TH PLANTATIONS BERHAD
Registration No. 197201001069 (12696-M)

ANNUAL REPORT 2019

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ABOUT THIS REPORT

Our Annual Report provides a holistic and material assessment of the Group's ability to create value over time.

This report reviews the Group's strategy, risks and opportunities, and operational and governance performance, for the financial year 1 January 2019 to 31 December 2019. The report covers the activities of the Group and all our operating subsidiaries. Financial and non-financial data from our subsidiaries are fully consolidated.

REPORTING FRAMEWORKS

Our reporting process has been guided by the principles and requirements contained in the Malaysian Financial Reporting Standards, the main Market Listing Requirements, the Malaysian Code on Corporate Governance 2017 and the Companies Act 2016.

Feedback

At THP, we believe in creating meaningful conversations with our stakeholders as this allows us to understand market needs and stakeholder perspectives, strengthen our strategy and most importantly, builds trust for the longer term. As such, we value any feedback, comments and questions on our reports. For those who would like to provide feedback on our reports, please contact our Investor Relations Department at 03-2603 4800 or email us at info@thplantations.com.

Forward-Looking Statement

This report contains forward-looking statements characterised by the use of words or phrases such as "might", "forecast", "anticipate", "project", "may", "believe", "predict", "expect", "continue", "will", "estimate", "target", and other similar expressions. The report may also contain forecast information such as improvements in production or stipulates a certain course of action with regards to our business. However, these statements do not guarantee future operating, financial or other results as it may involve certain risks and uncertainties. As such, it is important to note that the statements here do not provide a warranty or guarantees that the anticipated results mentioned by these forward-looking statements will be achieved.

Scan this QR code for a direct link to our Annual Report online.

Or log on to http://www.thplantations.my/

CORPORATE INFORMATION

As at 2 June 2020

BOARD OF DIRECTORS

Tan Sri Abu Talib bin Othman
Chairman
Non-Independent Non-Executive Director
(Appointed w.e.f. 26 March 2019)

Datuk Nik Mohd Hasyudeen bin Yusoff
Non-Independent Non-Executive Director
(Re-designated from Independent Non-Executive Director to Non-Independent Non-Executive Director w.e.f. 1 September 2019)

Dato' Shari bin Haji Osman
Independent Non-Executive Director

Dato' Indera Dr. Md Yusop bin Omar
Independent Non-Executive Director

Mohd Adzahar bin Abdul Wahid
Independent Non-Executive Director

Dzul Effendy bin Ahmad Hayan
Non-Independent Non-Executive Director
(Appointed w.e.f. 27 March 2019)

AUDIT COMMITTEE

Mohd Adzahar bin Abdul Wahid
Chairman
Independent Non-Executive Director

Dato' Shari bin Haji Osman
Member
Independent Non-Executive Director

Dato' Indera Dr. Md Yusop bin Omar
Member
Independent Non-Executive Director
(Appointed w.e.f. 26 November 2019)

NOMINATION & REMUNERATION COMMITTEE

Dato' Shari bin Haji Osman
Chairman
Independent Non-Executive Director
(Re-designated from Member to Chairman w.e.f. 26 November 2019)

Mohd Adzahar bin Abdul Wahid
Member
Independent Non-Executive Director

Dzul Effendy bin Ahmad Hayan
Member
Non-Independent Non-Executive Director
(Appointed w.e.f. 26 November 2019)

CHIEF EXECUTIVE OFFICER

Muzmi bin Mohamed
(Appointed w.e.f. 11 February 2019)

COMPANY SECRETARIES

Aliatun binti Mahmud *(LS 0008841)*
(SSM PC No. 201908003467)
Wan Nurul Hidayah binti Wan Yusoff *(LS 0008555)*
(SSM PC No. 201908003468)

CORPORATE INFORMATION

As at 2 June 2020

REGISTERED OFFICE

Level 35
Menara TH Platinum
No. 9 Persiaran KLCC
50088 Kuala Lumpur

Tel : 03 2603 4800
Fax : 03 2603 4695

INVESTOR RELATIONS & ENQUIRIES

Level 35
Menara TH Platinum
No. 9 Persiaran KLCC
50088 Kuala Lumpur

Tel : 03 2603 4800
Fax : 03 2603 4699
Website : http://www.thplantations.my
Email : info@thplantations.com

AUDITORS

KPMG DESA MEGAT PLT

Level 10
KPMG Tower
8 First Avenue
Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan

Tel : 03 7721 3388
Fax : 03 7721 3399
Website : www.kpmg.com.my

SHARE REGISTRAR

BOARDROOM SHARE REGISTRARS SDN. BHD.

11th Floor
Menara Symphony
No. 5 Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan

Tel : 03 7890 4700
Fax : 03 7890 4670
Website : www.boardroomlimited.com

STOCK EXCHANGE LISTING

MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD
Listed since 27 April 2006

Stock Name : TH PLANT
Stock Code : 5112

PRINCIPAL BANKERS

- **BANK ISLAM MALAYSIA BERHAD**
- **CIMB BANK BERHAD**
- **STANDARD CHARTERED BANK MALAYSIA BERHAD**

PLACE OF INCORPORATION AND DOMICILE

MALAYSIA

WEBSITE

www.thplantations.my

CORPORATE STRUCTURE

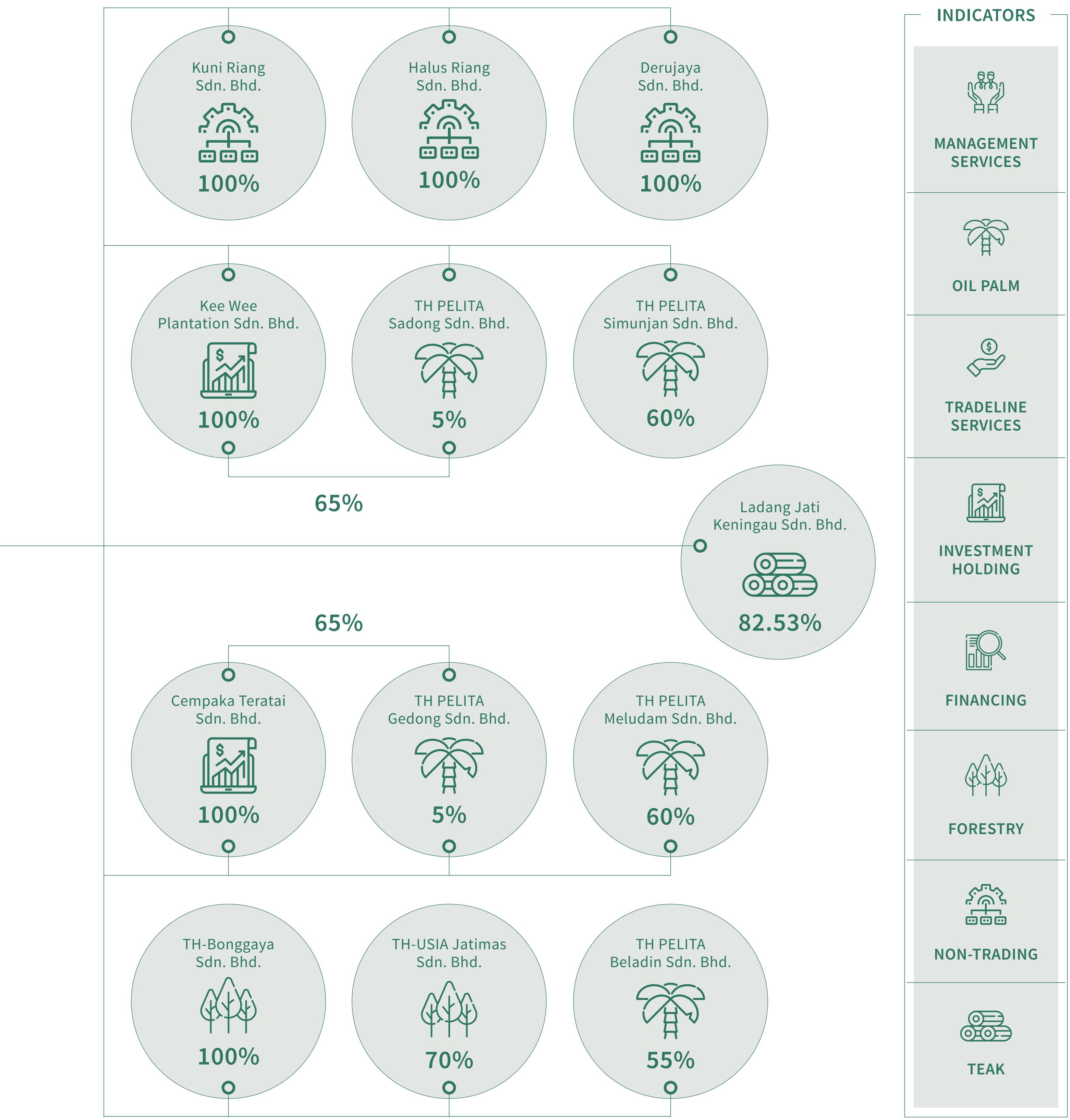
As at 2 June 2020

TH PLANTATIONS BERHAD

- Manisraya Sdn. Bhd. — 100%
- THP Ibok Sdn. Bhd. — 100%
- Maju Warisanmas Sdn. Bhd. — 100%
- THP Suria Mekar Sdn. Bhd. — 100%
- Bumi Suria Ventures Sdn. Bhd. — 100%
- PT Persada Kencana Prima — 93%
- THP-YT Plantation Sdn. Bhd. — 70%
- THP Agro Management Sdn. Bhd. — 100%
- THP Bukit Belian Sdn. Bhd. — 100%
- THP Kota Bahagia Sdn. Bhd. — 100%
- TH Ladang (Sabah & Sarawak) Sdn. Bhd. — 100%
- THP Saribas Sdn. Bhd. — 80%
- Hydroflow Sdn. Bhd. — 70%
- THP Sabaco Sdn. Bhd. — 51%

CORPORATE STRUCTURE

As at 2 June 2020



MANAGEMENT DISCUSSION & ANALYSIS

MUZMI BIN MOHAMED

Chief Executive Officer

Dear Shareholders,

The Board and Management would like to present to you TH Plantations Berhad's ("THP") Annual Report for the financial year ended 31 December 2019. This report outlines the Group's continual efforts to execute our recovery process as we seek to realise long-term and sustainable growth.

INDUSTRY LANDSCAPE IN FY2019

If 2018 was a difficult year for the industry, 2019 was even more challenging. Overall production for the industry marginally improved in FY2019 compared to FY2018. However, the price of palm oil commodities remained low on average, increasing the pressure on profitability across the board. This reflected a historically high inventory of 3.22 million metric tonnes ("MT") at the start of the year and weakness in Crude Palm Oil ("CPO") demand, caused by ample production and stock of other vegetable oils, namely soybean and corn, and lower global economic growth, compounded by a trade war between the US and China.

Thankfully, external demand picked up in the fourth quarter and led to an increase in CPO prices, as inventory levels fell against overall production which only marked a small increase in 2019, compared to 2018. Demand from China increased as they substituted soy oil with palm oil. This followed lower imports of soybeans for crushing due to lower demand for animal feed as a result of the swine fever outbreak. China's imports of palm oil from Malaysia increased by 34% in 2019. Later in the year, India also imported more to make up for continued shortfalls in its edible oil output. On top of that, strong demand was seen in Europe, which imported more CPO for its biodiesel requirements, especially in Spain and Italy which recorded an almost 35% year-on-year increase in imports from Malaysia. As a result of this improvement and an increase in shipments to some of our largest export destinations, Malaysia was able to record a 12.02% year-on-year increase in its CPO exports in 2019.

The higher exports in 2019 subsequently lowered inventory levels to 2 million MT by the end of December 2019. Output in 2019 increased marginally from 2018 levels to 19.86 million MT in 2019. Against this demand and supply backdrop, CPO traded down 5.2% to RM2,119.00 in FY2019, from an average selling price of RM2,232.50 in FY2018. Prices did, however, improve towards the end of 2019, averaging RM2,813.00 in December.

OVERVIEW OF PERFORMANCE

With a lower CPO price environment in 2019, the Group's overall performance in FY2019 continued to be affected. As a result, 2019 saw the Group intensifying our strategic recovery plan and focusing on three strategies:

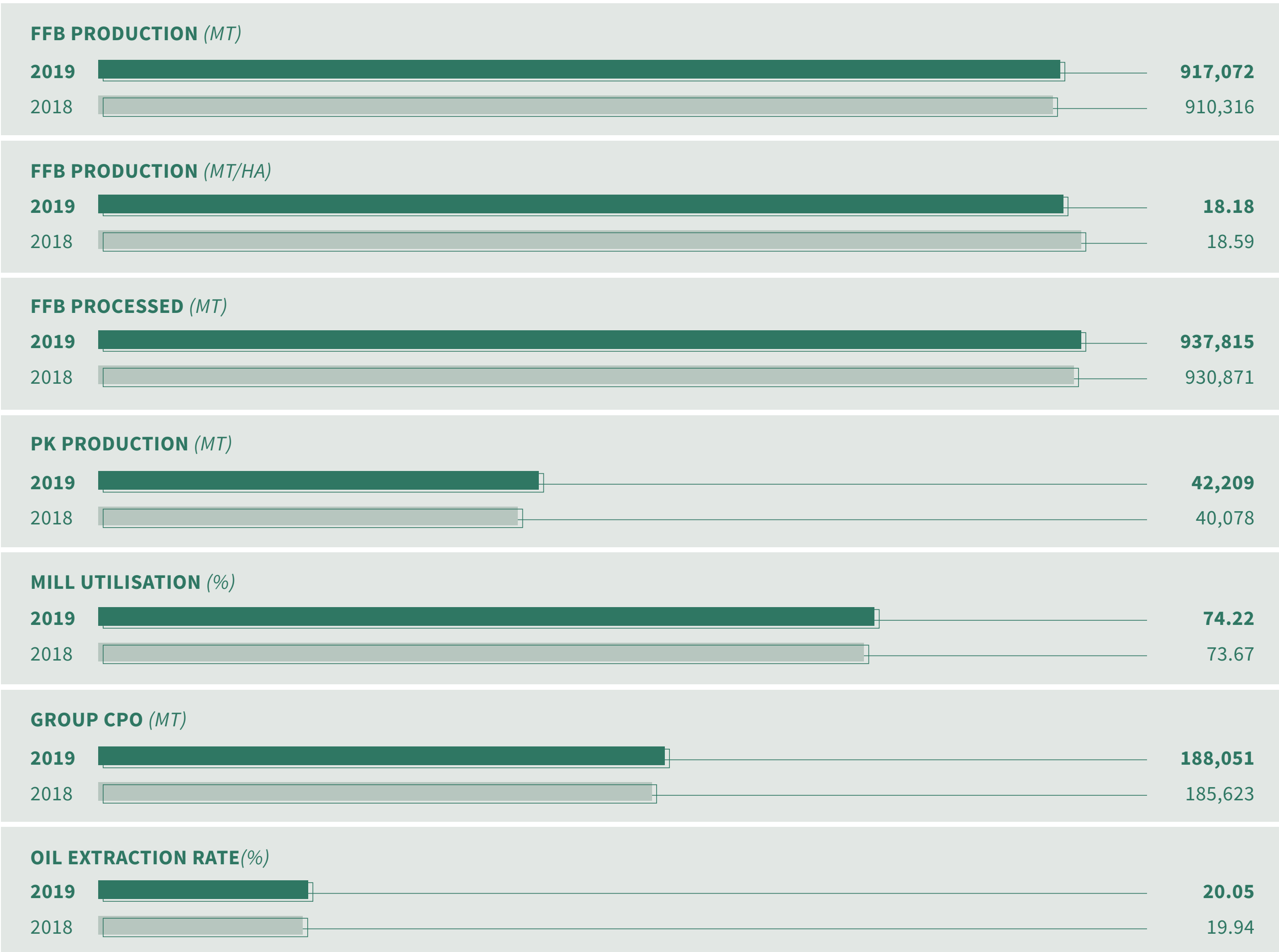
i) rationalising our assets;
ii) improving our operational efficiencies; and
iii) adopting a new austerity drive to reduce expenditure where possible to extract maximum cost savings.

Revenue for the year declined by 4.94% from the year before to RM493.65 million. This was caused by lower average selling prices realised for our CPO, Palm Kernel ("PK") and Fresh Fruit Bunches ("FFB"), however it was offset by slightly higher FFB production.

On a Group basis, our loss before tax was RM245.01 million. This was significantly smaller than our loss of RM678.1 million in the previous year. Factors that aided our better year-on-year improvement included changes in the fair value of our biological and forestry assets and lower impairment recognised for property, plant and equipment ("PPE") and intangible assets. Excluding impairment, the loss before tax for the Group was RM43 million.

THP'S OPERATIONAL PERFORMANCE IN FY2019

The resilience of THP's business was once again put to the test during this demanding year. I am pleased to report to you that the Group's operations strengthened further in FY2019. Following the gains made in FY2018, the Group's:



Total FFB production for the year 2019 at 917,072 MT was higher than the year 2018 at 910,316 MT. However, production yield per hectares ("Ha") of 18.18 MT/Ha was slightly lower in year 2019 as it was diluted following the first-year maturation of trees totalling 2,252 Ha in the Bukit Lawiang estate, Gunung Sumalayang estate, Sungai Buan estate, Sungai Merchong estate, Sematan estate, Kepayang estate, Semalatong estate, Sungai Arip estate and Sungai Karangan estate. As a result of the higher FFB production, there was higher FFB processed at 937,815 MT in 2019 compared to 930,871 MT in 2018. Group CPO production was also slightly higher in 2019 at 188,051 MT compared to 185,623 MT in 2018. The Group exited the year with a net increase of 1,502 Ha in its mature area.

	Oil Palm		Rubber/Teak			
	Mature (Ha)	Immature (Ha)	In course of planting (Ha)	Immature (Ha)	Others (Ha)	Total (Ha)
2019	50,457	9,054	747	10,380	30,338	100,976
2018	48,955	9,114	5,128	10,797	27,025	101,019

MANAGEMENT DISCUSSION & ANALYSIS

	Oil Palm 2019					
	Mature (Ha)	Immature (Ha)	In course of planting (Ha)	Planted Area (Ha)	Others (Ha)	Total (Ha)
Semenanjung	12,043	2,729	447	15,219	829	16,048
Sabah	7,185	1,610	300	9,095	835	9,930
Sarawak	31,229	2,939	-	34,168	18,189	52,357
Indonesia	-	1,776	-	1,776	5,152	6,928
Total	**50,457**	**9,054**	**747**	**60,258**	**25,005**	**85,263**

OUR STRATEGIC RECOVERY PLAN

Implementation of THP's restructuring strategy is well underway. During the year, we continued to pursue our two-pronged Strategic Recovery Plan put in place in 2018 to strengthen our operations and finances and return us to a stronger growth footing. The plan involved both rationalisation of assets and transformation of operations, combined with the Group's unrelenting focus on efficiency improvements and optimal value creation for all our stakeholders. Our efforts included consolidating our balance sheet through successful divestments, paring down debt and improving yields with a back-to-basics focus.

STRATEGIC RECOVERY PLAN

	STRATEGIC OBJECTIVES	STRATEGIES
Rationalisation		
Divestment	To consolidate & manage balance sheet	Proposed divestment of 14 non-performing companies
Capital Structure	To pare down debt, de-gear and improve liquidity	Part of proceeds from divestments will be utilised to pare down debt
Transformation		
Operational Efficiency	To further improve yields and profitability	i. To focus on back-to-basics by aiming to reduce costs and increasing yields with a smaller yet more efficient land bank ii. Part of proceeds from divestments will be used to provide required resources

1 RATIONALISATION OF ASSETS

In 2019, we made progress in the restructuring and streamlining of our assets to get our business back to a solid position. The Board had approved the disposal of our interests in non-performing assets to rationalise our operations and enable management to focus on the Group's core operations to harness value for our Stakeholders. In accordance with our approved divestment plan, the Group had entered into a Sale Purchase Agreement ("SPA") with Tamaco Plantation Sdn. Bhd. ("Tamaco") to dispose 100% equity interests in Bumi Suria Ventures Sdn. Bhd. ("BSV") and Maju Warisanmas Sdn. Bhd. ("MWM") on 5 December 2019. The two companies own 6,513.80 Ha of oil-palm plantations in Bintulu and Sibu, Sarawak. Upon completion of the disposal, the Group will still own 94,462.08 Ha of oil palm and rubber plantations.

We aim to enhance our free cash flows and strengthen our financial position further. Whenever there are opportunities to divest non-core or non-performing assets, we will seize them. In this context, on 31 December 2019, the Group entered into a Heads of Agreement ("HOA") with TDM Berhad ("TDM") to dispose of its 70% equity interests in THP-YT Plantation Sdn. Bhd. ("THP-YT"). We will continue to execute our rationalisation exercise to unlock the value of our assets, thereby further reducing the Group's borrowings.

Details	Expected Completion*
Proposed disposal of 100% equity interests in BSV and MWM by THP to Tamaco for a total cash consideration of RM170 million. The SPA was signed on 5 December 2019.	3Q2020
Proposed disposal of 70% equity interests held by THP in THP-YT for a cash consideration of RM7 million and proposed settlement of part of the inter-company advances by THP-YT to THP Suria Mekar Sdn. Bhd., a wholly-owned subsidiary of THP for RM62 million. The HOA was signed on 31 December 2019 and the SPA was executed on 3 March 2020.	3Q2020

** Due to Movement Control Order, the expected dates were revised to as per above.*

The Board and Management will also evaluate other strategic options where appropriate to aid the turnaround of the Group. At the same time, consistent with our business as a pure upstream plantation player and armed with our Strategic Recovery Plan, we will continue to advocate going back to basics to focus on our core business and to reduce costs while increasing yields of the existing areas and profitability.

2 TRANSFORMATION OF OPERATIONS

The first phase of our plan has been implemented and rolled out across our operations. Group-wide performance tracking is ongoing. We are on track to accelerating the production of high-yielding oil palms and replanting, intensifying efforts to achieve best agro-management practices and relentlessly engaging stakeholders in spreading responsible and sustainable farming and business practices.

At the same time, we have made headway in improving governance by diligently practising accountability, transparency, competency and integrity.

In our quest to become a more sustainable regional agriculture company, we strive to increase our FFB yields and OER, improve our plantation development and management, and implement our structured replanting programme. It is our continuous commitment to maximising income and managing expenditures.

Operationally, we further automated processes at our estates and mills. This not only intend to raise productivity and efficiency but also alleviate labour shortages and to help us achieve better cost efficiencies. We expanded the areas of automation in FFB collection in our estates. As a result, our productivity in these area improved significantly, from 1,500 - 1,800kg / Ha harvested under the manual FFB collection method using wheelbarrows to 2,500 - 3,500kg / Ha harvested under automatisation. Reflecting this, our average mill utilisation rate climbed to 74.22% in FY2019 from 73.67% in FY2018. Our mills processed a total of 937,815 MT of FFB in FY2019 as compared to 930,871 MT in FY2018.

Our structured replanting programme target an optimal average age and yield for our estates by 2025. Currently about 14% of our planted trees are between four and seven years old, i.e. at a young mature age. About 54% are in their prime mature age. In 2020, we expect that 59% of our planted areas will be in the prime mature age bracket. This will pave the way for sustainably higher FFB yields and Oil Extraction Rates ("OER") in the years to come.

