution 3 | To re-elect Mr.Wong Peng Mun who retires by rotation as a Director of the Company pursuant to Article 91 of the Company's Constitution. | | |
| Resolution 4 | To re-elect Mdm. Hong Kun Yee who retires as a Director of the Company pursuant to Article 97 of the Company's Constitution. | | |
| Resolution 5 | To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. | | |
| Resolution 6 | Continuation in office for Mr. Tham Vui Yun as Independent Non-Executive Director | | |
| Resolution 7 | Continuation in office for Mr.Wong Peng Mun as Independent Non-Executive Director | | |
| Resolution 8 | Authority for Directors to Allot and Issue New Ordinary Shares Pursuant to Sections 75 and 76 of the Companies Act, 2016 | | |
| Resolution 9 | Proposed Renewal of Shareholders' Mandate For Existing Recurrent Related Party Transactions and Shareholders' Mandate for Additional Recurrent Related Party Transactions | | |

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

Dated this _____ day of _____ 2020

| | |
|------------------------|--|
| CDS Account No: | |
| Number of Shares Held: | |

| For appointment of two (2) proxies, percentage of shareholdings to be represented by each proxy is as follow: | | |
|---------------------------------------------------------------------------------------------------------------|---------------|----------------|
| | No. of Shares | Percentage (%) |
| Proxy 1 | | |
| Proxy 2 | | |
| Total | | 100% |

Signature / Common Seal of Member

Notes:

1. A proxy may but need not be a member of the Company and there is no restriction as to the qualification of a proxy. Provided that, having appointed a proxy or an attorney to attend in his stead, if such member personally attends the meeting, his proxy or attorney shall be precluded from attending such meeting.
2. A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting and where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
3. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account) as defined under the Securities Industry Central Depositories Act, 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
4. If the appointor is a corporation, the proxy form must be executed under its Common Seal or under the hand of its attorney.
5. To be valid the duly completed proxy form must be deposited at the Registered Office of the Company at 318, Teck Guan Regency, Jalan St. Patrick, Off Jalan Belunu, 91000 Tawau, Sabah, not less than 96 hours before the time fixed for holding the Meeting.
6. Only members whose names appear in the Record of Depositors as at 18 May 2020, issued by Bursa Malaysia Depository Sdn. Bhd, will be entitled to attend, vote and speak at the meeting or appoint proxy(ies) to attend, vote and speak on their behalf.
7. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of Annual General Meeting ("AGM") will be put to vote by way of poll.
8. By submitting the duly executed proxy form, the member and his/her proxy consent to the Company (and/or its agents/service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010 for the purpose of the AGM and any adjournment thereof.

fold here

AFFIX
STAMP

The Company Secretary
TECK GUAN PERDANA BERHAD (307097-A)
318, Teck Guan Regency
Jalan St. Patrick , Off Jalan Belunu
91000 Tawau, Sabah,
Malaysia

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