MANAGEMENT DISCUSSION & ANALYSIS

Replanting Programme FY2019

Estate	Actual (Ha)	Estimate (Ha)	Progress (%)	Remarks
Sungai Buan	187.52	187.52	100	Completed
Gunung Sumalayang	259.86	259.86	100	Completed
Bukit Gold	119.88	300.00	40	Work in progress
	567.26	**747.38**	**76**	

Replanting Programme FY2020

Estate	Total Hectare
Sungai Buan	165.89
Gunung Sumalayang	316.41
Bukit Gold	300.00
Bukit Belian	174.00
Total	**956.30**

In 2020, we will continue to replant old and suboptimal yielding areas with improved planting material with better plantation techniques. Our target is unchanged, which is to ensure that we reduce the number of areas which are more than 25 years old to less than 5% of our planted area. We have identified 956.30 Ha of our areas for replanting in 2020.

CHALLENGES, RISKS AND MITIGATION

The palm-oil industry's conditions are expected to remain challenging in 2020. The Board and Management will continue to review external and internal risks to our operational and financial performance. With the prevailing uncertainties surrounding global trade and US-China trade tensions, we can expect continued pressure on agricultural commodity prices. In the more immediate future, demand could be impacted by the spread of the COVID-19 coronavirus globally, which has affected worldwide production, investment, consumer sentiment and consumption. Such market risks could affect CPO prices and revenue for the Group. We will seek to mitigate the impact by forging ahead with our austerity drive and improving productivity gains.

In the context of our operations, we have fully supported the government's efforts to contain the COVID-19 outbreak. We will continue to implement the appropriate measures and Standard Operating Procedures in our business operations as announced and updated from time to time by the government.

Operationally, shortage of workers, which currently besets the industry, could lead to a higher cost of recruiting foreign workers. To counteract this, the Group will maximise the implementation of our automated programme as well as to drive worker efficiency and productivity. While doing so, the Group will not compromise on its compliance with Malaysian Sustainable Palm Oil (MSPO) standards on the sustainable and responsible management of our estates and business operations. It will strictly adhere to regulations to ensure that our operations and business continue to bring about a positive social, environmental and economic impact while minimising the negative effects.

OUTLOOK FOR 2020

As with most turnaround strategies, the success and efficacy of our two-pronged Strategic Recovery Plan will depend on more supportive prices for CPO commodities. Overall, we expect CPO prices to remain firm in 2020 as production prospects soften and stock levels in Indonesia and Malaysia dwindle. That said, factors that could affect prices include:

1 **ANTI-PALM-OIL SENTIMENT IN CERTAIN MARKETS TO PROTECT LOCAL OIL PRODUCTION**

The European Union impending ban on palm oil by 2030 will favour alternative crops like rapeseed and soybean that are grown in Europe as sources of oil for biofuel. However, these alternative crops require larger land areas to generate the same amount of oil as palm. The International Union for the Conservation of Nature has warned that a ban on palm oil would lead to increased consumption of land-intensive rapeseed, soy and sunflower oils. We believe the ban will simply reduce competition for the EU's own oilseed production in countries such as France, Germany, Poland and the UK.

2 **UNCERTAINTIES ABOUT THE THREAT OF COVID-19, CHINA DEMAND IMPROVING**

As the world grapples with the COVID-19 pandemic, with every country at different stages of their respective lockdowns, the outlook for overall demand remains uncertain. However, demand for palm oil from China's economy, which as of May 2020 is on the mend, could lend support to prices.

3 **IMPROVING TRADE WITH INDIA PROVIDES POTENTIAL UPSIDE**

India, the No. 1 global palm oil buyer, imposed restrictions on the import of refined palm oil from Malaysia in January 2020. Trading of CPO has resumed since May 2020 and is further bolstered by Malaysia's discounted prices against its main competitor, Indonesia.

Higher industry consumption would, however, be possible if China, Pakistan, Bangladesh and India continue to buy Malaysia's palm oil. The second most populous nation in the world will need an additional estimated 1 million MT of vegetable oils every year over the next five years to feed its growing population and to meet rising demand from higher per capita income growth. Palm oil accounts for around 64% or 9.3 million to 9.8 million MT of India's yearly edible oil imports.

In January 2020, Indonesia rolled out its B30 biodiesel mandate, which requires diesel in the country to contain 30% palm-based biofuels, up from 20% previously. By 2021, Indonesia plans to push for a higher B40 biodiesel mandate. Domestically, Malaysia's biofuel mandate has also been raised to 20% in 2020 from 10% in 2019. However, the COVID-19 outbreak may hinder the implementation of biodiesel mandate in Malaysia.

On the supply side, most palm oil producers responded to the lower CPO prices in 2019 by cutting costs in the year, including reducing their fertiliser input. As the effects spill over into 2020, this year's production is expected to decline. Stockpiles will diminish in tandem with the lower production. Producers are also trimming their outlook for production in Indonesia and Malaysia due to dry weather. Relentless pressure from NGOs to stop oil palm planting as well as a slowdown in new planting due to recent years' low prices will keep production growth low over the next few years.

Against this backdrop, we are optimistic that CPO prices will make a gradual recovery. We are anticipating a higher average CPO price for the year 2020. One of our aims in 2020 is to secure better prices for our palm products, as this will lead to better performance for the Group.

ACKNOWLEDGEMENTS

We would like to take this opportunity to thank all our employees, customers, business partners, shareholders and stakeholders who have been supportive of all our actions thus far. These are early days in our transformation journey and together, we will work towards our goal of securing the long-term growth of our business and emerge as a regional agribusiness powerhouse.

LINKING SUSTAINABILITY TO OUR STRATEGY

"THIS IS THP'S SECOND CONSECUTIVE YEAR IN REPORTING THE PROGRESS OF ITS SUSTAINABILITY JOURNEY. OUR SUSTAINABILITY STATEMENT DETAILS THE ROBUST INITIATIVES THAT WERE UNDERTAKEN AND IMPLEMENTED IN THE FINANCIAL YEAR 2019."

We made further progress this year moving beyond outlining our initiatives to the development of KPIs and regular monitoring of these initiatives together with regular progress updates to management. In addition to these, the Board of THP has approved and endorsed the Group's Sustainability Policy in February 2019. The Sustainability Policy will be published into the website within this year 2020. THP is also in the midst of seeking the MSPO certification for all the estates and mills owned by the Company. To date, all of its estates and mills in Peninsular Malaysia, Sabah and Sarawak have been certified under MSPO, while the other certification such Malaysian Sustainable Palm Oil Supply Chain Certification Standard ("MSPO SCCS") are in the final stages of the certification process and are expected to be certified within the stipulated deadline. As at December 2019, Kilang Sawit Kota Bahagia has been undergo MSPO SCCS initial audit by Certification Body.

Guided by our values, we remain committed to our economic, environmental, and social matters. This includes managing our effluents and water discharge, upholding human rights and maintaining a safe and healthy workplace, as well as preserving riparian areas, exercising good agriculture practices, and improving product quality and operational efficiency.

Sustainability is a journey of continuous improvement, where we embrace change and seek to do better for the sake of our future generations. With the progress made in 2019, we acknowledge that more could be done towards sustainable growth. We will continue our efforts in creating a shared environment that not only secures future agricultural growth and quality products, but also addresses the collective needs of our stakeholders as well as the environment.

ABOUT THE SUSTAINABILITY STATEMENT

The purpose of this Statement is to communicate to our stakeholders on our commitments and management of sustainability risks across the economic, environmental, and social ("EES") themes.

Our operations consist of three strategic business units, namely oil palm plantations, forestry (harvesting of latex and rubberwood), and management services. The scope of this Statement covers our operations in oil palm plantations in West and East Malaysia, which includes activities of cultivating palm oil, processing ("FFB"), marketing ("CPO") and ("PK"), unless otherwise stated. Our Indonesian operations have been excluded as the palms here were still immature during the reporting period. As palm oil activities in Malaysia is our core business, contributing almost 100% of our revenue in 2018, emphasis would be placed here.

The reporting period of our Statement is 1 January 2019 to 31 December 2019, unless otherwise stated. The content of our Statement is underlined by our commitment towards achieving full MSPO certification by 2019. We are pleased to note that all nine estates and two mills in Peninsular Malaysia have been fully certified in 2018 and there are 22 estates and four mills in Sabah and Sarawak have been fully certified in June 2019. As for now, only 1 mill has undergone MSPO SCCS certification audit in December 2019 while the other 6 mills will undergo the auditing process concurrently with MSPO Annual Surveillance Audit in year 2020.

We have referenced Bursa Malaysia's Sustainability Reporting Guide and Toolkits, as well as the internationally-recognised Global Reporting Initiative Sustainability Reporting Standards ("GRI Standards") and relevant industry standards and benchmarks, as well as based on previous year of facilitation from external consultants when preparing the Statement.

LINKING SUSTAINABILITY TO OUR STRATEGY

SUSTAINABILITY GOVERNANCE

Our ‘tone at the top’ is set by THP’s Board of Directors (“the Board”), with whom the ultimate responsibility of setting the Group’s sustainability strategic direction rests. The Board is supported by the Chief Executive Officer (“CEO”) and the Sustainability Committee (“SC” or “Committee”). Our CEO is tasked with reporting to the Board on the Group’s sustainability performance, as well as reviewing updates from the Committee on THP’s sustainability management and preparation of the annual Sustainability Statement.

The Committee comprises various heads of departments (as illustrated in the diagram below). The Committee is headed by the CEO’s Office with the General Manager CEO’s Office reporting to the CEO periodically. The Committee is responsible for monitoring the execution of the Board’s strategic sustainability directions and overseeing the preparation of the Sustainability Statement.

The Committee is also responsible for monitoring the implementation of our Sustainability Agenda. Our Sustainability Agenda guides THP towards becoming a sustainable and integrated palm oil player over the long-term, including fully MSPO certified by June 2019 and comprehensive Sustainability Statement has been approved by the Board of Directors in February 2018 as a platform to communicate our initiatives. The Policy formalises our commitment to strengthening our sustainability agenda and guides THP towards adopting a holistic approach to business management. With the full support of the Board, we are confident that the Policy will achieve its aim, as it is implemented in parallel with the full MSPO certification of our mills and estates.

BOARD OF DIRECTORS

↑

CEO

↑

PLANTATION DIRECTOR

↑

SUSTAINABILITY COMMITTEE

CEO’S OFFICE (Sustainability Unit)

Agronomy & Innovation	Engineering	Estate Department
Legal & Secretarial	Finance	Information Technology
Investor Relations	Human Resources	Strategy & Corporate Services
Administration	Procurement	Internal Audit

Respective heads of departments manage the risks and opportunities that fall within their jurisdiction and report to the Committee on their achievements. The CEO’s Office manages THP’s sustainability reporting processes, ensures the Group complies with relevant sustainability requirements, such as MSPO and serves as the communication platform for our stakeholders.

LINKING SUSTAINABILITY TO OUR STRATEGY

STAKEHOLDER ENGAGEMENT

We recognise our stakeholders as being key enablers who support our business activities, contribute to our success, and to whom we owe a duty to care and to share value created. Our approach to sustainability takes into consideration the long-term impact resulting from our activities for both the Group and our stakeholders. As such, we have proactively engaged with our stakeholders. Summarised below is our engagement approach towards our stakeholders, highlighting their main concerns as well as THP's response:

Stakeholder Group	Engagement Platforms	Concerns	Management's Response
Shareholders	• Annual General Meetings • Quarterly announcements • Special meetings	• Growth of THP's earnings • Dividend pay-out	• Refer to our Management Discussion & Analysis ("MD&A") on page 6 to 11 and Audited Financial Statements page 72 to 217 • Product Quality and Operational Efficiency on page 18
Directors	• Quarterly and special Board meetings • Quarterly and special Board Committee meetings	• Maintaining THP's financial support and growth • THP's relationship with its stakeholders • Maintaining good governance practices	• Refer to our MD&A page 6 to 11 and Audited Financial Statements on page 72 to 217 • Governance and Ethics on page 19
Management	• Quarterly management meetings and ad-hoc meetings	• Business growth and increased yields • Achieving MSPO certification • Stakeholder relationship management • Mitigation of occupational safety and health risks • Regulatory requirements on discharge management • Preventing human rights violations • Talent retention and supporting employees via welfare and competitive remuneration • Improving operational efficiency, including reducing waste • Product quality and meeting customers' requirements • Regulatory compliance	• Product Quality and Operational Efficiency on page 18 • Traceability and Supply Chain Management on page 19 • Occupational Safety and Health on page 26 • Effluents and Water Discharge Management on page 20 • Waste Management on page 21 • Employee Welfare and Development on page 29 • Human Rights on page 25 • Water Management on page 23

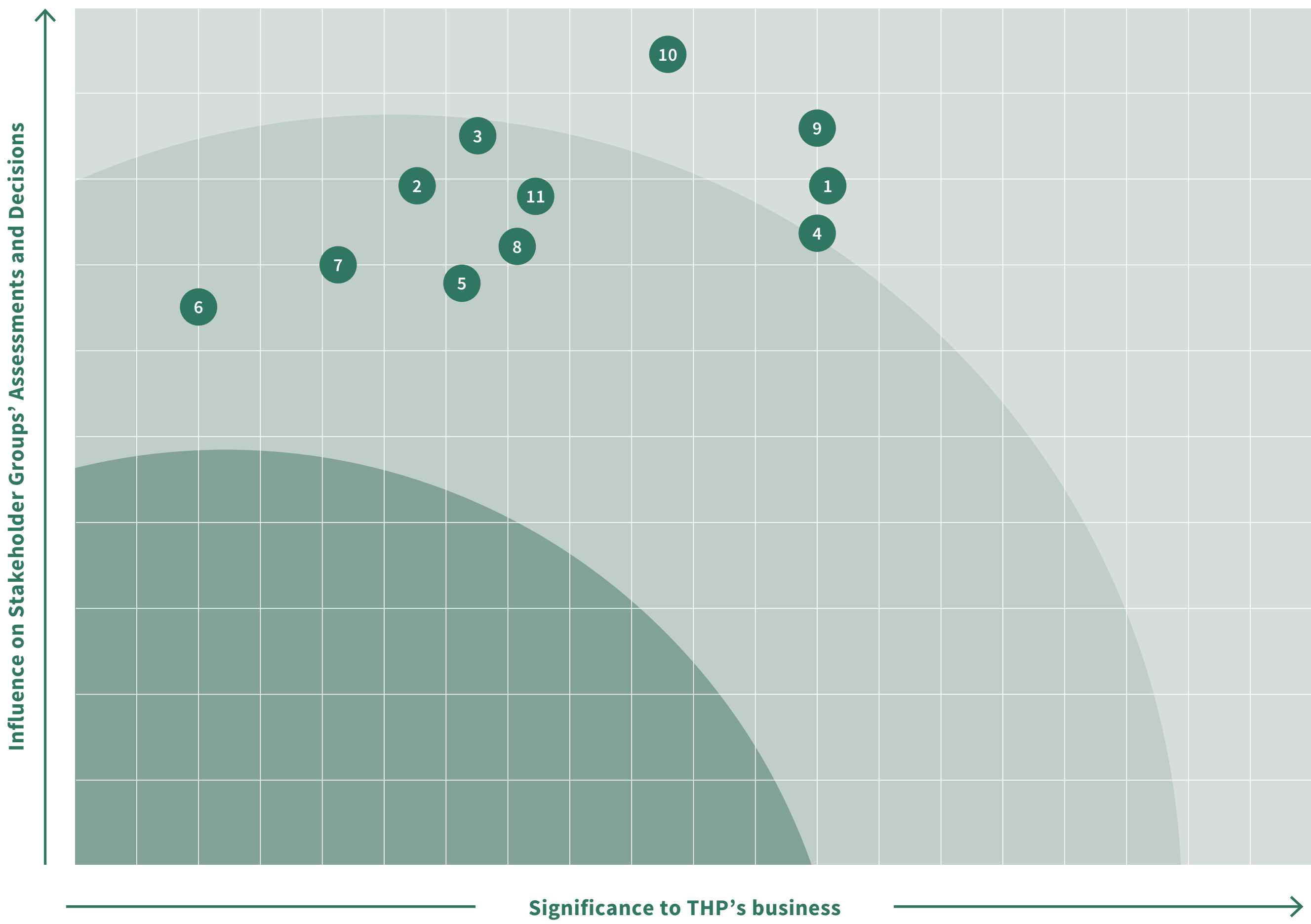
LINKING SUSTAINABILITY TO OUR STRATEGY

Stakeholder Group	Engagement Platforms	Concerns	Management's Response
Employees	• 'Open-door' policy • Company intranet, special briefings • Trainings	• Prevention of occupational safety and health risks • Seeking a supportive workplace environment with competitive wages and benefits • Good governance and ethical environmental and social management practices	• Occupational Safety and Health on page 26 • Employee Welfare and Development on page 29 • Human Rights on page 25 • Governance and Ethics on page 19
Customers	• Regular email/ in-person correspondence to discuss issues raised	• Meeting quality requirements and demand needs • THP's performance and management of EES matters	• Product Quality and Operational Efficiency on page 18 • Traceability and Supply Chain Management on page 19 • Governance and Ethics on page 19 • Biodiversity and Conservation on page 23 • Human Rights on page 25
Local Communities (i.e. towns, villages)	• Informal grievance channels • Donation programmes • Land management schemes	• Management of effluent discharge • Provision of support elements (i.e. donations and medical facilities)	• Local Communities on page 31 • Biodiversity and Conservation on page 23 • Effluents and Water Discharge Management on page 20
Local authorities (i.e. Malaysian Palm Oil Board ("MPOB"), DOSH, DOE, municipal councils, etc.)	• Monthly, annual and special reporting • Forums	• Meeting regulatory requirements (i.e. health and safety statistics, air emissions and effluent and discharge, etc.)	• Governance and Ethics on page 19 • Effluent and Water Discharge Management on page 20 • Human Rights on page 25 • Occupational Safety and Health on page 26 • Waste Management on page 21 • Water Management on page 23

Throughout the process, we recognised the limitations of our current stakeholder engagement scope. Nevertheless, as part of the process for MSPO certification, we have expanded and formalised additional platforms for engagement with our stakeholders, including formal stakeholder meetings at each complex level as well as the provision of grievance channels for our stakeholders to submit their concerns regarding our operations.

MATERIALITY MATRIX

In 2019, we identified our material matters via Bursa Malaysia's Materiality Assessment Toolkit. We considered the impact of relevant matters to the business and the importance of each matter to the engaged stakeholder groups. Below is our materiality matrix:



All relevant matters identified above are material to our operations, and are managed with prudent planning and execution. We have grouped our matters into the following themes:

Economic	Environment	Social
1. Product Quality and Operational Efficiency	4. Effluent and Water Discharge Management	8. Human Rights
2. Traceability and Supply Chain Management	5. Waste Management	9. Occupational Safety and Health
3. Governance and Ethics	6. Water Management	10. Employee Welfare and Development
	7. Biodiversity and Conservation	11. Local Communities

The next section provides details how we manage all of our identified material sustainability matters, including key practices we exercise and performance indicators that we monitor.

LINKING SUSTAINABILITY TO OUR STRATEGY

MANAGING MATTERS TO CREATE SHARED VALUE

Governments, organisations and people of all backgrounds are unified in agreement that the United Nations Sustainable Development Goals ("SDGs"), will help attain the future and quality of life we want for our communities, our businesses and our nations. In Malaysia, the Eleventh Malaysia Plan ("11MP") took effect from 2016, with a review in 2018, which set six strategic directions for the country to achieve greater prosperity by 2020.

Against the backdrop of the abovementioned agendas, we want to communicate how our matters create value on these universally-spoken platforms. Therefore, we have connected the way we manage our matters to the different aspects of the SDGs and 11MP. Our representations are shown below:

ECONOMIC

SDGs

11MP

1 Enhancing inclusiveness towards an equitable society

3 Accelerating human capital development for an advanced nation

ENVIRONMENT

SDGs

11MP

4 Pursuing green growth for sustainability and resilience

SOCIAL

SDGs

11MP

1 Enhancing inclusiveness towards an equitable society

2 Improving wellbeing for all

3 Accelerating human capital development for an advanced nation

LINKING SUSTAINABILITY TO OUR STRATEGY

ECONOMIC

1 PRODUCT QUALITY AND OPERATIONAL EFFICIENCY

As an upstream oil plantation business, we understand the importance of quality to meet our customers' requirements and our internal business targets. In doing so, we focus on an array of areas to manage product quality and uphold a high rate of operational efficiency. In the ("MD&A") section of our Annual Report, pages 6 to 11, we further discuss our operational performance, efforts and significant achievements during the year.

CUSTOMER SATISFACTION

Our customers are an important stakeholder group in the sustainable development of our operations. It is our responsibility to produce quality products that benefit our customers, drive business growth and are responsibly produced and sourced. We regularly engage with our customers to understand their needs and develop collaborative relationships to overcome common industrial challenges.

We strive to maintain the quality of our CPO and PK to meet customer requirements. Each batch is measured and monitored against our internal targets, which have been prepared alongside the Standard Quality Grade of the Malaysian Standards, MS814:2007 and MS236:2007, for CPO and PK respectively. The table below highlights our average performance against the targets.

Average quality indicators	Internal target	Average performance		
		2017	2018	2019
CPO				
Free Fatty Acid ("FFA") (%)	≤5.00	3.94	3.98	**3.83**
Deterioration of Bleachability Index ("DOBI")	≥2.30	2.46	2.41	**2.52**
Moisture & Impurities ("M&I") (%)	<0.25	0.16	0.16	**0.18**
PK				
Moisture (%)	<7.00	5.24	5.51	**5.85**
Dirt & Shell (%)	<6.00	4.48	4.72	**4.75**

GOOD AGRICULTURE PRACTICES

Our plantation operations are guided by our Standard Operating Procedure ("SOP") on Good Agriculture Practices ("GAP"). Key focus areas of GAP include managing optimum water levels, implementation of site-specific fertiliser programmes, application of integrated pest management and efforts to minimise production of poor fruit sets.

RESEARCH AND DEVELOPMENT

Research and Development ("R&D") is an integral component of the Agronomy and Innovation Department. The team consists of seven talented professionals who are focused on improving elements of operations such as increasing the quality and quantity of yield. Key areas covered by the team include fertiliser recommendations, geospatial service, and plantation research. There were a number of projects for the year, key highlights of which are:

KEY R&D PROJECTS IN 2019

1. Implementation of precision water management technique for yield improvement on peatland, including establishment of water flow map and installation of piezometer.
2. Collaborative trial with Malaysian Palm Oil Board ("MPOB") on Hatch and Carry System and establishment of SOP for pollinating weevil nesting box, in an effort to improve the yield of FFB.
3. Suppressing rat damage through a new baiting system.
4. Collaborative research with a local Malaysian university, to forecast Bagworm outbreaks.
5. Providing technical support service to estate operations in areas of land development, establishment of estate boundary and replanting.

To support our team, annual budgets are allocated for R&D expenditure. The table below highlights our R&D expenditure over the years:

	2017	2018	2019
Budget for R&D Annual Expenditure (RM million)	2.4	2.4	**2.1**

LINKING SUSTAINABILITY TO OUR STRATEGY ECONOMIC

MSPO CERTIFICATION

Given our position as a supplier of CPO and PK, it is essential that we improve sustainability along the supply chain of the palm oil industry.

Under MSPO standards, we address seven key areas:

1. Management commitment and responsibility
2. Transparency
3. Compliance to legal requirements
4. Social responsibility, safety, and employment conditions
5. Environment, natural resources, biodiversity, and ecosystem services
6. Best practices
7. Development and new plantings

As of mid-2019, we have certified all our mills and estates in THP. The THP mills are expected to be fully MSPO SCCS certified within year 2020. MSPO certification will strengthen the credibility of our products and traceability measures which aligns us with local and global palm oil market demands.

In line with our goal to be an integrated and sustainable plantations company, we will continue to invest in R&D and maintain our internal quality controls, as we explore new areas of agriculture practice to improve yield and produce high quality products.

2 TRACEABILITY AND SUPPLY CHAIN MANAGEMENT

The production of sustainable palm oil is guided by responsible practices along the supply chain. We acknowledge our role in providing quality products that are made via ethical and sustainable operations. Hence, we pay close attention to the management of our supply chain to ensure that responsible and transparent end-to-end processes and procedures are practised. Our actions enable traceability, which we define below.

TRACEABILITY

As part of our efforts to manage our supply chain, we underline the importance of traceability as part of our internal procurement and supplier management processes. Our efforts are aimed at:

- Ensuring the estates are able to trace FFB produced from various stages, including seedlings, planting, harvesting, and transportation.
- Ensuring palm oil mills are able to trace the production of CPO and PK – from receipt of FFB, mill processing, transporting, and delivery.
- To comply with MSPO SCCS by obtaining certification for all Palm Oil Mills in mid-year 2020.

To ensure the FFB produced at estates as well as the CPO and PK produced as part of mill operations are traceable, we have established procedures under the purview of our Estate and Mill Departments. These operations are closely monitored to ensure we manage the sustainable production of our FFB, CPO, and PK.

FAIR PROCUREMENT PRACTICES

All potential suppliers are treated equally, including potential participants of our Vendor Development Initiative on page 32. Our Procurement Department guides our procurement process by selecting suppliers based on specified criteria, including the extent of vendors' resources and skills, quality and composition of requested resource. Furthermore, our procurement process is governed by internal controls, such as limits of authority and approval from the Tender Committee to ensure fair practices.

3 GOVERNANCE AND ETHICS

GOOD GOVERNANCE

We are committed to good corporate governance and ethical practices at our workplace. Our governance practices are guided by the recommendations of the Malaysian Code on Corporate Governance 2017 and Bursa Malaysia's Listing Requirements.

Further information on our Corporate Governance structure and initiatives during the year can be found in the Corporate Governance Overview Statement from pages 45 to 57.

ANTI-CORRUPTION PRACTICES

At THP, we avoid all forms of corruption at the workplace. We have in place mitigation measures such as operational limits of authority and procedures for all directors and employees to declare any conflicts of interest. In addition, our 'open-door' policy promotes open channels of communication at the workplace.

As we recognise the importance of formalising our values and workplace practices, we will establish our own Code of Ethics to guide our management and employees in a structured manner. Our Whistle-Blowing Policy has been formalised and enforced to further endorse a safe and secure platform to report any incidents.

LINKING SUSTAINABILITY TO OUR STRATEGY

ENVIRONMENT

4 EFFLUENT AND WATER DISCHARGE MANAGEMENT

Palm Oil Mill Effluent is a significant by-product of processing FFB. Without appropriate treatment, the effluent may be detrimental to the environment. We understand the importance of managing our environmental impact by appropriately handling our effluent and water discharge.

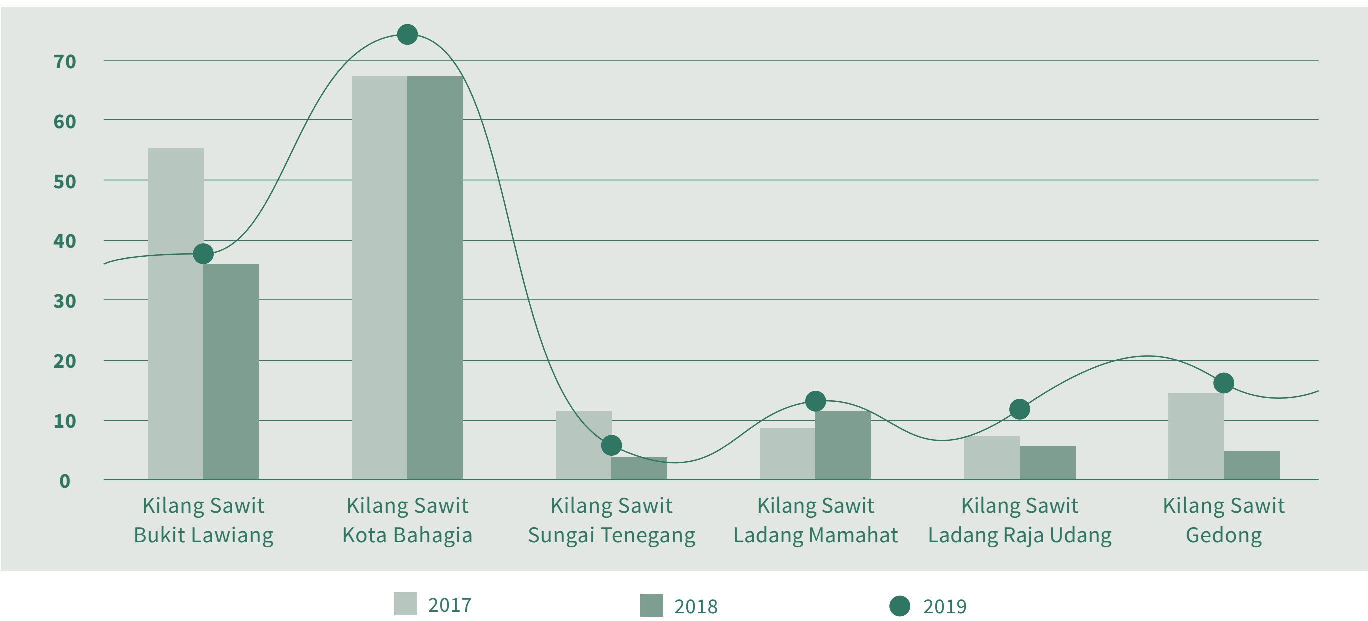
PALM OIL MILL EFFLUENT ("POME") AND BIOLOGICAL OXYGEN DEMAND ("BOD") MEASUREMENTS

Over years of technological evolution, we have improved our POME processing methods to manage the BOD measurements of our effluent and water discharge. The implementation of a tertiary effluent treatment plant at some of our mills has assisted in maintaining the BOD measurement below the regulatory limit, as highlighted below. Meanwhile, our other mills are striving to upgrade effluent treatment plants in anticipation of stricter DOE regulations in time to come.

Furthermore, we have stringent processes and internal controls in place to appropriately treat our effluents and maintain BOD readings within regulatory limits. The primary control is done by testing a sample of the treated effluent prior to discharge. Existing regulations require a BOD measurement not exceeding 100 mg/L, 50 mg/L and 20 mg/L in West Malaysia, Sarawak and Sabah's Kinabatangan Basin respectively. At THP, our target is to maintain our BOD measurements below regulatory requirements.

The table below demonstrates our performance against regulatory requirements. To date, we have consistently remained within DOE limits.

BOD MEASUREMENT (MG/L)



In particular, our Sungai Tenegang palm oil mill achieved the lowest BOD measurement for the last three years. In terms of its footprint on the Group, our Sungai Tenegang mill processes all the FFB from our estates in Kinabatangan and Lahad Datu, Sabah with the production contributing approximately 23% of our Group revenue.

	2017	2018	2019
Total POME generated (MT)	630,773	607,285	**555,819**

Our total POME generated depends on the amount of FFB processed.

We continuously look at improving discharge treatment at all our mills to reduce the BOD levels of POME generated, as well as upholding rigid internal controls and systems to prevent inappropriate discharge of effluents.

5 WASTE MANAGEMENT

The way we manage our waste influences our environmental footprint and our social license to operate. Hence, we observe strict internal controls in waste management to prevent mishandling and to ensure adherence to relevant laws and regulations.

HAZARDOUS AND NON-HAZARDOUS WASTE MANAGEMENT

We constantly monitor and manage our waste as we focus on disposing our waste appropriately and reducing our waste output. Waste generated on our sites include scheduled (hazardous) and non-hazardous waste which constitutes less than 10mt/month on average. Third-party contractors are hired to assist in disposing our waste. Disposal of our scheduled waste is performed as required by the environmental regulations under the DOE, which includes working with third-party contractors who have been endorsed by the DOE. We monitor our collected scheduled waste via collection records provided by our waste contractors upon completion of waste collection from our sites. These are reported to the DOE every month.

Our newer mills are equipped with increasingly efficient processing plants, which assist us in moving towards reducing our waste output. In terms of our domestic waste, we dispose our domestic waste appropriately through waste collectors. Moving forward, we seek to report performance indicators of the total domestic waste collected.

BIOMASS RESIDUE

Biomass residue is a by-product of FFB processing, which in turn are excellent sources of natural energy and fertiliser. Highlighted below is our performance data on biomass residue (we utilised 100% of our shells and fibres in 2019):

Type of Biomass residue	2017		2018		2019	
	Produced (MT)	Amount re-utilised (MT)	Produced (MT)	Amount re-utilised (MT)	Produced (MT)	Amount re-utilised (MT)
Empty Fruit Bunches	193,984	100,391	210,956	150,180	**188,794**	**173,009**
Shells	75,935	50,781	57,619	57,619	**74,534**	**74,534**
Fibre	139,655	93,691	126,461	126,461	**93,627**	**93,627**

The production of biomass residue is positively correlated with the production of CPO and PK. At present, we are able to measure some of our biomass residue, as shown above. Other forms of biomass residue (trunks and pruned fronds) have been re-used as organic fertiliser, albeit not measured. As we push forward our sustainability agenda, we will focus on filling the gaps in our reporting disclosures, which includes measurement of other forms of biomass residue.

TYPES OF BIOMASS RESIDUE

EMPTY FRUIT BUNCHES

Methods of re-utilisation:
- Natural fertiliser in the plantations in West Malaysia, also known as mulching
- Incineration to create Bunch Ash, which is used to fertilise peatland

SHELLS

Methods of re-utilisation:
- As a source of fuel for the boiler system
- Sold to other plantations or industries to be re-used as sources of fuel

FIBRES

Methods of re-utilisation:
- As a source of fuel for the boiler system

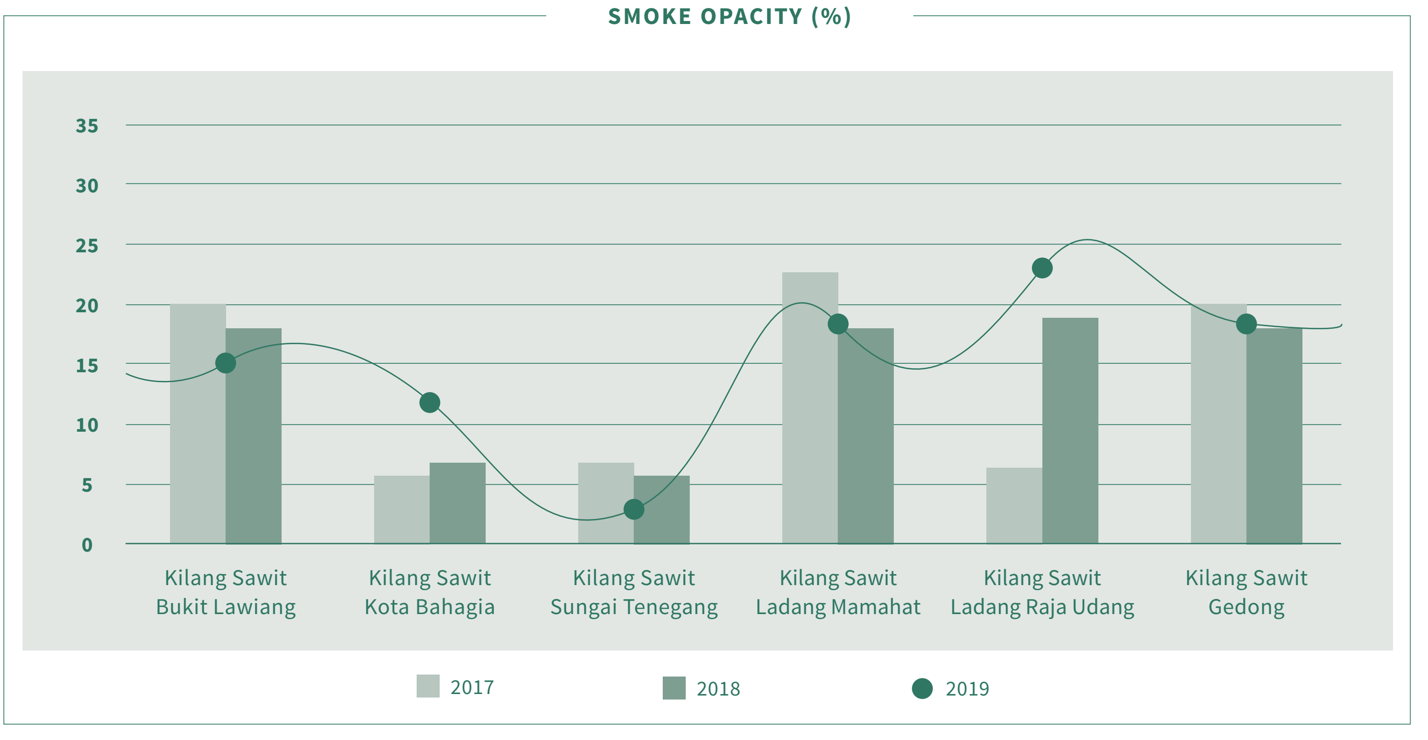
One of the key uses of our biomass residue is the use of shells and fibres to fuel boilers, which are utilised in processing FFB at our mills. We have practised this over the years and it has enabled us to save costs and reduce our environmental footprint.

LINKING SUSTAINABILITY TO OUR STRATEGY ENVIRONMENT

EMISSION FROM THE BOILERS

We monitor our boiler emissions via the Continuous Emissions Monitoring Systems ("CEMS"), which is implemented as part of local environmental regulations. The system monitors and concurrently updates the DOE on the contents of our emissions. At present, local regulations require us to maintain smoke opacity below 40%. Over the years, we have maintained our smoke opacity in line with regulations, as shown below:

SMOKE OPACITY READINGS



In time to come, we believe that DOE regulations would include reporting requirements on emissions of dust particles and Greenhouse Gas ("GHG") emissions. In response to these upcoming requirements, we will implement additional measures to meet increasing regulations. For example, we are installing the Electrostatic Precipitator ("ESP") as a measure to reduce dust particles in our emissions as per DOE requirement.

Capturing and reusing emissions as biofuel would effectively recycle emissions and reduce costs. Therefore, one of our planned measures would be to build a biogas plant at each of our sites. The plant will capture methane and produce biogas as a source of natural fuel at all our mills. These methane-capturing facilities are costly to build and as such, long-term planning and considerations would be necessary prior to its implementation.

Furthermore, we acknowledge current reporting gaps in monitoring domestic waste, other forms of biomass residue, and monitoring GHG emissions. Our mills are in the process of closing these gaps and have begun monitoring and recording the data based on toal average emission from EFB, POME & Fuel Consumption as shown below:

GHG EMISSION (TCO_2E/ MT FFB)

YEAR	2017	2018	2019
AVERAGE TOTAL EMISSION	1.887	1.695	**1.830**

6 WATER MANAGEMENT

Our plantations and mills require a significant amount of water, thus, managing efficiency of our water consumption is a high priority for us. In doing so, we reduce operational cost and exercise good agriculture practice. Furthermore, our estates and mills are surrounded by natural water streams. It is our responsibility to prevent our operations from damaging these waterways.

WATER CONSUMPTION

At our plantations, we perform rainwater harvesting by digging weirs and pits to collect rainwater to provide the trees with resources over a longer period of time at our plantations. Harvested rainwater is also used to manage water tables at peatland. At the mills, FFB processing requires water of purer quality, hence our utilisation of municipal water. Once treated, the processed water can be reused on site for non-operational purposes such as drip irrigation, washing or gardening around the mills and estates.

At our Raja Udang mill, we use steam traps to reduce our water consumption. Steam traps filter out the condensate which is then reused for dilution. In addition, we reuse water to cool turbines and conduct continuous sterilisation as a method of reducing water consumption. We highlight our annual water consumption below:

	2017	2018	2019
Total water consumed at mill operations (m_3)	1,486,325	1,602,285	**1,166,755**

WATER SAMPLING

Our mills and estates share rivers with local communities, hence it is our responsibility to prevent contamination of the rivers due to effluent and water discharge from our operations. To do so, we conduct water sampling in these rivers. Water sampling is conducted by external laboratories and the results are reported to the DOE. To date, there have been no instances of water contamination in rivers surrounding our operations.

Managing water consumption during FFB processing is an ongoing challenge in our industry. However, we have significantly reduced our water footprint due to efforts such as rainwater harvesting, reusing water in other areas of operations and investing in newer technology which reduces water consumption. In the future, we seek to identify more opportunities to reduce our water consumption.

7 BIODIVERSITY AND CONSERVATION

We recognise that our operations are surrounded by local ecosystems and biodiversity. As a member of the agricultural industry, we understand our role and responsibility to respect these habitats and to support the sustainability of surrounding ecosystems. We have therefore implemented practices and controls to minimise our impact on the environment.

RIPARIAN RESERVES

Riparian reserves are areas of conservation between land and rivers teeming with life from the habitats of flora and fauna. The importance of identifying these areas for conservation lies in their role of supporting local ecosystems as well as maintaining water and soil quality. As part of our efforts, we have identified and incorporated buffer zones and riparian reserves within our plantations. As of 2019, we have established 335.16 Ha of riparian reserves and buffer zones.

To manage and preserve our riparian reserves, we plant Legumes Cover Crops ("LCC") to prevent soil erosion. In addition, LCC helps manage the health of our crops by preventing weed growth and increasing the fertility of soil by supplying organic matter.

ENVIRONMENTAL IMPACT ASSESSMENTS

Prior to every replanting exercise, we perform extensive Environmental Impact Assessments ("EIA") via third party consultants. EIA is performed with the aim of minimising adverse environmental impact. For this reason, criteria considered in an EIA report includes:

- soil erosion/slope stability and soil conditions
- water and noise pollution
- potential loss of flora and fauna and their habitats
- waste disposal
- impact of replanting and abandonment
- socio-economic and ecological impact
- safety and health
- peat soil subsidence

Results of the EIA are then reported to the DOE. A number of considerations are taken before a replanting exercise is performed. This includes the age of the oil palm (palms above 25 years of age would see its yield fall below 15 MT/Ha), height of palm (palms exceeding 45 feet would prove a challenge to harvest), and areas where soil quality has eroded due to flood or palm root diseases.

LINKING SUSTAINABILITY TO OUR STRATEGY
ENVIRONMENT

PEATLAND MANAGEMENT

At THP, we only plant on peat which has been set aside by the Malaysian government for agricultural development. We understand the nature of peatland and over the years, we have managed our peatland via extensive efforts and strict internal processes. This includes maintaining water at optimum levels and draining excess water to prevent peat degradation. Our Agronomy and Innovation team will provide the technical and advisory support for continuous management and care for the peatland. At the end of 2019, THP owned 39,844.17 Ha of peatland in Malaysia, of which 10,986.86 Ha is unplanted.

INTEGRATED PEST MANAGEMENT

Pest management is an unavoidable practice in cultivating palm oil to ensure healthy yields and to avoid damaging the plantation. As part of our conservation efforts and in reducing our use of chemicals, we adopt the practice of integrated pest management, which encourages the use of bio-pesticides and bio-control agents at our estates based on the most suitable pest management plan. Some of our efforts include:

- Use of *Tyto alba*, commonly referred to as barn owls, to control rat populations;
- Proper shedding of oil palm trees to suppress the breeding of rhinoceros beetles;
- Planting beneficial plants that provide shelter and food for predators and parasitoids of the pest; and
- Use of a local strain Bacillus thuringiensis (“Bt.”), a soil-dwelling bacterium, against *Tirathaba rufivena larvae* – which damages the fruit bunches on the palm.

TOWARDS BIODIVERSITY CONSERVATION

We have additional efforts in place to conserve areas of natural flora and fauna around us. Our key efforts include:

Canopy cover

We ensure that we do not disrupt the canopies of the jungles. Suitable spacing and density of trees are integral in supporting a range of wildlife, especially arboreal species such as orang utans and gibbons that seldom venture on ground.

Allowing natural decomposition of dead vegetation

Decomposition of dead vegetation feeds the soil with nutrients and supports a natural ecosystem. We do not apply weed killers and pesticides to these areas as it would disrupt the process.

Reducing human-wildlife conflicts

To manage our impact on the environment, we ensure a minimum width of up to 50m between habitats and our operations. When larger animals are concerned, we collaborate with experts in the field to develop and maintain green fences.

ZERO BURNING POLICY

We understand the environmental and health risks associated with open burning practices, which is why we observe a strict zero-burning policy across our operations, as stipulated in our SOP and Environmental Policy. When performing land clearing for plantation development or replanting, trees are felled, chipped and stacked. To date, there have not been any cases of open burning at plantations owned and operated by us.

LINKING SUSTAINABILITY TO OUR STRATEGY

SOCIAL

8 HUMAN RIGHTS

Our employees and workers are important stakeholders and the cornerstone of our success. The human rights of our workforce are respected and valued as we uphold our obligation towards them. Our practices and internal systems are continuously reviewed and updated to mitigate any negative impact to our stakeholders. We have not faltered in supporting them and ensuring that their rights are protected.

OUR HUMAN RIGHTS COMMITMENT

As part of our commitment to becoming an integrated and sustainable plantation company, we see human rights as an essential component of our sustainability mandate. To this effect, we uphold, respect and protect the rights of all individuals as we understand that this forms the foundation of sustainable business growth.

In 2019, we employed 7,554 workers, of which 65.50% are foreign and 34.50% are local. Our commitment to them is to uphold their human rights. Although we have yet to formalise a policy on human rights, we have adhered to our Human Resource ("HR") SOPs that outline the basic principles of human rights, as shown below:

- Fair wages
- No discrimination
- No child labour
- No compulsory or forced labour
- Equal opportunity
- Freedom of association
- Safety and health at work
- Social protection
- Employment security
- Work-life balance

SUPPORTING OUR FOREIGN WORKFORCE

All our workers are treated fairly and equally. For foreign workers, the hiring process is especially different as the workers are required to relocate from their home countries. For that reason, we want to support their transition to the best of our ability. Our hiring process for foreign workers ensures that the workers are not bound by hidden fees or harmful conditions which would violate their rights. All of the foreign workers employed by us are from Indonesia.

The process begins with us obtaining quota approval to hire workers from Labour Department and Home Ministry. Upon our request, our appointed agents will begin the recruitment and immigration process in Indonesia and make flight arrangements for them. Then, our representatives will fetch them once they arrive in Malaysia. All costs involved including levy fees payable to the Malaysian government, visa application and first-time flight ticket, would be borne by us.

Upon arriving at our sites, all foreign workers are provided with safe and secure accommodation close to their work site.

We strictly adhere to the national minimum wage regulations in our areas of operation. For financial year 2019, the minimum wage under the Wage Order 2018 was RM1,100 per month. Effective February 2020, Under the Wage Order 2020, the Malaysian government specifies a minimum wage of RM1,200 per month for the works in place of employment in any City Council or Municipal Council areas and RM1,100 per month for areas other than the City Council or Municipal Council whole Malaysia. The average monthly earnings of our workers in all our estates are highlighted below:

	2017	2018	2019
Average monthly earnings per worker	1,536	1,522	**1,595**

Other benefits provided to all our employees and workers are discussed under Employee Welfare on page 29.

ENGAGEMENT WITH WORKERS' UNION

Workers have access to union representatives and are free to join worker unions. This allows our workers to engage in open dialogue, discuss and raise issues through available platforms. The most common union is the All Malayan Estates Staff Union ("AMESU") and National Union Plantation Workers ("NUPW").

Union representatives represent the staffs' and workers' interests in discussions with Malayan Agricultural Producers Association ("MAPA") who engage with the union representatives on THP's behalf. Topics discussed include basis of wages and other matters that impact staff and workers.

Moving forward, we remain committed towards respecting and protecting the rights of our workforce as well as encouraging our workers to communicate any issues they are facing to us. We seek to formalise our commitments to our workers in an appropriate policy, which will include the setting up of formal feedback channels.

LINKING SUSTAINABILITY TO OUR STRATEGY
SOCIAL

9 OCCUPATIONAL SAFETY AND HEALTH

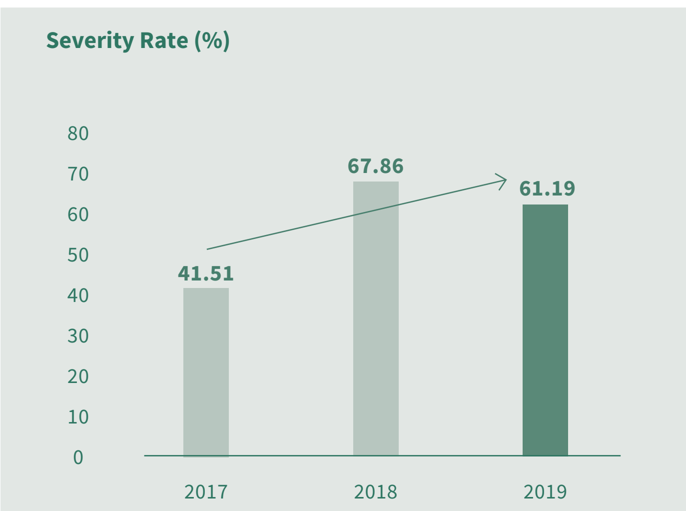
Our employees and workers' safety and health are a top priority for us. Our policies and measures underline the management's strict approach to occupational safety and health. It is our duty to provide the best care to our employees, as a safe, healthy and conducive environment would benefit all stakeholders and ensure the sustainability of our business.

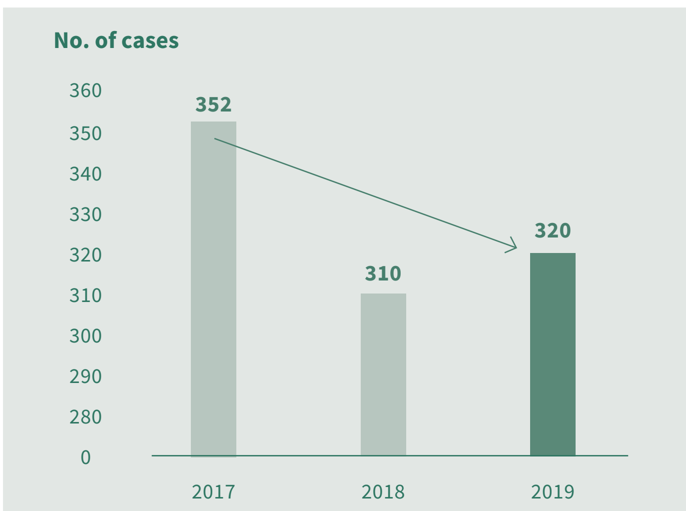
OUR POLICIES

We have reviewed and updated our Occupational Safety and Health Policy and Occupational Safety and Health for Chemical Substances Policy to in line with the OSH Act 1994. Some of the key elements from our policies are highlighted below:

To provide, maintain and assure safe and healthy working environment	To ensure information, instruction, training and supervision is given to all employees to carry out their tasks safely and without risking the health of employees, customers and the public	To identify all accidents, diseases, poisoning and dangerous occurrences and take preventive measures to ensure such incidents do not recur
To comply with the legal requirements and other requirements regarding health and safety as set out in the OSH Act 1994 and Factories and Machinery Act 1967	To ensure all employees have appropriate work equipment as well as personal protective equipment as required for their jobs	To strive to improve the knowledge and sense of responsibility of each of its employees from time to time towards proper safety and health practices regarding the handling of chemicals

INCIDENT REPORT





THP has set an annual target of zero fatalities and reducing 5% in no. of incident cases and lost day rate year-on-year. For year 2019, we achieved the target for zero fatalities with the number of cases decreased by 9% and the number of severity rate increased by 32%. The increase was due to the increase in the severity of injuries.

SAFETY AND HEALTH TRAINING

Training schedules are reviewed by our OSH unit on a regular basis. As previously discussed above, workers and employees are assigned to relevant training schedules and are required to attend them. We monitor the participation rates at our trainings and more than 80% of employees were trained over the total no of employees, as highlighted below:

AVERAGE HOURS OF SAFETY AND HEALTH TRAINING PER EMPLOYEE BY SCOPE OF WORK

EMPLOYEES	2017	2018	2019
Plantation worker	25	16	**12**
Mill worker	10	8	**7**
Worker who uses chemicals	23	11	**8**
Management	10	7	**4**
Office staff	15	6	**3**

Our key annual training programmes for the year 2019 are highlighted below:

Name of training	Content of training	Frequency of training	Attended by
Awareness of company policies and objectives (OSH Policy)	Communicated and implemented OSH Policy	Once/year	All management, staff & workers
Emergency Response Action Plan Procedure (Accident, Chemical Spillage, Fire, Flood, Drowning, Animal Attack)	SOP of Emergency Response Plan (“ERP”)	Once/year	All management, staff & workers
Basic First Aider	Basic first aider training	Once/year	OSH Committee
Fire extinguisher safety & fire drill (inspection & training)	Potential sources of fire and fire management procedures	Once/year	All management, staff & workers
PPE handling and replacement procedure	SOP of PPE	4 times/year	All management, staff & workers
SOP training for estate & milling operation and best practices	Briefing on THP SOP based on task/department	4 times/year	All management, staff & workers
Workplace Inspection	Inspection of safety at work place	4 times/year	OSH Committee

LINKING SUSTAINABILITY TO OUR STRATEGY
SOCIAL

SAFETY AND HEALTH AUDITS

Internal safety and health audits are conducted annually by our OSH unit. The audits cover all our estates and mills. The aim of our audits are to:

- Determine the level of health and safety of our employees in each business unit;
- Analyse the risk factors that may negatively affect the health and safety of our employees;
- Identify areas of improvement, if any, to be made to the facility to improve levels of health and safety; and
- Give advice to improve the safety and health aspects of the working environment.

The main areas inspected during the audit include:

- Review all records related to OSH;
- Safety Operating Procedure of all work sites;
- Amenities for emergency response;
- ("PPE") provided by estate and mill;
- Systematic maintenance of equipment and machinery; and
- Availability of amenities and infrastructure at the worksite.

Findings are communicated to respective managers of mills and estates. Their actions are followed-up on in the next audit. Key findings from the latest safety and health audit is shown below:

Key findings from safety and health audit in 2019	Management's response
Inadequate Hazard Identification, Risk Assessment, Risk Control ("HIRARC") covering all activities	Review HIRARC for all activities
Health Surveillance must be conducted by Hospital Assistant ("HA") every 6 months	HA will be assigned to conduct a Health Surveillance every 6 months
Replacement of unclear warning signs	Unclear warning signs will be replaced
Increase training and retraining for workers	Training and retraining will be carried out as planned
Emergency shower and eye wash must be functional every time	Carry out repairs and maintenance when it is not functional

CHEMICAL HEALTH RISK ASSESSMENT ("CHRA")

The Group's OSH Unit conducted a CHRA on 18 plantations and one mill in Sabah, Sarawak, and Peninsular Malaysia in May of 2018, following the expiry of the previous assessments. The CHRA is a required assessment in response to the Occupational Safety and Health (Use and Standard of Exposure of Chemicals Hazardous to Health) Regulation 2000. The CHRA is performed every five years to ensure that the appropriate controls and measures are in place to protect the health of employees who may be exposed to chemicals that are hazardous to health at work. All assessed plantations and mills passed the assessment. Most findings are similar to the OSH audit performed during the same period. Below, we highlight additional key findings from the CHRA audit.

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Key findings from CHRA audit 2018	Management action plan/ response
Current use of biological controls needs to be continued. It is recommended to evaluate all hazardous chemicals and find opportunities of eliminating and substituting hazardous chemicals to less hazardous ones.	• Maintain the use of less hazardous chemicals • Establish beneficial plants such as Tunera subulata, Antigonan leptopus, Cassia cobanensis
The use of PPE for chemical exposure protection should become part of the safety culture for the workers. The estates need to establish a structured PPE programme which includes issuance and education and also need to ensure the provision of proper storage for the PPE.	• Establish PPE procedure which includes inspection and maintenance of PPE • List of PPE recommendations based on work unit • PPE issuance record • Training for all workers
It is recommended that medical surveillance is performed only for the workers that use organophosphates.	Perform health surveillance by Occopational Safety & Health Doctor ("OSHD")
It is recommended to continue providing training to the workers to ensure that they are competent when handling emergency situations.	• Provide portable first aid kit to all supervisors mandores • Provide first aid training to OSH Committee and supervisors • Provide Emergency Response Procedure • Communicate the Emergency Response Procedure to all workers

MANAGEMENT OF NOISE LEVELS

We monitor the levels of noise around the mills to ensure that levels are below limits stipulated by local regulations. Below we illustrate the average results of our noise monitoring over the years. Limits during the day is 65 dB(A) and 55 dB(A) at night. Workers are provided with ear plugs to protect their hearing in areas with high noise levels.

	2017	2018	2019
Average noise levels [Day dB(A)]	54.3	58.4	**60**
Average noise levels [Night dB(A)]	51.9	50.6	**40**

EMPLOYEE WELFARE AND DEVELOPMENT

We care about our people, and are committed to meeting the requirements of our employees and workers in the areas of career development and competitive remuneration and welfare. Without the commitment and drive of our workforce, we would struggle to grow as a business.

OUR PEOPLE

THP's talented and diverse workforce are our strongest resource and has been the bedrock of our success. We are committed to developing a strong workforce which can drive the Group's strategic direction and create a positive impact on our economic, environmental and social dimensions.

	2019	
Total no. of employees	**Men**	**Women**
Management (Senior Management)	**8**	**2**
Employees (Management, Executives and Non-Executives)	**601**	**181**
Workers (Local)	**1,405**	**409**
Workers (Foreign)	**3,773**	**1,175**

LINKING SUSTAINABILITY TO OUR STRATEGY SOCIAL

BENEFITS FOR EMPLOYEE AND WORKERS

We understand the needs of our employees and workers to adapt to a competitive and changing society. To support our employees, we provide a number of benefits, such as home, car, travel, medical allowances and free life insurance.

Life insurance is provided to our workers as well as free transport, accessible and free medical services, besides annual leave. Our workers and employees who work at our mills and estates are provided with free lodging, alongside the absorption of foreign workers' annual levy fees. Furthermore, we support working parents amongst our employees, providing them with 60 days of maternity leave and awarding our employees' children who performed well in school. We acknowledge parental leave as an important benefit to support work-life balance amongst our employees.

All permanent employees and workers are entitled to parental leave and all employees who took parental leave, returned to work as shown below:

Turnover rates	2017	2018	2019
Total number of employees who took parental leave			
Men	10	6	**16**
Women	7	5	**6**
Total number of employees who returned to work in the reporting year after parental leave			
Men	10	6	**16**
Women	6	5	**6**

We consider our employees' long-term needs via our contribution to the Employees Provident Fund ("EPF") and Social Security Organisation ("SOCSO") on behalf of our employees. We also established the Retirement Gratuity Scheme, for which all permanent employees are eligible. The scheme provides our retiring employees with an attractive retirement package.

We believe in a fair and equal workplace. We treat our employees equally and provide competitive remuneration based on their individual performance.

CAREER DEVELOPMENT AND TRAINING

We want our Group to be a platform for career progression and development for our employees. To realise this, we encourage our employees to broaden their knowledge base, and provide them with various career development programmes, such as job rotation, mobility and training programmes to help them advance in their careers.

A budget is allocated annually for employee training and it is administered by our HR department which monitors and organises appropriate training programmes based on employees' skills and designations. Below, we summarise our efforts towards employee training:

Average hours of training per employee	2017	2018	2019
Management	5	4	**4**
Employees	7	6	**5**
Workers	9	7	**6**

	2017	2018	2019
Total expenditure on trainings (RM)	459,282	217,096	**66,586**

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Training for non-technical skills	Frequency of training	Employees who attended the training
JAS	Once/year	Estate Management
MAPA	Once/year	HQ Employees
SSM	Once/year	HQ Employees

Training for technical skills	Frequency of training	Employees who attended the training
MSPO Auditor	3 times/year	HQ Employees
MIA	3 times/year	Finance & Accounts Staff
MPOB	Twice/year	HQ & Estate Management

EMPLOYEE LIFESTYLE PROGRAMMES

Various social and sporting events are organised out of the workplace to build team work and encourage work-life balance of our employees. Numerous activities were organised both at the headquarters and at the estate/mill-level throughout 2019, including the following:

Date	Event
25 January	Sports Day organized by Persatuan Komuniti Wanita (PKW) at Ladang Bukit Belian
18 February	'Field Demo' at Pusa Complex organized by The Agronomy & Innovation Unit (Sarawak)
2 April	The Agronomy & Innovation Unit (Sarawak) organized a visit to MPOB Sessang Research Station
4 April	The D'Plantations Club 7th Annual General Meeting
13 April	Basic Life Support Course at Kilang Sawit Ladang Raja Udang
1 May	Celebration of Labour Day at Ladang Bukit Belian & Ladang Sadong
25 May	Visit of the Embassy of the Republic Indonesia to the Kluang Complex
26 June	Hari Raya Aidilfitri & Gawai Celebration at Betong Complex, Sarawak
23 July	'Monitoring System on The Employment Of Non Sarawakians (MSEN)' training at JTK Serian
31 August	National Day celebration at Ladang Sungai Tenegang, Ladang Sungai Koyah & Ladang Bukit Belian

Our employees are important to us and we will strive to continuously provide them with competitive wages and welfare in order to meet their expectations and reward them for their commitment. Our future plans include establishing formal employee engagement platforms to structure our relationship with our employees.

LOCAL COMMUNITIES

Our operations are located in numerous areas amongst diverse communities. With this opportunity, we cultivate significant relationships with surrounding communities and contribute to the national economy in areas of job creation and charitable aid.

SERVING THE LOCAL COMMUNITIES

A number of our estates, especially estates located in Sarawak, are part of a land management programme with indigenous communities. We respect the rights of these communities, therefore we establish a collaborative approach towards land management with these communities. To do so, we participate in the Sarawak's Native Customary Rights ("NCR") Land Development Programme, which is managed by the Sarawak Land Custody and Development Authority. Under this programme, we work together with native landowners to develop and manage plantation land in certain areas. In 2019, 27,658 Ha of our Sarawak plantations were developed under the NCR, with the participation of 3,156 landowners – a significant increase from 2018 when we engaged only 1,155 landowners. In exchange for their participation in the programme,

LINKING SUSTAINABILITY TO OUR STRATEGY
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indigenous landowners receive income in the form of incentives and leasehold payments. These incentives are paid twice a year, based on the amount of hectares under our management.

	2017	2018	2019
Total amount of incentives paid to local communities, as part of land management (RM)	3,066,416	3,718,851	**5,110,494**

Furthermore, the close proximity of our plantations to local communities allowed us to provide job opportunities to members of these communities.

ENHANCING EDUCATION OPPORTUNITIES THROUGH PINTAR

In any community, we recognise that education plays an important role in helping families improve their livelihoods and gain a better future. We do this by participating in the Promoting Intelligence, Nurturing Talent and Advocating Responsibility ("PINTAR") programme, which we have been part of since 2009. Under this programme, organisations adopt Malaysian schools and provide educational support, leadership, and motivational and teambuilding activities to encourage parents and community involvement in the development of children's education.

THP has adopted SK Ladang Kota Bahagia in Keratong, Pahang and has provided aid to the school since 2010. The school is located in close proximity to our plantation in Pahang, and some of the students are children of our employees and workers. We support the students at the school through various programmes, such as "Kempen Jaya UPSR", "Program Kepong UPSR" and the "English Language Campaign". These programmes prepare Standard 6 students for the national exam known as Ujian Penilaian Sekolah Rendah ("UPSR"), via workshops by experienced tutors. The English Language Campaign urges the students to be proactive in language-based activities, such as the Spelling Bee. We also fund studying materials to support the children.

In 2019, we conducted 2 workshop with the student of SK Obah (Beluran) and SK Ladang Kota Bahagia (Keratong). Below are workshop and motivational activities conducted in the year of 2019:

- Workshop on helping student answer their UPSR 2019 examination which was attended by total of 51 student from these 2 SK. Student that involve in these programme are children of our employee and workers. Motivational programme are conducted in conjuction with this programme.
- 'Klinik UPSR BH DIDIK' programme to help student understand the 2019 UPSR question format which attended by 37 student at SK Ladang Kota Bahagia.
- 'PROGRAM BERFOKUS UPSR, MOTIVASI DAN KLINIK UPSR' and 'PROGRAM PERKAMPUNGAN AKADEMIK UNTUK SEKOLAH TERPENCIL (PROKAST)' at SK Obah, Beluran was attended by total of 14 student.

We also extended financial support to students from the reformative classes of Sekolah Kebangsaan Kota Bahagia and Sekolah Kebangsaan Muadzam Jaya. In 2019, we contributed RM28,000.00 towards the PINTAR programme.

UNLOCKING ENTREPRENEURIAL CAPABILITIES

One of the ways in which we help our communities achieve better future prospects is through the Vendor Development Initiative ("VDI"), which promotes entrepreneurship amongst the locals. Through VDI, we encourage individuals from our local communities to start a business that will allow them to become our business partner. By giving them the opportunity to earn contracts from THP, we are not only promoting an entrepreneurial culture among the locals, but also helping them earn a living. In addition to this, we also encourage the participation of Bumiputera contractors in the VDI programme. In 2019, we signed 789 contracts, worth RM129 million as part of the VDI initiative, of which, 36% were Bumiputera businesses with a total contract value of RM51 million.

	2017	2018	2019
Total no. of contracts signed as part of the VDI	801	894	**789**

We will continue to respect our relationship with our local and indigenous communities and utilise our resources to provide for local development. Additionally, we will play a role in supporting the nation's agenda to assist youths and develop the national economy of countries we operate in.

CONCLUSION

Since all our estates and mills in THP have been completely MSPO certified in mid-year 2019, our sustainability aspirations and efforts are now focused on having all THP mills MSPO SCCS certified within the stipulated deadline. These efforts will guide us in formalising our sustainability commitments and systems that are presently in place to manage our sustainability matters.

Alongside our MSPO plans, we will continue to monitor and manage our material matters and seek to bridge identified reporting gaps. With shifting tides and global trends in the plantation industry, we need to continuously adapt to internal and external changes while closely collaborating with our stakeholders. Led by our values, we will not falter in upholding our sustainability commitments as we move towards becoming a sustainable palm oil player.

CHIEF EXECUTIVE OFFICER

MUZMI BIN MOHAMED

Chief Executive Officer

Nationality	Gender	Age
MALAYSIAN	**MALE**	**54**
Date of Appointment : **11 FEBRUARY 2019**		

Interest in securities of the Company and its subsidiaries:
Nil

Directorships in Other Public Companies:
- Listed: Nil
- Non – Listed: Nil

Muzmi is a member of the Chartered Institute of Management Accountants, United Kingdom and a member of the Malaysian Institute of Accountants.

He began his career as an accountant in Perbadanan Isi Sawit Felda in 1987 and Food Specialities (M) Berhad in 1989. In 1990, he joined Malaysian Kuwaiti Investment Company Sdn. Bhd. ("MKIC") as the Financial Controller and had served MKIC for 28 years whereby he had been exposed to various business sectors which included agriculture, property development, finance, insurance, manufacturing, services and energy. During his tenure in MKIC, he had held various positions including his last post as the Group's Deputy Chief Executive Officer before joining THP in February 2019.

Muzmi does not have any family relationship with any director and/or major shareholder(s) of the Company nor any conflict of interest with the Company. He has not had a conviction for any offence within the past five (5) years and has not been imposed any penalty by the regulatory bodies during the financial year 2019.

Number of Board Meetings attended in the Financial Year:

NOT APPLICABLE

OUR BOARD LEADERSHIP

TAN SRI ABU TALIB BIN OTHMAN

Chairman / Non-Independent Non-Executive Director

Nationality	Gender	Age
MALAYSIAN	**MALE**	**81**

Date of Appointment : **26 MARCH 2019**

Committee:
Nil

Interest in securities of the Company and its subsidiaries:
Nil

Directorships in Other Public Companies:
- Listed: CYL Corporation Berhad
- Non – Listed: KAF Investment Funds Berhad and MUI Continental Berhad

Tan Sri Abu Talib is a Barrister at Law from Lincoln's Inn. He was a Member of the Judicial and Legal Service of the Government of Malaysia from 1962 to 1993, where he served in various capacities including as the Attorney-General of Malaysia from 1980 to October 1993.

His past appointments included being the Non-Executive Chairman of IGB Corporation Berhad and a member of the Competition Appeal Tribunal. Currently, he is a Director of Lembaga Tabung Haji.

Tan Sri Abu Talib does not have any family relationship with any director and/or major shareholder(s) of the Company nor any conflict of interest with the Company. He has not had a conviction for any offence within the past five (5) years and has not been imposed any penalty by the regulatory bodies during the financial year 2019.

Number of Board Meetings attended in the Financial Year:

9/9

DATUK NIK MOHD HASYUDEEN BIN YUSOFF

Non-Independent Non-Executive Director

Nationality	Gender	Age
MALAYSIAN	**MALE**	**54**

Date of Appointment : **20 AUGUST 2018**

(Appointed to the Board of THP on 20 August 2018 as an Independent Non-Executive Director and was re-designated as a Non-Independent Non-Executive Director on 1 September 2019)

Number of Board Meetings attended in the Financial Year: **10/11**

Committee:
Nil

Interest in securities of the Company and its subsidiaries:
Nil

Directorships in Other Public Companies:
- Listed: BIMB Holdings Berhad
- Non – Listed: Bank Islam Malaysia Berhad and Al-Hijrah Media Corporation

Datuk Nik Mohd Hasyudeen is a Fellow of CPA Australia and he holds a degree in Business from Curtin University of Technology, Perth. He is currently the Group Managing Director and Chief Executive Officer of Lembaga Tabung Haji ***(TH)*** and sits on the board of BIMB Holdings Berhad and Bank Islam Malaysia Berhad. He is also a director in Al-Hijrah Media Corporation. Prior to his appointment at ***TH***, he was the Chairman of Cagamas Holdings Berhad and board member of Federations of Investment Managers Malaysia, Malaysia Professional Accountancy Centre and Universiti Utara Malaysia.

He was formerly the Executive Director of Market and Corporate Supervision and Executive Chairman of the Audit Oversight Board at the Securities Commission Malaysia. He was also a member of Bursa Malaysia Listing Committee and the Corporate Debt Restructuring Committee set up by Bank Negara Malaysia. He was the former Board Member and Chairman of the Audit Committee of Danajamin Nasional Berhad and served on the Operational Review Panel of the Malaysian Anti-Corruption Commission.

He also has significant involvement in the accounting sector and has held notable positions in numerous accounting bodies and organizations at the national and regional level. He was a former President of the Malaysian Institute of Accountants (MIA), former Vice President of the ASEAN Federation of Accountants and served on the Executive and Strategy committees of the Confederation of Asian and Pacific Accountants. He was also the Chairman of the Committee to Strengthen the Accountancy Profession which recommended measures to reform Malaysian accountancy profession. He is also a qualified Accountant Member of the Chartered Institute of Public Finance and Accountancy.

Datuk Nik Mohd Hasyudeen does not have any family relationship with any director and/or major shareholder(s) of the Company nor any conflict of interest with the Company. He has not had a conviction for any offence within the past five (5) years and has not been imposed any penalty by the regulatory bodies during the financial year 2019.

OUR BOARD LEADERSHIP

DATO' SHARI BIN HAJI OSMAN

Independent Non-Executive Director

Nationality	Gender	Age
MALAYSIAN	**MALE**	**66**

Date of Appointment : **1 JUNE 2015**

Committee:
- Chairman of the Tender Committee A
- Chairman of the Tender Committee B
- Chairman of the Nomination & Remuneration Committee
- Member of the Audit Committee
- Member of the Investment Committee

Interest in securities of the Company and its subsidiaries:
Nil

Directorships in Other Public Companies:
- Listed: Nil
- Non – Listed: Nil

Dato' Shari holds a Diploma in Planting and Management from University Technology MARA, a Master in Business Administration from Phoenix International University and a Post Graduate Diploma in Business Administration from the Society of Business Practitioners United Kingdom.

He has vast experience in the plantation industry. In his past experience, he served in key senior positions in various companies including Barlow Boustead Estates Agency as Assistant Manager from 1977 to 1984, Golden Hope Plantations Berhad as an Estate Manager from 1984 to 1988, Kumpulan Ladang-Ladang Perbadanan Kedah Sdn. Bhd. ("KLPK") as an Estate Manager from 1988 to 1991, Island and Peninsular Berhad as Plantation Advisor from 1991 to 1994 and KLPK as the Managing Director from 1994 to 2008, reporting to the Board of Directors headed by YAB Menteri Besar of Kedah.

Dato' Shari does not have any family relationship with any director and/or major shareholder(s) of the Company nor any conflict of interest with the Company. He has not had a conviction for any offence within the past five (5) years and has not been imposed any penalty by the regulatory bodies during the financial year 2019.

Number of Board Meetings attended in the Financial Year:

11/11

DATO’ INDERA DR. MD YUSOP BIN OMAR

Independent Non-Executive Director

Nationality	Gender	Age
MALAYSIAN	**MALE**	**67**

Date of Appointment : **1 JUNE 2015**

Committee:

- Member of the Audit Committee
- Member of the Tender Committee A

Interest in securities of the Company and its subsidiaries:

Nil

Directorships in Other Public Companies:

- Listed: TH Heavy Engineering Berhad
- Non – Listed: Nil

Dato’ Indera Dr. Md Yusop graduated from University of Malaya in 1975 with a Bachelor of Arts and obtained his certificate in Public Administration in 1976. He received an Honorary Doctorate in Civil Law from Lincoln University College Malaysia in April 2015.

He served as an Administration and Diplomatic Officer in the Government sector for twenty (20) years.

Dato’ Indera Dr. Md Yusop does not have any family relationship with any director and/or major shareholder(s) of the Company nor any conflict of interest with the Company. He has not had a conviction for any offence within the past five (5) years and has not been imposed any penalty by the regulatory bodies during the financial year 2019.

Number of Board Meetings attended in the Financial Year:

10/11

OUR BOARD LEADERSHIP

MOHD ADZAHAR BIN ABDUL WAHID

Independent Non-Executive Director

Nationality	Gender	Age
MALAYSIAN	**MALE**	**55**

Date of Appointment : **24 MAY 2017**

Number of Board Meetings attended in the Financial Year:

11/11

Committee:

- Chairman of the Audit Committee
- Chairman of the Investment Committee
- Member of the Nomination & Remuneration Committee

Interest in securities of the Company and its subsidiaries:

Nil

Directorships in Other Public Companies:

- Listed: Nil
- Non – Listed: Nil

Mohd Adzahar is a Chartered Accountant by profession. He is a Fellow of the Association of Chartered Certified Accountants, United Kingdom, a member of the Malaysian Institute of Accountants and a member of the Financial Planning of Malaysia and a member of the Harvard Business School Alumni of Malaysia.

He started his career in accounting and auditing in United Kingdom before joining Bumiputra Merchant Bankers Berhad ("BMB") (now known as Alliance Investment Bank Berhad) from October 1988 to April 1994. He held various positions in BMB including his last post as Corporate Banking Manager before joining Naluri Berhad's Corporate Finance Division from April 1994 until April 1995.

In May 1995 he joined PMCare Sdn. Bhd. ("PMCare") as the General Manager of Finance. A year later he was appointed as the Executive Director of PMCare. As an Executive Director, he was responsible for the overall management of PMCare which include strategic planning, business development and operations. Currently, he is the Chief Executive Officer/Executive Director of PMCare.

He was an Independent Director and Audit Committee Chairman of Kencana Petroleum Berhad (now known as Sapura Kencana Petroleum Berhad) and Edra Global Energy Berhad. He was also an Independent Director of Symphony House Berhad.

Mohd Adzahar does not have any family relationship with any director and/or major shareholder(s) of the Company nor any conflict of interest with the Company. He has not had a conviction for any offence within the past five (5) years and has not been imposed any penalty by the regulatory bodies during the financial year 2019.

DZUL EFFENDY BIN AHMAD HAYAN

Non-Independent Non-Executive Director

Nationality	Gender	Age
MALAYSIAN	**MALE**	**39**

Date of Appointment : **27 MARCH 2019**

Number of Board Meetings attended in the Financial Year:

7/9

Committee:
- Member of the Nomination & Remuneration Committee
- Member of the Investment Committee
- Member of the Tender Committee A
- Member of the Tender Committee B

Interest in securities of the Company and its subsidiaries:
Nil

Directorships in Other Public Companies:
- Listed: Nil
- Non – Listed: Nil

Dzul Effendy is a Fellow of the Association of Chartered Certified Accountants (ACCA), United Kingdom and has more than fifteen (15) years of experience in strategic management, corporate finance, investment and audit.

He started his career as a Financial Auditor with Messrs. KPMG Malaysia specialising in the banking and oil and gas industries from 2004 to 2007. In November 2007, he joined Kenanga Investment Bank Berhad ("Kenanga") in the Corporate Finance department until 2010. In Kenanga, he executed various corporate exercises such as initial public offerings, private placements and fund-raising exercises for companies in various industries.

Subsequently, he joined Malaysia Venture Capital Management Bhd in November 2010 until October 2012 as a Manager (Investment), where he was involved in providing direct investments to start-up and high growth companies in the ICT and technology sector.

He later joined BIMB Holdings Berhad ("BHB") Group in 2012 and served the group for more than six (6) years. He has held various positions in the group including his last post as Vice President of the Corporate Strategy and Transformation Management Department of BHB. In BHB Group, he was involved in various corporate exercises such as investment appraisals, restructuring exercises, mergers and acquisitions, capital raising exercises through equity and debt securities as well as formulating strategies for organic and inorganic growth. He is currently the General Manager of Corporate Finance Division of ***TH*** since September 2018.

Dzul Effendy does not have any family relationship with any director and/or major shareholder(s) of the Company nor any conflict of interest with the Company. He has not had a conviction for any offence within the past five (5) years and has not been imposed any penalty by the regulatory bodies during the financial year 2019.

AN EXPERIENCED MANAGEMENT TEAM

MUZMI MOHAMED

Chief Executive Officer

Nationality	Age	Gender
MALAYSIAN	**54**	**MALE**

Please refer to Muzmi Mohamed's profile on page 33 of this Annual Report.

RAHIMI RAMLI

Chief Financial Officer

Nationality	Age	Gender
MALAYSIAN	**50**	**MALE**

Date of Appointment: **2 JANUARY 2020**

Rahimi Ramli graduated with a Bachelor's degree in Accounting and Finance from Middlesex University, London, United Kingdom in 1993. He is a fellow member of the Association of Chartered Certified Accountants (ACCA) having completed the said professional body examination in 1995. He is also a chartered accountant registered with the Malaysian Institute of Accountancy (MIA) and a member of Chartered Tax Institute of Malaysia (CTIM) and was a professional member of the Internal Auditors, Malaysia. He began his career with KPMG, Kuala Lumpur Office in 1996 and gained invaluable financial experiences in both private sector and public practice accounting firms, including privately owned entities, public listed corporations as well as government owned companies before joining THP on 2 January 2020 as the Chief Financial Officer. Currently at THP, he oversees all accounting and treasury operations, financial reporting, cash management, taxation and all finance-related activities of the Group.

He is an Independent Non-Executive Director of Orion IXL Berhad.

Rahimi Ramli does not have any family relationship with any director and/or major shareholder(s) of the Company nor any conflict of interest with the Company. He has not had a conviction for any offence within the past five (5) years.

MAT SAAD RAMLI

Plantation Director

Nationality	Age	Gender
MALAYSIAN	**66**	**MALE**

Date of Appointment: **1 OCTOBER 2019**

Mat Saad Ramli graduated with a Diploma in Plantation & Industry Management from Institut Teknologi MARA. He carries with him more than 40 years of experience in the plantation industry, including an 11-years stint with Taiko Plantations and few other plantation companies. He joined THP in 2002 and has been with THP for the past 11 years. He has held many senior roles in THP including being as Chief Operation Officer in Indonesia (2007) and Malaysia (2010) before he retired in 2013. He then re-joined THP in 2019 as the Plantation Director and currently supports the CEO in managing the company and to ensure that all operational matters at all levels are carried out to the highest standard in the industry.

Mat Saad Ramli does not have any family relationship with any director and/or major shareholder(s) of the Company nor any conflict of interest with the Company. He has not had a conviction for any offence within the past five (5) years.

MEGAT RIZAL EZZUDIN ABD MAULUD

General Manager, CEO Office

Nationality	Age	Gender
MALAYSIAN	44	MALE

Date of Appointment: **1 MARCH 2020**

Megat Rizal holds a Bachelor's degree (Honours) in Accountancy and Financial Analysis from University of Warwick. He is currently a member of the Malaysian Institute of Accountants (MIA), the Association of Chartered Certified Accountants (ACCA), United Kingdom and also a Chartered Member of the Institute of Internal Auditors (IIA), Malaysia. His past experience includes stints in accounting firms in Dublin, Ireland and Birmingham, United Kingdom having completed his ACCA examinations and training in 2002 before returning to Malaysia to work with PricewaterhouseCoopers in 2004. He joined THP's Internal Audit department on 4 December 2006. He is currently the General Manager of the CEO's office and is responsible in assisting the CEO to manage and supervise all operational matters as well as the overall management of the Company.

Megat Rizal does not have any family relationship with any director and/or major shareholder(s) of the Company nor any conflict of interest with the Company. He has not had a conviction for any offence within the past five (5) years.

ALIATUN MAHMUD

Head, Legal & Secretarial and Company Secretary

Nationality	Age	Gender
MALAYSIAN	51	FEMALE

Date of Appointment: **1 JANUARY 2014**

Aliatun holds a Master in Business Administration (MBA) degree from UiTM, a Diploma in Syariah Law and Practice from the International Islamic University of Malaysia as well as a Bachelor (Honours) of Laws (LLB) from UiTM. She began her career at the Securities Commission of Malaysia in 1994 and went on to gain more experience in Peremba (Malaysia) Sdn. Bhd., Messrs Hafidz & Azra (Advocates & Solicitors) and the Malaysian Resources Corporation Berhad. She joined THP on 1 October 2002 and has been with the Group for more than 17 years. In her current capacity, she manages all legal and secretarial matters of the companies owned as well as managed by THP.

Aliatun does not have any family relationship with any director and/or major shareholder(s) of the Company nor any conflict of interest with the Company. She has not had a conviction for any offence within the past five (5) years.

MAIZURA MOHAMED

Head, Strategy & Corporate Services

Nationality	Age	Gender
MALAYSIAN	49	FEMALE

Date of Appointment: **1 JANUARY 2014**

Maizura holds a Bachelor's degree (Honours) in Chemistry from Universiti Malaya. She began her career with Boustead Holdings Berhad in 1995 and subsequently joined Maju Holdings Sdn. Bhd. as Manager of Business Development. She joined THP on 1 October 1999 as Manager, Corporate Planning and has been with the Group for more than 20 years. She is currently the Head of Strategy and Corporate Services and is responsible in overseeing strategic and corporate matters, business planning as well as managing special projects.

Maizura does not have any family relationship with any director and/or major shareholder(s) of the Company nor any conflict of interest with the Company. She has not had a conviction for any offence within the past five (5) years.

AN EXPERIENCED MANAGEMENT TEAM

IR RAMLI MOHD TAHAR

Chief Engineer

Nationality	Age	Gender
MALAYSIAN	**58**	**MALE**

Date of Appointment: **1 AUGUST 1997**

Ir Ramli holds a Bachelor's degree in Engineering (Agricultural) from UPM and also holds a First Grade Steam Engineer certification from the Department of Safety and Health. He was also certified as a Registered Professional Engineer by the Board of Engineers Malaysia in 2000. He began his career with FELDA in 1985 and joined the PLLTH as a Senior Assistant Manager on 2 January 1991. He has been with the Group for the past 29 years, and has held his current position since 1997. As Chief Engineer, he heads the Engineering Department, overseeing the strategy, planning and operations of all the mills under the Group. He also oversees the construction of new mills, whether THP-owned or THP-managed, as well as other engineering projects within the Group.

Ir Ramli does not have any family relationship with any director and/or major shareholder(s) of the Company nor any conflict of interest with the Company. He has not had a conviction for any offence within the past five (5) years.

OTHMAN SOMADI

General Manager (Marketing)

Nationality	Age	Gender
MALAYSIAN	**56**	**MALE**

Date of Appointment: **1 JANUARY 2009**

Othman graduated with a Bachelor's degree in Business Administration (Marketing) and also holds a Diploma in Planting Industry and Management, both from UiTM. He began his career as an Assistant Agricultural Officer with the Southeast Johore Development Authority in 1984 and thereafter joined Johore Tenggara Oil Palm Berhad in 1993 as a Senior Marketing Executive. He joined TH Ladang (Sabah & Sarawak) Sdn. Bhd. on 5 August 1996 as its Marketing Manager before being appointed as Deputy General Manager (Marketing of THP) in 2003. He is currently General Manager (Marketing) and is responsible for the trading and marketing of THP's products.

Othman does not have any family relationship with any director and/or major shareholder(s) of the Company nor any conflict of interest with the Company. He has not had a conviction for any offence within the past five (5) years.

AHMAD ANUAR SAIRI

General Manager (Agronomy & Innovation)

Nationality	Age	Gender
MALAYSIAN	**54**	**MALE**

Date of Appointment: **7 FEBRUARY 2020**

Ahmad Anuar graduated with a Bachelor's degree in Agricultural Science and also holds a Diploma in Agriculture, both from UPM. He started his career as an Agronomist in Felda Research in 1990 and subsequently joined Austral Enterprises in 1993. He joined THP in June 1999 as Assistant Agronomist. He was seconded to Trurich Resources Sdn. Bhd. in 2014 and was appointed the Senior General Manager (Operation & Agronomist) and based in Indonesia. He returned to THP in March 2019. He is currently the General Manager (Agronomy & Innovation) and in his capacity, is responsible in providing agronomic advisory, fertiliser recommendation, sustainability (including MSPO), geospatial service, plantation research as well as innovation and development support for the Group.

Ahmad Anuar does not have any family relationship with any director and/or major shareholder(s) of the Company nor any conflict of interest with the Company. He has not had a conviction for any offence within the past five (5) years.

MD HANIF MD NOR

Plantation Controller

Nationality	Age	Gender
MALAYSIAN	**58**	**MALE**

Date of Appointment: **1 MARCH 2020**

Hanif holds a Diploma in Planting Industry and Management from UiTM. He began his career with Boustead Estates Agency as an Assistant Manager in 1983. He then joined TH Ladang (Sabah & Sarawak) Sdn. Bhd. on 27 December 1996 as Manager at Ladang Jati Keningau. He has risen up the ranks throughout the past 20 years with THP and in 2020 he was appointed the Plantation Controller. He currently oversees the plantation operations of THP's estates in Malaysia.

Hanif does not have any family relationship with any director and/or major shareholder(s) of the Company nor any conflict of interest with the Company. He has not had a conviction for any offence within the past five (5) years.

MOHD JAFRI ARSHAD

Plantation Controller

Nationality	Age	Gender
MALAYSIAN	**54**	**MALE**

Date of Appointment: **1 MARCH 2020**

Jafri holds a Bachelor's degree Science in Agriculture and a Diploma in Agriculture, both from UPM. He began his career with Kuala Lumpur Kepong Berhad from a Cadet Planter in 1990 until he became a Manager in 1999 with an experience in managing Cocoa, Rubber & Oil Palm. On 1 March 2009, he joined THP as a Manager at Ladang Sungai Tenegang. He was appointed the Senior Manager and based in Riau, Indonesia in 2012. Jafri has been entrusted to manage and overseeing the operations of a few estates and the Estate Department before being appointed as Plantation Controller. He currently oversees the plantation operations and to ensure the estates adhere all the Company policies and SOP accordingly.

Jafri does not have any family relationship with any director and/or major shareholder(s) of the Company nor any conflict of interest with the Company. He has not had a conviction for any offence within the past five (5) years.

MOHAMAD ZUZARI ABD AZIZ

Plantation Controller

Nationality	Age	Gender
MALAYSIAN	**56**	**MALE**

Date of Appointment: **16 MARCH 2020**

Zuzari began his career with Boustead Estates Agency as an Assistant Manager in 1985. He served 13 years in Boustead before joining THP in 1998 as Manager at TH Ladang (Sabah & Sarawak) Sdn. Bhd. Zuzari has risen up the ranks throughout the past 22 years with THP. He was appointed the Plantation Controller in 2020 and currently oversees the operations of oil palm in Malaysia.

Zuzari does not have any family relationship with any director and/or major shareholder(s) of the Company nor any conflict of interest with the Company. He has not had a conviction for any offence within the past five (5) years.

AN EXPERIENCED MANAGEMENT TEAM

AHMAD NORDZRI RAZALI

General Manager (Estate)

Nationality	Age	Gender
MALAYSIAN	**57**	**MALE**

Date of Appointment: **16 MARCH 2020**

Ahmad Nordzri holds a Diploma in Planting Industry and Management from UiTM and a Bachelor's degree in Business Administration from RMIT University, Melbourne. He began his career as a Credit Officer with Bank Pertanian Malaysia in 1984 before joining United Plantations Berhad in December 1984 as Plantation Assistant Manager. On 15 March 1991, he joined THP as Assistant Manager at Ladang Sungai Mengah, Pahang and went on to assume a number of roles within the Group. He was seconded to PT Persada Kencana Prima as Vice-President Director from 2014 till March 2020 and based in Indonesia. He is currently the General Manager (Estate) where he oversees the administrative and planning matters of all THP estates.

Ahmad Nordzri does not have any family relationship with any director and/or major shareholder(s) of the Company nor any conflict of interest with the Company. He has not had a conviction for any offence within the past five (5) years.

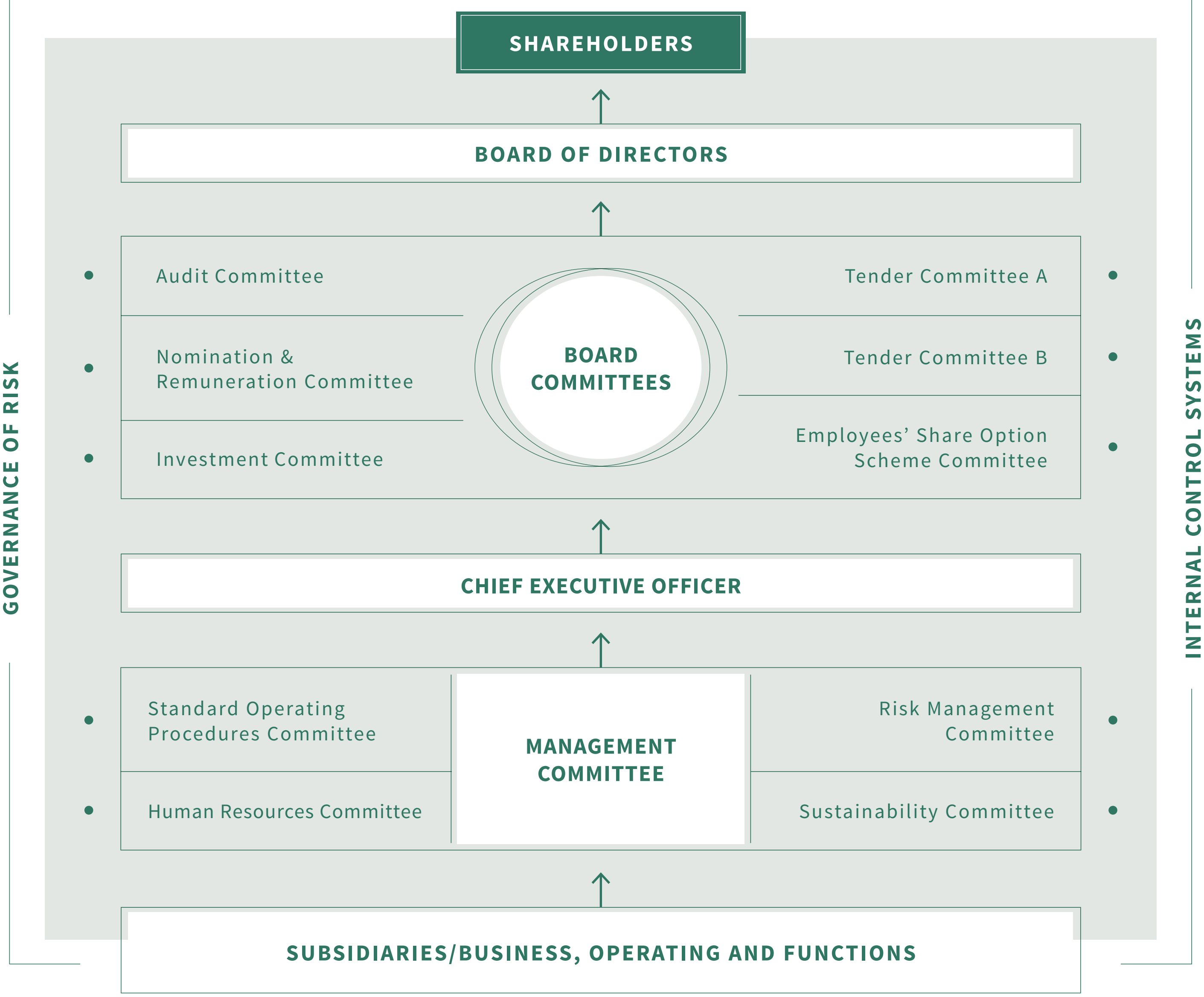
CORPORATE GOVERNANCE OVERVIEW STATEMENT

THE BOARD OF DIRECTORS ("THE BOARD") OF TH PLANTATIONS BERHAD ("THP" OR "THE COMPANY") CONTINUED TO REMAIN COMMITTED IN ITS EFFORT TO IMPLEMENT THE PRINCIPLES AND BEST PRACTICES SET OUT IN THE MALAYSIAN CODE ON CORPORATE GOVERNANCE ("THE CODE") AND BURSA MALAYSIA SECURITIES BERHAD'S MAIN MARKET LISTING REQUIREMENTS ("LISTING REQUIREMENTS").

The adoption of good corporate governance is a fundamental part of the Board's responsibility to protect and enhance shareholders' value and the performance of THP and its subsidiaries ("THP Group").

This Corporate Governance Overview Statement is to be read in conjunction with the Corporate Governance Report which is available online at www.thplantations.my.

OUR GOVERNANCE STRUCTURE



CORPORATE GOVERNANCE OVERVIEW STATEMENT

ROLE OF THE BOARD

The Board comprises individuals who are well experienced in their respective fields of enterprise. Their knowledge, background and judgments are invaluable in ensuring that THP Group achieves the highest standards of performance, accountability and ethical behaviour, as is expected of the Company by its stakeholders.

Under the Company's Constitution, the number of Directors shall not be less than two (2) and not more than twelve (12). As at the date of this Statement, there are six (6) members of the Board, whom three (3) are Independent Non-Executive Directors and the remaining three (3) are Non-Independent Non-Executive Directors. The profiles of each member of the Board are outlined in pages 34 to 39 of this Annual Report.

CHAIRMAN

The Chairman carries out a leadership role in the conduct of the Board and its relations to shareholders and other stakeholders.

The roles of the Chairman are as follows:

i. Provides leadership to the Board
- Plans Board meetings, agenda;
- Ensures the Board receives proper information in timely manner;
- Chairs all Board meetings;
- Ensures that all Directors contribute and participate at Board meetings; and
- Drives discussion toward consensus and to achieve closure on such discussions.

ii. Chairs shareholder meetings;

iii. Represents the Board to shareholders and be the spokesperson at the Annual General Meeting ("AGM"), in a way that supports the role of the CEO in reporting operational and public relations matters;

iv. Ensures the integrity and effectiveness of the governance process; and

v. Performs other responsibilities as assigned by the Board from time to time.

NON-EXECUTIVE DIRECTOR

Non-Executive Directors act as a bridge between management, shareholders and other stakeholders.

They provide the relevant checks and balances, focusing on shareholders' and other stakeholders' interests and ensuring that high standards of corporate governance are applied. The Companies Act 2016, makes no distinction between Executive and Non-Executive Director in terms of the legal duties that are imposed on Directors. All directors, whether independent or not, are required to act in the best interest of THP and to exercise unfettered and independent judgement. The roles of Independent Directors are as follows:

i. Not to be involved in day to day operations of the Company or running of the business; and

ii. Protects the interests of shareholders and can make significant contributions to the Company's decision making by bringing in the quality of detached impartiality.

CHIEF EXECUTIVE OFFICER / EXECUTIVE DIRECTOR

CEO as an employee, involved in the day-to-day management of the Company and Group. He is invariably a member of the Company's Senior Management team. A CEO may also be an Executive Director.

The roles of the CEO / Executive Director are as follows:

i. Develops and implements strategy, reflecting long-term objections and priorities established by the Board;

ii. Assumes full accountability to the Board for all aspects of Company operations and performance;

iii. Puts adequate operational plans and financial control systems in place;

iv. Closely monitors operating and financial results in accordance with plans and budgets; and

v. Represents the Company to major customers, employees, suppliers, and professional associations.

COMPANY SECRETARY

The Company Secretary provides independent advice to the Board, ensures good information flow and advises the Board on relevant matters.

The roles of the Company Secretary are as follows:

i. Works closely with the Chairman to raise all material compliance and governance issues;

ii. Attend all Board, Board Committee and Subsidiary Board meetings;

iii. Ensures accurate records of all meetings and that all decisions made are properly minuted; and

iv. Facilitates the communication of key decisions and policies between the Board, Board Committees and Subsidiary Boards.

Taking into consideration the Company's present activities and size, the Board is of the view that the number and composition of the current Board are sufficient and well-balanced to ensure that its duties are carried out effectively and to provide assurance that no individual or small groups of individuals are allowed to dominate the Board's decision-making.

In discharging its duties, the Board is constantly mindful that the interests of THP Group's customers, investors and all other stakeholders are to be safeguarded.

The six (6) principal stewardship of the Board, among others, include the following:

a. Reviewing and adopting strategic plans for the Company, primarily the five (5) year rolling strategic plan for THP Group.

b. Overseeing the conduct of the Company's business to ensure that it is being properly managed. Key operational matters are discussed during Board meetings, and expert advice or independent advice is sought where necessary.

c. Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks.

d. Implementing succession planning, including the appointment and recruitment of Senior Management team members.

e. Developing and implementing an investor relations policy or shareholders' communications policy for the Company.

f. Reviewing the adequacy and integrity of the Company's internal controls and management information systems, including compliance with applicable laws, regulations, rules, directives and guidelines.

In fulfilling this responsibility, the Board's functions are supported and reinforced through the various committees established at both the Board and the management levels. They are aided by the Internal Audit Department, which provides a strong check and balance as well as reasonable assurance on the adequacy of the Company's internal controls system, through regular meetings and discussions.

Details of the Internal Audit functions are further detailed in the Audit Committee Report as set out on pages 56 to 57 of this Annual Report.

At the same time, the Board also diligently sustains a dynamic and robust corporate climate, focused on strong ethical values.

To this end, active participation and structured dialogue involving key people at all levels are encouraged and conducted. Meanwhile, accessibility to information and transparency in all executive actions is consistently maintained. The corporate climate is also continuously fortified with value-centred programmes for team-building and active subscription to core values.

SEPARATION OF POSITIONS OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman has never held the post of Chief Executive Officer of the Company. The division of responsibilities between the Chairman and the Chief Executive Officer is to ensure that there is a balance of power and authority between them, thus avoiding any unfettered power of decision-making in any one individual. Therefore, it is evident that the roles of the Chairman and the Chief Executive Officer are distinguishable and clearly defined.

BOARD COMMITTEES

The Board has a number of committees to assist in discharging its duties effectively. The principal committees are the Audit Committee and the Nomination & Remuneration Committee. The responsibilities of these committees are set out in the individual Terms of Reference, which are available on the Company's website at www.thplantations.my.

The roles and responsibilities of the Board Committees, along with the activities undertaken during the year, are outlined in each of their respective reports found on pages 55 to 57. The Company Secretary is the secretary to these committees and ensures that these committees adhere to the highest standards of Corporate Governance and apply the provisions and principles of the Code.

Professional advisers and members of the senior management team attend these committees meetings when they are invited to do so.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

BOARD MEETINGS

A total of eleven (11) board meetings were held in 2019 and all Directors have complied with the minimum fifty per centum (50%) attendance as required under the Listing Requirements.

Board meetings for the ensuing financial year are scheduled before the end of the current financial year to facilitate the planning of Board meetings by the Directors. Special Board Meetings are convened between the scheduled meetings to consider urgent proposals or matters that require urgent decisions or deliberation by the Board.

The Board is supplied with and assured of full and timely access to all relevant information to discharge its duties effectively. A set of Board papers is provided to each Board member in advance, at least seven (7) days, prior to every Board meeting. The Board papers contain, among other things, information on THP Group's performance and major operational, financial and corporate issues.

All Board decisions are properly minuted. Minutes of each Board meeting are circulated to all Directors for their review prior to their confirmation, which is normally done at the following Board meeting. The Directors may request for clarification or raise comments before the minutes are tabled for confirmation as being a correct record of the Board's proceedings. All conclusions of the Board meetings are duly recorded and the minutes are kept by the Company Secretary.

The Senior Management are also invited to attend the Board meetings to supply additional details or clarification on matters tabled for the Board's consideration and/or approval. Independent advisors and professionals appointed by the Company in relation to the various corporate exercises may also be invited to attend the meetings to provide explanation or clarification and advice for the benefit of the Directors.

The Chairman of the Audit Committee is to inform the Directors during Board meetings of any salient matters noted by the Audit Committee arising from audit findings that may require the Board's attention or direction.

In addition to matters relating to the Board's six (6) principal stewardship responsibilities, other specific topics tabled for the Board's deliberation include THP Group's key financial and operational results, THP Group's strategic and corporate initiatives, such as corporate plans and budget approvals, proposed acquisitions and disposals of material assets, major investments, as well as changes to THP Group's management and control structures, encompassing key policies, procedures and authority limits.

The Directors' attendance at Board meetings for the financial year ended 31 December 2019 is detailed below:

TAN SRI ABU TALIB BIN OTHMAN
Non-Independent Non-Executive Director
(Appointed w.e.f. 26 March 2019)
Attented 9 out of 9 meetings
100%

DATUK NIK MOHD HASYUDEEN BIN YUSOFF
Non-Independent Non-Executive Director
(Re-designated from Independent Non-Executive Director to Non-Independent Non-Executive Director w.e.f. 1 September 2019)
Attented 10 out of 11 meetings
91%

DATO' SHARI BIN HAJI OSMAN
Independent Non-Executive Director
Attented 11 out of 11 meetings
100%

DATO' INDERA DR. MD YUSOP BIN OMAR
Independent Non-Executive Director
Attented 10 out of 11 meetings
91%

MOHD ADZAHAR BIN ABDUL WAHID
Independent Non-Executive Director
Attented 11 out of 11 meetings
100%

DZUL EFFENDY BIN AHMAD HAYAN
Non-Independent Non-Executive Director
(Appointed w.e.f. 27 March 2019)
Attented 7 out of 9 meetings
78%

DATUK SERI NURMALA BINTI ABD RAHIM
Independent Non-Executive Director
(Resigned w.e.f. 1 August 2019)
Attented 5 out of 6 meetings
83%

DATO' MOHD SHUKRI BIN HUSSIN
Independent Non-Executive Director
(Resigned w.e.f. 14 March 2019)
Attented 1 out of 1 meeting
100%

KEY BOARD DISCUSSION AND ACTIVITIES

A summary of the Board's key discussions and activities during the year is set out below:

DISCUSSION AND ACTIVITIES

1 FINANCIAL

i. Financial Statements for the financial year 2018
ii. Quarterly Report on Consolidated results
iii. Re-appointment of external auditors for the financial year 2019
iv. Audit fee for THP and Group for the financial year 2019
v. Updates on changes in accounting standards and/or policies
vi. THP Group's annual budget, cashflow projections
vii. Restructuring of SUKUK

2 GOVERNANCE AND POLICIES

i. Material litigation cases updates within the Group
ii. Code of Ethics for Employees and Group
iii. Procurement policy
iv. Marketing policy

3 RISK, STRATEGY, SUSTAINABILITY

i. Updates on THP Group's estates performance
ii. MSPO certification
iii. Business growth and improving yields
iv. Improving operational efficiency
v. Land issues in Sarawak

4 OTHERS

i. Issuance of show cause letter with suspension and domestic inquiry proceedings
ii. Reports for inclusion in the Annual Report 2018
iii. Circular to Shareholders for recurrent related party transactions

5 DIVESTMENT

i. Updates on proposed divestment of ten subsidiaries of THP
ii. Proposed divestment of additional four subsidiaries of THP
iii. Proposal to appoint Transaction Agent for the additional four subsidiaries of THP
iv. Proposal to Appoint Solicitors for the additional four subsidiaries of THP

6 SUCCESSION PLANNING, APPOINTMENT, RESIGNATION, REMUNERATION

i. Change of directorship in THP and Group
ii. Change of committee members in THP
iii. Change in key Senior Management
iv. Board Evaluation Assessment
v. Re-election Directors
vi. Annual fees for the Board and Board Committees
vii. Remuneration package of new directors

CORPORATE GOVERNANCE OVERVIEW STATEMENT

RE-ELECTION OF DIRECTORS

The re-election of Directors ensures that shareholders have a regular opportunity to re-assess the composition and the efficacy of the Board.

In accordance with the Company's Constitution, at least one third (1/3) of the Directors shall retire from office every year provided always that all Directors shall retire from office at least once in every three (3) years and shall be eligible for re-election in the Annual General Meeting ("AGM").

At this forthcoming AGM, Dato' Shari bin Haji Osman and Mohd Adzahar bin Abd Wahid are subject to retirement by rotation under the Company's Constitution, and being eligible, have offered themselves for re-election.

The Company's Constitution also provide that newly-appointed directors shall hold office until the next AGM and shall then be eligible for re-election. However, no new Director has been appointed from the last AGM until the date of this Annual Report.

ASSESSMENT OF INDEPENDENCE DIRECTORS

The presence of three (3) Independent Non-Executive Directors, who neither engage in the day-to-day management of the Company, nor participate in any business dealings, or are involved in any other form of relationship with the Company, ensures that they remain free from any conflict of interest situation and facilitates the effective discharge of their roles and responsibilities as Independent Directors. They have fulfilled the criteria of independence as defined in the Listing Requirements.

Although all Directors shoulder equal responsibilities for THP Group's operations, the roles of these Independent Non-Executive Directors have proven to be particularly important in ensuring that all business strategies proposed by the Management are fully discussed and scrutinised, taking into account the long-term interest, not only THP's shareholders, but also of its employees, customers, suppliers and other THP Group stakeholders.

The Board and the Nomination & Remuneration Committee assessed the independence of the three (3) Independent Non-Executive Directors based on the criteria prescribed under the Listing Requirements in which an Independent Director should be independent and free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interest of the Company.

TENURE OF INDEPENDENT DIRECTORS

The tenure of service of Independent Non-Executive Directors will be nine (9) years.

ACCESS TO MANAGEMENT AND COMPANY SECRETARY

In carrying out their duties, each Director has unrestricted access to all information in the Company and independent access to Senior Management for information and clarification in furtherance of its duties. In addition, they are also able to seek advice from the Company Secretary and whenever necessary, independent professional advice, all at the expense of THP Group.

The Board is not only provided with quantitative information but also those which are qualitative in nature as they are pertinent and are of substantial necessity to enable the Board to deal with matters that are tabled at the meetings effectively. These include current updates of the THP Group's performance as well as information on external factors that may influence its business.

The Company Secretary are responsible to provide clear and professional advice to the Board on all governance matters and assist the Board on the implementation of an effective corporate governance system. Apart from advising the Board on governance and regulatory matters, the Company Secretary also organise and attend all Board meetings and ensure that all Directors receive timely, clear and concise information in advance prior to the scheduled meetings.

DIRECTORS' REMUNERATION

The Board believes that the level of remuneration offered by THP Group is sufficient to attract and retain Directors of calibre and with sufficient experience and talent to contribute to the performance of the Company. Comparisons with similar positions within the industry and other major public listed companies are made in order to arrive at a fair remuneration rate. The aim of the remuneration policy and philosophy is to:

i. Align with THP's strategic thrust and value drivers;
ii. Attract and retain Directors of such calibre who are able to provide the necessary skills and experience, commensurating with the responsibilities for the effective management of THP Group; and
iii. Support the philosophy of value-based management.

The policy and framework for the overall remuneration of the Directors are reviewed against market practices by the Committee, following which recommendation are submitted to the Board for approval.

The Non-Executive Directors are paid Directors' fees and attendance allowance for each Board/Committee meeting that they attend. In addition, the Non-Executive Directors are entitled to certain benefits-in-kind such as, medical and insurance coverage.

Details of remuneration (including benefits-in-kind) of each Director for the year ended 31 December 2019 are as follows:

	RM						
	Annual Fees			Salary & Bonus	Meeting Allowances	Benefits-in-kind	Total
	Board	Board Committees	Subsidiaries				
Tan Sri Abu Talib bin Othman *(Appointed w.e.f 26 March 2019)*	114,000	-	60,000	-	10,000	2,950	186,950
Datuk Nik Mohd Hasyudeen bin Yusoff	52,000	8,000	-	-	24,000	-	84,000
Dato' Shari bin Haji Osman	72,000	12,000	18,000	-	37,000	11,931	150,931
Dato' Indera Dr. Md Yusop bin Omar	72,000	1,000	5,000	-	12,000	18,453	108,453
Mohd Adzahar bin Abdul Wahid	72,000	24,000	108,000	-	31,000	3,004	238,004
Dzul Effendy bin Ahmad Hayan *(Appointed w.e.f. 27 March 2019)*	-	-	-	-	13,000	-	13,000
Datuk Seri Nurmala binti Abd Rahim *(Resigned w.e.f. 1 August 2019)*	47,000	7,000	59,500	-	19,000	-	132,500
Dato' Mohd Shukri bin Hussin *(Resigned w.e.f. 14 March 2019)*	-	-	-	-	5,000	-	5,000
TOTAL	**429,000**	**52,000**	**250,500**	**-**	**151,000**	**36,338**	**918,838**

Number of Directors whose remuneration falls within the following bands:

Ranges of Remuneration	Number of Directors
Less than RM50,000	2
RM50,001 to RM100,000	1
RM100,001 to RM150,000	2
RM150,001 to RM200,000	2
RM200,001 to RM250,000	1

CORPORATE GOVERNANCE OVERVIEW STATEMENT

BOARD INDUCTION, EFFECTIVENESS AND TRAINING

The Board Effectiveness Review operates on an internal evaluation process carried out using a survey and questionnaire format. The process is detailed in the table below:

2019 BOARD PERFORMANCE EVALUATION

The evaluation focused on a number of key areas:

The skills and experience of the Board	**The Board's management of risk**	**Meetings and Board administration**
The Board's engagement with key stakeholders, including shareholders and employees		
The effectiveness of the Board's decision-making	**The operation of the Board's committees**	**The Board's role with respect to the Group's strategy**

THIS PROCESS WAS DIVIDED INTO 3 STAGES

STAGE 1	STAGE 2	STAGE 3
Completion of questionnaire	**Evaluation of responses/reporting**	**Discussions with the Board**
A comprehensive questionnaire was sent to each Board member. Board members completed and returned the questionnaire to the Company Secretary.	The Company Secretary compiled a report to be tabled to the Numeration and Remuneration Committee ("NRC") based on the feedback provided by Board members, addressing the performance of the Board and each of its committees.	The NRC discussed the draft conclusions. Subsequently, these conclusions and a draft action plan were recommended to the Board.

When a new Director is appointed to the Board, they will undergo specific briefings on the THP Group with the objectives of providing an overview of the Company's vision and mission, nature of business, current issues and the long term targets of the Group.

In compliance with the Listing Requirements, the Company regularly assesses the training needs of its Directors to ensure that they are well-equipped with the requisite knowledge and competencies to contribute effectively to the role of the Board.

In addition, the Directors are also encouraged to continue attending various training programmes that are relevant to further enhance their knowledge and expertise in discharging their responsibilities.

For the financial year ended 31 December 2019, the Directors attended conferences, seminars and training programmes, including those listed below:

Director	Training/Seminar	Organiser	Event Date
Tan Sri Abu Talib bin Othman	Directors' Conference 2019	BIMB Holdings Berhad	29 October 2019
Datuk Nik Mohd Hasyudeen bin Yusoff	Power Talk by Mark Reid on Revisiting the Misconception of Board	Institute of Corporate Directors Malaysia	13 March 2019
	Islamic Finance for Board of Directors	ISRA Consultancy Sdn. Bhd.	10 – 11 July 2019
	Regional Conference on Climate Change: Climate Change Risk and Opportunities: Respond, Not React	Bank Negara Malaysia	25 September 2019
	ESG Investment Conference	BIMB Investment Berhad	17 October 2019
	Property Investment Forum	***TH***	21 October 2019
	Directors' Conference 2019	BIMB Holdings Berhad	29 October 2019
	PNB Corporate Summit 2019	Perbadanan Nasional Berhad	30 October 2019
	Sustainable and Responsible Investment Roadmap (SRI Roadmap)	Securities Commission Malaysia	26 November 2019
	2019 ***TH*** Nominee Directors Training Programme	***TH***	3 December 2019
	Kuala Lumpur Summit 2019	Prime Minister Office	19 December 2019
Dato' Shari bin Haji Osman	Directors' Conference 2019	BIMB Holdings Berhad	29 October 2019
Dato' Indera Dr. Md Yusop bin Omar	Directors' Conference 2019	BIMB Holdings Berhad	29 October 2019
Mohd Adzahar bin Abdul Wahid	Share Buy-Back Linking Listing Requirements, Companies Act 2016, Insider Trading Laws and Code on Take-Overs & Mergers 2016	Malaysian Institute of Accountants	18 September 2019
	MIA International Accountants' Conference 2019	Malaysian Institute of Accountants	22 – 23 October 2019
	Directors' Conference 2019	BIMB Holdings Berhad	29 October 2019
Dzul Effendy bin Ahmad Hayan	Seminar on Workforce Data Analysis	***TH***	7 March 2019
	Seminar on Data Protection Act	***TH***	2 May 2019
	Mandatory Accreditation Programme	ICLIF	23 July 2019
	Property Investment Forum	***TH***	21 October 2019
	2019 ***TH*** Nominee Directors Training Programme	***TH***	3 December 2019

All Directors have successfully completed the Mandatory Accreditation Programme ("MAP") prescribed by Bursa Malaysia Securities Berhad. The Listing Requirements require newly appointed directors of public listed companies to attend the MAP within four (4) months after their appointment.

FINANCIAL REPORTING

The Board aims to present to shareholders, investors and regulatory authorities, a clear, balanced and comprehensive assessment of THP Group's financial performance and prospects. This assessment is primarily provided in quarterly financial reports, audited financial statements, annual reports as well as through material disclosures made in accordance with the Listing Requirements.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Audit Committee assists the Board in scrutinising the information for disclosure to ensure accuracy, adequacy, transparency and compliance with the appropriate accounting standards and the financial statements give true and fair view of THP Group's financial position.

CORPORATE DISCLOSURE

The Company observes the Corporate Disclosure Guide issued by Bursa Securities as well as the disclosure requirements of the Listing Requirements. The Company also acknowledges the importance of timely and equal dissemination of material information to the shareholders, investors and public.

Meetings and briefings are held periodically with investors, research analysts, bankers and the media to explain THP Group's latest performance results, current developments and future direction. While these forms of communications are important, the Company takes full cognisance of its responsibility not to disclose price-sensitive information.

LEVERAGING ON INFORMATION TECHNOLOGY FOR EFFECTIVE DISSEMINATION OF INFORMATION

The Company maintains a corporate website at www.thplantations.my which provides all other public corporate and financial information, such as THP Group's quarterly announcements of its financial results, announcements and disclosures made pursuant to disclosures required by the Listing Requirements and other corporate information on THP Group. Shareholders and the public can also direct their queries through the email contacts provided in the corporate website.

GENERAL MEETINGS

The Company's "AGM" is a useful forum for shareholders to engage directly with the Board.

The Company conducts its AGM by e-polling instead of voting by show of hands as practised previously pursuant to the Listing Requirements. The Board will consider using the most feasible voting method for polling to facilitate shareholders' voting process by taking into account its practicability, efficiency and reliability. THP appoints a poll administrator to handle the polling process and Independent Scrutineers to verify the results of the poll.

Chairman on the Board chaired the 45th AGM of the Company held on 27 June 2019 in an orderly manner and allowed the shareholders or proxies to speak at the meeting. All Directors were present at the 45th AGM to respond to the questions raised by the shareholders or proxies.

At the 45th AGM, the Chief Executive Officer presented the Company's operational and financial performance for the financial under review as well as the Company's strategic recovery plan. The presentation is supported by visual and graphical presentation of key financial figures and key operational highlights to facilitate shareholders' understanding and analyses of the Company's performance.

The Chairman provided fair opportunity and time to all shareholders and proxies in exercising their rights to raise questions or seek clarification from the Board and Senior Management, on the items listed on the agenda of the general meeting.

The proceedings at the 45th AGM were recorded in the minutes of meeting which is made available in the Company's corporate website.

INVESTOR RELATION

The Board has in place an Investor Relations Policy to ensure continual and appropriate communication with all stakeholders. As part of the Investor Relations Policy, an authorised spokesperson will guide and steer communications made by THP's Senior Management and employees. This allows for clear alignment of messaging and establishes accurate and precise information is given to the media and the market.

DIRECTORS' RESPONSIBILITY STATEMENT IN THE PREPARATION OF AUDITED FINANCIAL STATEMENTS

The Board is required under the Listing Requirements to issue a statement explaining its responsibilities in the preparation of the audited financial statements. The Directors are required by the Companies Act, 2016 to prepare audited financial statements for each financial year which provide a true and fair view of the state of affairs of THP Group at the end of the financial year and of the profit and loss of the Company and the Group for the financial year under review. In preparing these audited financial statements, the Directors have:

- Used appropriate accounting policies and consistently applied them;
- Made judgments and estimates that are reasonable and prudent; and
- Stated whether applicable approved accounting standards have been followed, subject to any material departures disclosed and explained in the audited financial statements.

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

The Directors are also responsible for taking such steps that are necessary to safeguard the assets of THP Group and to prevent fraud and other irregularities.

This Statement on Corporate Governance was approved by the Board on 2 June 2020.

NRC NOMINATION & REMUNERATION COMMITTEE REPORT

To terms of reference of the Nomination & Remuneration Committee are available on the Company's website at www.thplantations.my.

The members of the Nomination & Remuneration Committee are as follows:

DATO' SHARI BIN HAJI OSMAN
Chairman, Independent Non-Executive Director
(Re-designated from Member to Chairman w.e.f. 26 November 2019)
Attented 7 out of 7 Nomination & Remuneration Committee meetings
100%

MOHD ADZAHAR BIN ABDUL WAHID
Member, Independent Non-Executive Director
Attented 7 out of 7 Nomination & Remuneration Committee meetings
100%

DZUL EFFENDY BIN AHMAD HAYAN
Member, Non-Independent Non-Executive Director
(Appointed w.e.f. 26 November 2019)
NOT APPLICABLE

DATUK SERI NURMALA BINTI ABD RAHIM
Chairman, Independent Non-Executive Director
(Resigned w.e.f. 1 August 2019)
Attented 4 out of 4 Nomination & Remuneration Committee meetings
100%

DATUK NIK MOHD HASYUDEEN BIN YUSOFF
Member, Non-Independent Non-Executive Director
(Resigned w.e.f. 26 November 2019)
Attented 4 out of 7 Nomination & Remuneration Committee meetings
57%

The Nomination & Remuneration Committee meets at least once a year or at any other time deemed necessary by the Chairman of the Committee. The quorum for a meeting of the Committee is two (2) members.

During FYE 2019, NRC performed a number of key activities summarised amongst others as below:

- Assessing and recommending to the Board, the continuation of service of the Directors who are seeking re-election at the AGM.
- Reviewing and assessing the annual performance and effectiveness of the Board.
- Assessing and recommending to the Board on the appointment of new directors of THP.
- Recommending to the Board on the appointment of an additional member of the Nomination & Remuneration Committee.
- Assessing, considering and recommending to the Board on the appointment of the new Plantation Director of THP and its remuneration package.
- Assessing, considering and recommending to the Board on the appointment of the new Chief Financial Officer of THP and its remuneration package.
- Reviewing and recommending to the Board on the composition of the Board of Directors of the subsidiaries of THP.
- Reviewing and recommending to the Board on the proposal to revise the method of computing the acting allowance.
- Reviewing and recommending to the Board on the proposal to revise the maximum salary scale of the THP employees.
- Reviewing and recommending to the Board on the proposal to revise THP Employees' Benefits and Privileges.

STRUCTURE AND PROCEDURE OF THE NOMINATION & REMUNERATION COMMITTEE

a. The actual decision as to who shall be appointed to the Board shall be the responsibility of the Board after considering the recommendations made by the Committee.
b. The determination of remuneration packages of Non-Executive Directors, including the Non-Executive Chairman shall be a matter to be considered by the Board as a whole and thereafter to be put forth to the shareholders for approval.
c. The Chief Executive Officer / Executive Director does not participate in discussions pertaining to his own remuneration.
d. The level of remuneration should be sufficient to attract and retain the Directors needed to steer the Company successfully. The level of remuneration should reflect the experience and responsibilities undertaken by the Non-Executive Directors concerned.

AC AUDIT COMMITTEE REPORT

The terms of reference of the Audit Committee are available on the Company's website at www.thplantations.my.

The members of the Audit Committee are as follows:

MOHD ADZAHAR BIN ABDUL WAHID
Chairman, Independent Non-Executive Director
Attented 10 out of 10 Audit Committee meetings

100%

DATO' SHARI BIN HAJI OSMAN
Member, Independent Non-Executive Director
Attented 10 out of 10 Audit Committee meetings

100%

DATO' INDERA DR. MD YUSOP BIN OMAR
Member, Independent Non-Executive Director
(Appointed to the Audit Committee on 26 November 2019)
Attented 1 out of 1 Audit Committee meetings

100%

DATUK NIK MOHD HASYUDEEN BIN YUSOFF
Member, Non-Independent Non-Executive Director
(Resigned from the Audit Committee on 26 November 2019)
Attented 7 out of 9 Audit Committee meetings

78%

DATO' MOHD SHUKRI BIN HUSSIN
Member, Independent Non-Executive Director
(Resigned from the Audit Committee on 14 March 2019)
Attented 2 out of 2 Audit Committee meetings

100%

DATUK SERI NURMALA BINTI ABD RAHIM
Member, Independent Non-Executive Director
(Resigned from the Audit Committee on 1 August 2019)
Attented 6 out of 7 Audit Committee meetings

86%

Management is invited to brief the Audit Committee ("AC") on the Group's financial performance and relevant corporate matters as well as to address any enquiries raised by the AC. The Internal Audit Department ("IAD") attended all AC meetings and presented the internal audit findings to the AC and also presented the internal audit plan and activities. The external auditors were also invited to attend the AC meetings to present their reports on the audited financial statement.

All issues discussed and deliberated during the AC meetings were minuted by the Company Secretary. Any matters of significant concern raised by the internal and external auditors were duly conveyed by the AC to the Board.

SUMMARY OF ACTIVITIES

During the financial year under review, the AC has carried out its duties and responsibilities in accordance with its terms of reference. The main activities undertaken by the AC during this period were as follows:

a) Reviewed quarterly financial and operational reports, interim financial results, interim financial report to Bursa Securities and the annual audited financial statements prior to submission to the Board for approval;

b) Reviewed the Risk Management Report 2019 as presented by the Chairman of the Management's Risk Management Committee ("RMC");

c) Reviewed and evaluated the performance of the subsidiaries of THP, including non-performing, as presented by Management;

d) Reviewed and approved the external auditors' scope of work and audit plan;

e) Reviewed with the external auditors, on the compliance of the Company's and THP Group's annual financial statements to Bursa Securities' Listing Requirements and the applicable approved accounting standards issued by the Malaysian Accounting Standards Board (MASB);

f) Reviewed with the external auditors, on the results of their audit;

g) Reviewed the conduct, and considered the remuneration and re-appointment of the external auditors;

h) Held independent meetings (without the presence of Management) with the external auditors on significant findings during the course of their audit;

i) Reviewed with the external consultants on the findings of their review of the acquisition exercises undertaken by THP and reported to the Board on relevant matters deliberated in the AC meetings;

j) Reviewed and approved the internal audit scope of work and audit plan;

k) Reviewed the internal audit findings and reported to the Board on relevant matters deliberated in the AC meetings;

l) Held independent meetings (without the presence of Management) with the internal auditors on significant findings during the course of their audit;

m) Performed periodic review on the system of internal controls that is in place and being observed; and

n) Reviewed the transactions of related party entered by the Company and THP Group to ensure that such transactions are undertaken on an arm's length basis on normal commercial terms which are not detrimental to the interests of the minority shareholders of the Company, and to ensure that the related internal control procedures are both sufficient and effective.

INTERNAL AUDIT FUNCTION AND ACTIVITIES

The internal audit function of THP Group is performed in-house and is independent from the main activities and operations of THP Group's operating units. The IAD reports directly to the AC and its primary function is to assist in discharging the AC's duties and responsibilities. It is the role of the IAD to provide the AC with periodic, independent and objective reports on the state of risks management and internal controls of THP Group's operations and the extent of compliance to the established policies, procedures and relevant statutory requirements.

During the financial year under review, the IAD has:

a) Conducted 33 audits and 4 follow-up on various operating units based on the annually approved internal audit plan and Management request;

b) Reviewed and evaluated the adequacy and application of financial and operational controls and continuously promoted the importance of effective internal controls throughout THP Group;

c) Reviewed and evaluated the operating units' compliance to the established policies, procedures and relevant statutory requirements;

d) Presented the findings and recommendations in the form of audit report for Management's actions and to the AC for further deliberation;

e) Performed follow-ups on the status of the findings and recommendations applied as carried out by the Management;

f) Collaborated with the external auditors to ensure sufficient coverage in the audit scope and avoid duplication wherever possible; and

g) Undertaken special assignments as and when requested by the AC and/or Management and reported the results to the AC and/or Management.

The cost incurred for the internal audit function for the financial year under review was approximately

RM1.14 Million

This Audit Committee Report was approved by the Board on 2 June 2020.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

THE STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL ("THE STATEMENT") IS MADE PURSUANT TO THE MAIN BURSA LISTING REQUIREMENTS AND IS GUIDED BY THE STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL – GUIDELINES FOR DIRECTORS OF LISTED ISSUERS. THE STATEMENT OUTLINES THE NATURE OF RISK MANAGEMENT AND INTERNAL CONTROL WITHIN THE GROUP FOR THE FINANCIAL YEAR UNDER REVIEW.

RESPONSIBILITY AND ACCOUNTABILITY

Pursuant to the Malaysian Code on Corporate Governance (MCCG) 2017, the Board of a listed company is required to acknowledge their overall responsibility in the establishment and overseeing a sound risk management framework and internal control system.

To support the Board's responsibility, the Audit Committee ("AC") is assigned to oversee not only the Group's financial reporting and audit related matters, but also on the Group's risk management and internal control, with the support from Management's Risk Management Committee ("RMC").

The AC is empowered by a clearly established and approved Terms of Reference ("TOR") in the above mentioned responsibilities. Accordingly, the Board is committed to the continuous development and maintenance of the risk management framework and internal control system in order to safeguard the stakeholder's interests and the Group's assets.

However, due to the limitations that are inherent in risk management framework and internal control system, the Board recognises that such systems are designed to manage, rather than eliminate, the risks identified to an acceptable level of risk appetite set and approved by the Board. The system by its nature can only provide reasonable but not an absolute assurance against financial misstatements, operational failures, fraud or loss. The concept of reasonable assurance recognises that the cost of control procedures should not exceed the expected benefits.

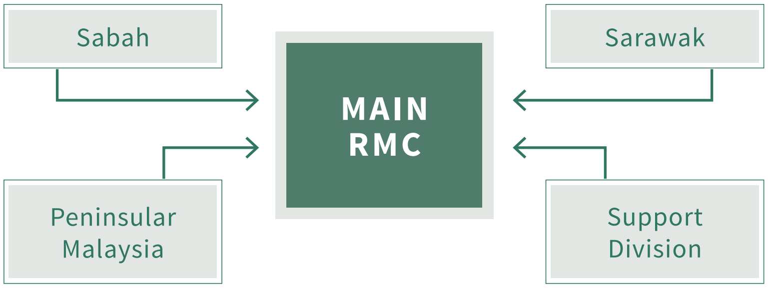
MANAGEMENT RESPONSIBILITY

The existence of the RMC is to oversee the risk management activities within the Group by continuously review, monitor and update the framework. The RMC has a board mandate to ensure effective implementation of the objectives outlined in the Risk Management Policy ("RMP") and its compliance within the Group. The RMC shall report to the AC on half-yearly basis.

The followings are the main roles and responsibilities of the RMC:-

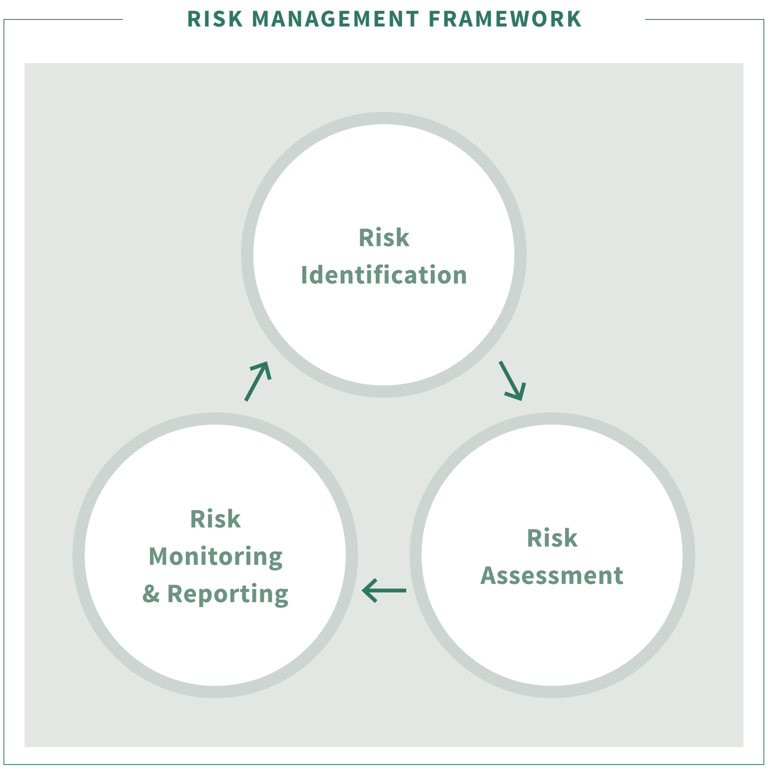
- Assist the Board in implementing the objectives outlined in the RMP;
- Organise the required risk management resources and actively monitor the risk management initiative;
- Determine a process that enables the identification, evaluation, monitoring and mitigation of risks faced by the respective business units and the Group;
- Identify and evaluate new strategic risks and key operational risks including corporate matters;
- Assist the Board in reviewing and updating the existing risk profile and risk mapping in line with the needs of the current business environment, if any;
- Assist the Board in reviewing and reporting on the status of completion of action plans; and
- Report to the AC on any major changes to the risk profile requiring immediate attention or notification, if any.

The Group's Main RMC is chaired by the Chief Executive Officer and supported by four (4) regional-based Sub-RMCs where the members are selected among the key Senior Management of various departments and regions:-



RISK MANAGEMENT FRAMEWORK

The monitoring and review process in Risk Management Framework ("RMF") involves the following key processes:-



These processes tracks the current status of the risk profile, identify changes in the risk context and ensures that the controls are adequate in both design and operations.

Risk Identification

Risk identification is a line management responsibility, whereby an employee shall recognise and identify the risk that arises to the Risk Owner who is an individual accountable for all aspects of the risk including assessment, monitoring and reporting. It is the RMC's decision to assign the risk accountability to the suitable Risk Owner based on individual's competence, authority, responsibility and available resources.

Risk that has been identified and assessed is categorised under one of the following categories:-

The maximum risk exposure and tolerance by the Group are deliberated and decided in line with the long term profitability and survival of the business.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

Risk Assessment

Risk assessment is an exercise of evaluating risk by considering estimates of both likelihood and impact in order to ascertain its relevance to the business and efficacy of current treatments. The Risk Owner is responsible for the assessment of risk exposure within the business operations which involves identifying the range of options for treating risk including accepting, mitigating, spreading, transferring, avoiding or monitoring the risk. Appropriate risk treatment plans are then prepared after assessing each option followed by implementation of those plans. Control plans are in place to ensure accountabilities and meeting the required expectation and deadline.

Risk Monitoring and Reporting

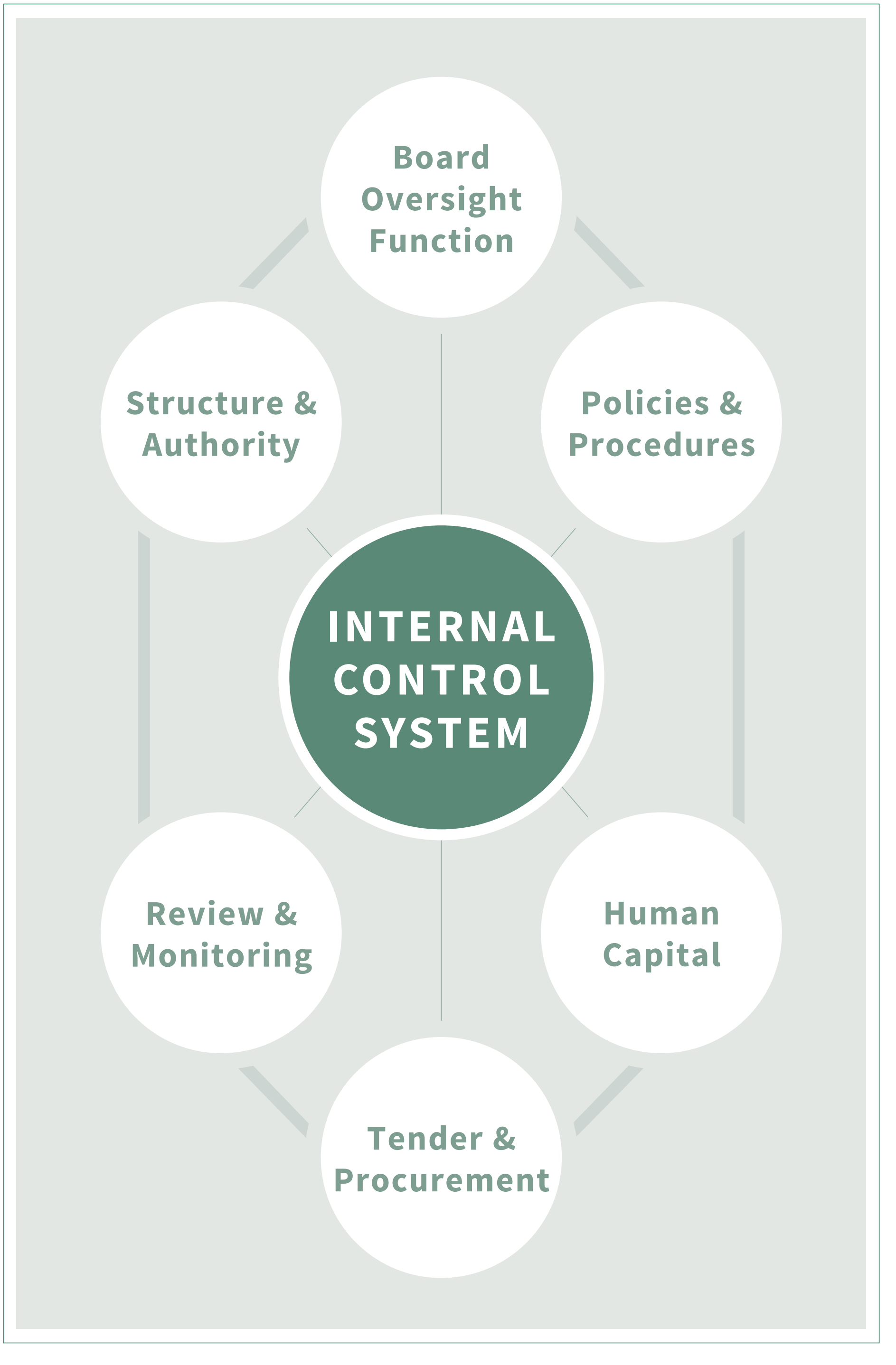
The process serves as a monitoring and reporting tool for Management. Any material issues regarding risk management are to be reported and discussed at either Management level or Board level or both, depending on the significance of the risk. The monitoring of the implementation and review of the risk management strategies and action plans are done as and when required by Management and the Board.

INTERNAL CONTROL SYSTEM

The internal control system has been designed to reflect the risk profiles established in the Group's risk management framework. The system is formulated based on experiences, relevant rules and regulations and industry's best practices to mitigate the identified risks that suit the risks appetite set by Management and the Board. The RMC would continuously review, monitor and update the existing risks, including any emerging risks face by the Group and report them to the AC accordingly.

Thus, the Group has designed and implemented a sound system of internal control that enable the business to be operated in an effective and efficient manner in order to achieve the Group's business objectives and to safeguard its interest.

The key elements of the Group's internal control system are as follows:-



Board's Oversight Function

The AC supports the Board's oversight function in evaluating the business performance of the Group and effectiveness and compliance of the Group's internal control system through operation and financial reports from Management and audit reports from the IAD and External Auditors. Key findings are brought to the attention and deliberation of the AC which, in turn, will report these matters to the Board.

Structure and Authority

The Group maintains a formal organisational structure which organises the business operations into functional and support units. The structure provides clear lines of reporting with well-defined roles and responsibilities, accountability and ownership with proper segregation of duties. The structure is designed to ensure an effective internal control system and good corporate governance practices within the Group.

Formal authorisation policy and procedures are in place to define lines of accountabilities and delegation of authority for planning, executing, controlling and monitoring business operations and risks.

The organisational structure and authorisation policy and procedures are periodically reviewed and enhanced to incorporate any emerging business and operational needs.

Policies and Procedures

The Board and Management acknowledge the importance of documented policies and Standard Operating Procedures ("SOP") in managing the operations of the Group. This is to ensure that proper internal control system is designed, implemented and adhered accordingly to manage the operational and financial risks and the risk of fraud and material misstatements, which may affect the goals and objectives of the Group.

The established policies and SOPs are periodically reviewed and updated by Management, as and when required, to reflect changes in business environment and the needs to ensure its relevancies and effectiveness. These would be tabled and approved by the Board accordingly.

The RMC and AC are not specifically tasked to review and approve the policies and SOPs as those are not fall under their responsibilities.

Performance Review and Monitoring

The Group's performances are reviewed and discussed in Management meetings on monthly basis or as and when required by the Chief Executive Officer. In every meeting, Management focus are on the current operation and financial issues and actual results against management plans, forecast and prior year achievements. Any significant variances that are identified would be analysed by Management and corrective actions would be taken accordingly.

For estates and mills performances, they are directly monitored by the Plantation Director. He is supported by the Regional Plantation Controllers (Sabah) and (Sarawak), Planting Advisor (Peninsular Malaysia) and Chief Engineer (for mills). Monthly Progress Report is also being prepared by the Managers of estates and mills as part of reporting, monitoring and reviewing process for their operational performances.

The Key Performance Indicators ("KPI") and the operational targets of the estates and mills are clearly set and agreed based on expected productivity, profitability, efficiency and cost control of the year.

Human Capital Management

The Group acknowledged human capital as an important element of a successful business. As such, Human Resources Department ("HRD") has a plan on human capital management, especially in the training and development programmes, to ensure employees are kept up to date with necessary competencies and knowledge in order to perform their responsibilities toward achieving the Group's goals and objectives.

The performance of the individual employees is also evaluated annually through reviews of KPI by respective Heads of Department ("HOD"). This review will allow HRD to identify future talent among employees and utilise this process to formulate a succession plan for key positions in the Group.

Tender and Procurement

The Group has Tender Committee A and B that are responsible for reviewing, deliberating and approving tender award of major contracts and ensuring that the procurement processes are complied with its procurement ethics, policies and requirements.

The Tender Committee A consists of at least three (3) members exclusively Non-Executive Directors, majority of whom are Independent, while the Tender Committee B consists of at least three (3) members and one (1) member must be an Independent Non-Executive Director. Tender Committee A approves tender award that has a value of above RM 1.5 million on a single contract, while Tender Committee B approves tender award with value between RM 350,000 up to RM 1.5 million.

For any contract within Management's authorisation limit, a clearly defined policies and procedures on procurement of goods and services are in place to effectively control the process of awarding contract or procuring goods and services by main office, estates and mills. The tender committee comprises member of Senior Management which encourages transparency in awarding the contract.

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

Comprehensive internal control measures are implemented and monitored throughout all tender awards and procurement processes to safeguard the interests of the Group financially and operationally.

INTERNAL AUDIT FUNCTION

The IAD function is to provide the AC, and indirectly the Board, with independent assurance in regard to the effectiveness of risk management, internal control and governance processes of the Group.

The IAD assists in discharging the AC's duties and responsibilities by implementing a systematic and disciplined approach to review the business processes using a risk-based methodology in performing the audit assignments. A comprehensive Audit Report is produced to highlight audit findings and provide recommendations to Management for comments and actions. A follow-up audit would be carried out to monitor status of completion and compliance to the agreed action plans.

Significant audit findings are also presented and deliberated by the AC on a periodic basis as appropriate.

REVIEW OF EFFECTIVENESS

The processes adopted to review and monitor the effectiveness of the Risk Management and Internal Control system are:

- Reporting of higher risk exposures to the Board, via Management, if any;
- Reviewing the financial and operational information received regularly by Management from various reports with respect to risk management and internal control related issues; and
- Reviewing the financial and operational activities, risk management and internal control system by the IAD based on the annual audit plan as approved by the Audit Committee during the financial year under review.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("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 December 2019, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

(a) 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
(b) is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board and Management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

CONCLUSION

Based on the observations and reports provided to the Board for the financial year under review, the Board is of the opinion that the risk management and internal control system that is in place is adequate and effective to safeguard the interests of the Group's stakeholders, their investments and the Group's assets.

There was no material losses incurred during the financial year under review as a result of weaknesses in the internal control. Management has taken the necessary measures to improve the risks management and internal control system by continuously reviewing, monitoring and considering all risks faced by the Group to ensure that the risks are within acceptable levels within the Group's business objectives.

The Board have received assurance from the Chief Executive Officer and Chief Financial Officer that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

ADDITIONAL COMPLIANCE INFORMATION

a. Utilisation of Proceeds from Corporate Proposals

No proceeds were raised by the Company from any corporate proposals during the financial year ended 31 December 2019.

b. Audit and Non-Audit Fees

The amount of audit fees and non-audit fees incurred for services rendered to the Company and its subsidiaries for the financial year by the Company's auditors, or a firm or corporation affiliated to the Auditor's firm amounted to RM972,000 and RM227,000 respectively.

c. Material Contracts

There were no material contracts entered into by the Company and its subsidiaries involving directors' and major shareholders' interest which were still subsisting at the end of the financial year ended 31 December 2019 or which were entered into since the end of the previous financial period.

d. Recurrent Related Party Transactions

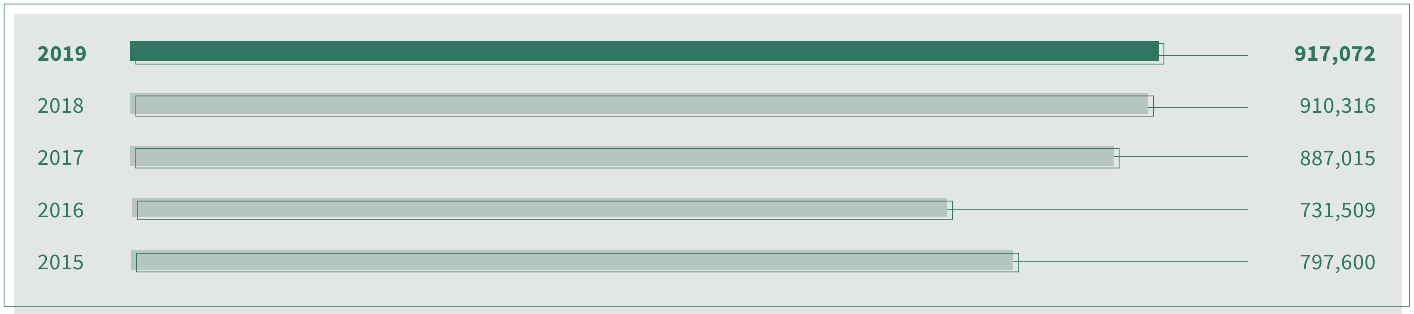
The aggregate value of the Recurrent Related Party Transactions of a revenue or trading nature conducted in pursuant to the shareholders' mandate during the financial year ended 31 December 2019 between the THP and/or its subsidiary companies with related parties are set out below:-

THP and/or Subsidiaries Transacting with Related Parties	Related Parties	Relationship with THP	Type of Transaction	Aggregate Value of Transaction RM'000
THP	Lembaga Tabung Haji	Holding Company	Lease of land	2,928,000
	TH Travel Services Sdn. Bhd.	Related Company	Purchase of flight tickets	362,000
	Syarikat Takaful Malaysia Berhad	Related Company	Purchase of insurance	4,397,000
THP Agro Management Sdn. Bhd.	Deru Semangat Sdn. Bhd.	Related Company	Provision of management services	325,000

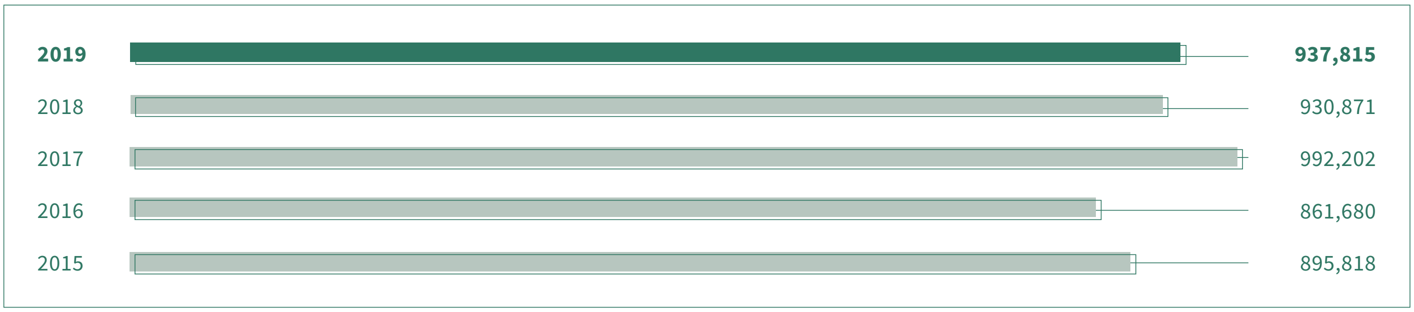
PERFORMANCE STATISTICS

GROUP 5-YEAR PLANTATION STATISTICS

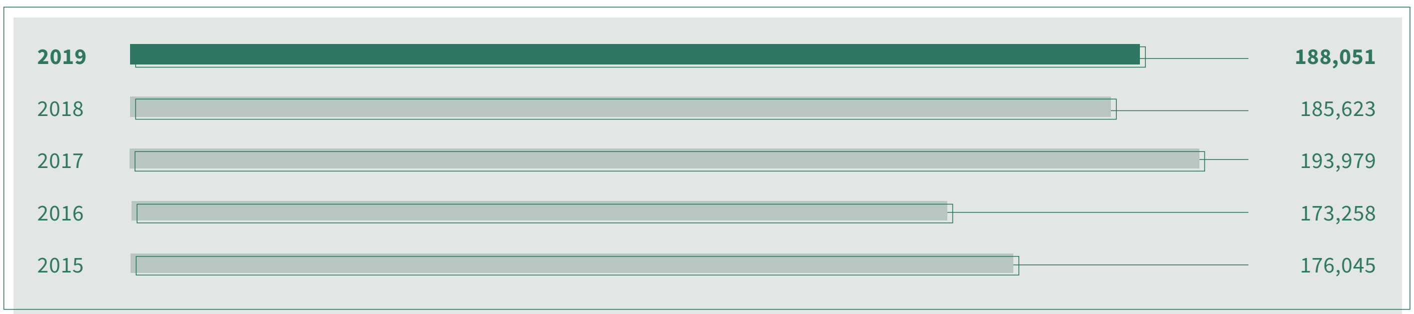
FFB PRODUCED *(MT)*



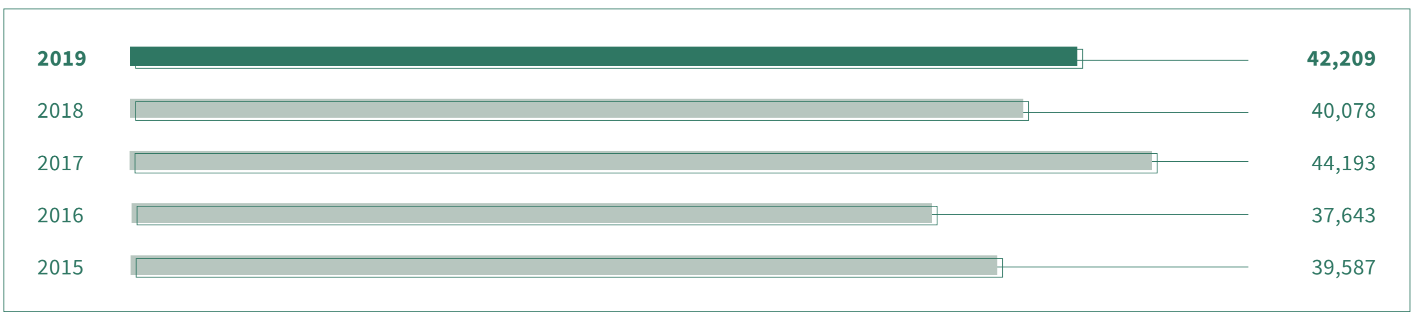
FFB PROCESSED *(MT)*



CPO PRODUCTION *(MT)*



PK PRODUCTION *(MT)*



PERFORMANCE STATISTICS

GROUP 5-YEAR PLANTATION STATISTICS

	2019	2018	2017	2016	2015
Production (MT)					
FFB produced - total	**917,072**	910,316	887,015	731,509	797,600
FFB processed - total	**937,815**	930,871	992,202	861,680	895,818
FFB Purchased	**180,723**	180,852	235,745	207,294	178,365
Yield and Extraction Rates					
FFB yield (tonnes per mature hectare)	**18.18**	18.59	18.14	15.36	18.17
OER (%)	**20.05%**	19.94%	19.55%	20.11%	19.65%
KER (%)	**4.50%**	4.31%	4.45%	4.37%	4.42%
Average Selling prices (RM per tonne)					
Crude palm oil	**1,968**	2,121	2,672	2,463	2,081
Palm Kernel	**1,172**	1,709	2,444	2,365	1,545
FFB	**377**	408	539	516	379
AREA STATEMENT (Ha)					
Oil Palm					
- mature	**50,457**	48,955	48,893	47,630	43,903
- immature	**9,054**	9,114	11,457	13,474	15,443
Planted Area	**59,511**	58,069	60,350	61,104	59,346
Other crops					
- mature	**-**	-	-	-	-
- immature	**10,380**	10,797	8,873	9,028	8,990
Planted Area	**10,380**	10,797	8,873	9,028	8,990
Total Planted Area	**69,891**	68,866	69,223	70,132	68,336
In Course of Planting	**747**	5,128	4,753	4,147	6,690
Reserve land, building sites etc	**30,338**	27,025	27,010	30,492	29,486
Titled Area	**100,976**	101,019	100,986	104,771	104,512

PERFORMANCE STATISTICS

GROUP 5-YEAR KEY FINANCIAL INDICATORS

Revenue *(RM'000)*

2019	**493,650**
2018	519,324
2017	687,982
2016	562,310
2015	455,304

(Loss)/Profit Before Tax *(RM'000)*

(245,009)	**2019**	
(678,111)	2018	
	2017	60,999
	2016	127,296
	2015	18,714

(Loss)/Profit After Tax *(RM'000)*

(273,134)	**2019**	
(658,382)	2018	
	2017	31,230
	2016	150,469
	2015	23,929

Basic Earnings per Share *(sen)*

(25.63)	**2019**	
(67.27)	2018	
	2017	2.54
	2016	16.64
	2015	7.03

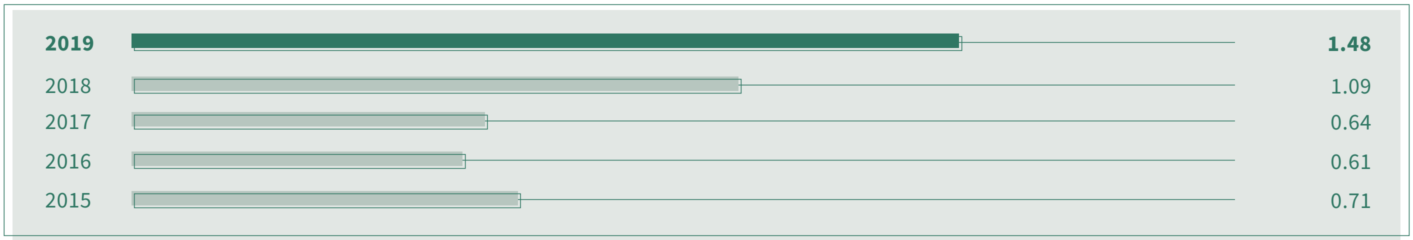
Net Assets per Share *(RM)*

2019	**0.64**
2018	0.90
2017	1.51
2016	1.57
2015	1.44

PERFORMANCE STATISTICS

GROUP 5-YEAR KEY FINANCIAL INDICATORS

Net Debt to Equity Ratio *(times)*



	2019	2018	2017	2016	2015
Profitability and returns					
Gross profit margin	**9.54%**	-21.00%	27.01%	14.00%	8.37%
(LBT)/PBT margin	**-49.63%**	-130.58%	8.87%	22.64%	4.11%
(Loss)/Profit after tax and after minority interest margin	**-45.88%**	-114.50%	3.26%	26.15%	13.65%
Return on average shareholders' Equity	**-33.39%**	-54.03%	1.56%	10.77%	5.01%
Return on Capital Employed	**-8.22%**	-29.84%	6.07%	11.26%	2.25%
Net assets per share (RM)	**0.64**	0.90	1.51	1.57	1.44
Solvency and liquidity					
Debt to equity ratio (times)	**1.48**	1.09	0.64	0.61	0.71
Interest cover (times)	**(2.26)**	(9.14)	1.88	3.44	1.60
Current ratio (times)	**2.35**	2.94	1.26	1.22	0.57
Financial Market					
EPS (sen)					
- basic	**(25.63)**	(67.27)	2.54	16.64	7.03
- diluted	**(25.63)**	(67.27)	2.54	16.64	7.03
Gross dividend paid per share (sen)	**-**	-	3.60	6.00	-
Gross dividend paid rate (%)	**0.00%**	0.00%	3.69%	12.00%	0.00%
Gross dividend yield (%)	**0.00%**	0.00%	3.13%	5.45%	0.00%
Net dividend payout rate (%)	**0.00%**	0.00%	3.69%	12.00%	0.00%
Price-to-earnings ratio (times)	**(2.54)**	(0.69)	45.28	6.61	16.50
Price-to-book ratio (times)	**0.70**	0.38	0.57	0.53	0.63

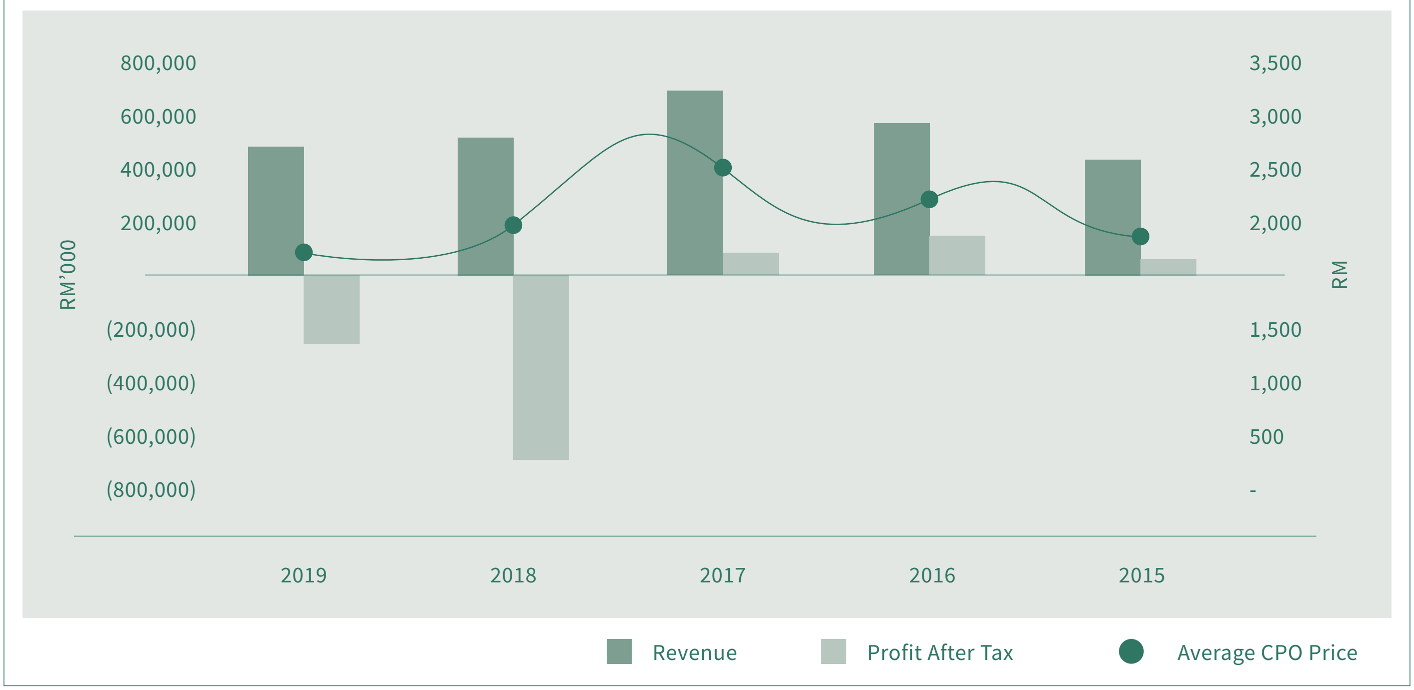
PERFORMANCE STATISTICS

GROUP 5-YEAR KEY FINANCIAL STATISTICS

STATEMENT OF INCOME STATEMENT HIGHLIGHTS (RM'000)

	2019	2018	2017	2016	2015
Revenue	**493,650**	519,324	687,982	562,310	455,304
Results from operating activities	**(170,361)**	(612,106)	121,656	175,954	35,995
Profit margin income from short term investments and receivables	**648**	1,001	3,884	2,538	5,251
Finance cost	**(75,296)**	(67,006)	(64,541)	(51,196)	(22,532)
(Loss)/Profit before tax	**(245,009)**	(678,111)	60,999	127,296	18,714
Tax expense	**(28,125)**	19,729	(29,769)	23,173	5,215
Net (loss)/profit for the year	**(273,134)**	(658,382)	31,230	150,469	23,929
Attributable to :					
Owners of the Company	**(226,498)**	(594,608)	22,409	147,070	62,133
Non-controlling interests	**(46,636)**	(63,774)	8,821	3,399	(38,204)
Net (loss)/profit for the year	**(273,134)**	(658,382)	31,230	150,469	23,929

GROUP 5-YEAR PROFIT VS AVERAGE CPO PRICE



PERFORMANCE STATISTICS

GROUP 5-YEAR KEY FINANCIAL STATISTICS

STATEMENT OF FINANCIAL POSITION HIGHLIGHTS (RM'000)

	2019	2018	2017	2016	2015
ASSETS					
Other non-current assets	**1,562,060**	1,955,841	3,229,147	3,216,643	3,185,369
Intangible asset	**-**	-	73,265	73,265	73,265
Total non-current assets	**1,562,060**	1,955,841	3,302,412	3,289,908	3,258,634
Other current assets	**1,105,589**	861,901	160,834	226,489	115,720
Cash and cash equivalents	**68,953**	50,561	99,175	163,771	75,590
Total current assets	**1,174,542**	912,462	260,009	390,260	191,310
Total assets	**2,736,602**	2,868,303	3,562,421	3,680,168	3,449,944
EQUITY					
Share capital	**862,752**	862,752	862,752	441,925	441,925
Share premium	**-**	-	-	420,827	420,827
Other reserves	**(80,935)**	(80,958)	(80,786)	(82,557)	(82,557)
Share option reserve	**-**	-	-	2,213	2,228
Foreign currency translation reserves	**(13,246)**	(11,790)	(8,012)	-	(405)
(Accumulated loss)/Retained earnings	**(204,143)**	22,355	634,639	679,403	487,416
Total equity attributable to owners of the Company	**564,428**	792,359	1,408,593	1,461,811	1,269,434
Non-controlling interests	**253,376**	302,736	367,647	364,807	354,439
Total equity	**817,804**	1,095,095	1,776,240	1,826,618	1,623,873
LIABILITIES					
Long term borrowings	**1,139,644**	1,199,510	1,196,183	1,175,374	1,128,637
Other long term liabilities	**278,779**	263,472	384,061	357,371	361,049
Total non-current liabilities	**1,418,423**	1,462,982	1,580,244	1,532,745	1,489,686
Other current liabilities	**360,604**	268,682	158,080	207,654	229,892
Loans and borrowings	**139,771**	41,544	47,857	113,151	106,493
Total current liabilities	**500,375**	310,226	205,937	320,805	336,385
Total liabilities	**1,918,798**	1,773,208	1,786,181	1,853,550	1,826,071
Total equity and liabilities	**2,736,602**	2,868,303	3,562,421	3,680,168	3,449,944

PERFORMANCE STATISTICS

GROUP 5-YEAR KEY FINANCIAL STATISTICS

STATEMENT OF CASH FLOW HIGHLIGHTS (RM'000)

	2019	2018	2017	2016	2015
(Loss)/Profit before tax	**(245,009)**	(678,111)	60,999	127,296	18,714
Adjustment for non-cash items	**377,118**	764,283	146,098	42,072	86,944
Changes in working capital	**90,050**	46,582	46,472	(59,490)	18,644
Cash generated from/(used in) operations	**222,159**	132,754	253,569	109,878	124,302
Profit margin income from short term investments and receivables	**648**	1,001	3,884	2,538	4,953
Profit margin expenses on payables, borrowing cost , tax and zakat paid	**(88,784)**	(97,275)	(97,354)	(96,315)	(80,689)
Net cash generated from/(used in) operating activities	**134,023**	42,269	160,099	16,101	48,566
Acquisition of property, plant and equipment	**(6,941)**	(17,816)	(39,533)	(35,706)	(28,290)
Acquisition of property, plant and equipment in relation to assets held for sale	**(918)**	-	-	-	-
Plantation development expenditure	**(36,339)**	(54,068)	(63,286)	(62,585)	(124,904)
Plantation development expenditure in relation to held for sale	**(12,726)**	-	-	-	-
Forestry	**(11,698)**	(25,290)	(12,740)	(23,348)	(23,568)
Proceeds from disposal of subsidiary	**-**	-	-	153,065	16,250
Increase in other investment	**649**	1,400	232	607	16,678
Other investing activities	**145**	116	6	603	2,634
Net cash (used in)/generated from investing activities	**(67,828)**	(95,658)	(115,321)	32,636	(141,200)
Proceeds from drawdown of loans and borrowings	**187,700**	175,369	375,931	248,548	1,198,415
Proceeds from issue of new ordinary share capital	**-**	-	-	-	1,000
Repayments of loans and borrowings	**(151,331)**	(161,360)	(409,617)	(192,219)	(1,057,678)
Loan repayment in relation to liabilities held for sale	**(13,715)**	-	-	-	-
Dividends paid to owners of the Company	**(155)**	(18,155)	(90,039)	(11,223)	(17,622)
Dividends paid to non-controlling interests	**(4,314)**	-	(4,792)	(6,694)	(6,880)
(Decrease)/Increase in amount due to holding corporation	**(1,094)**	(965)	7,355	4,971	(582)
(Decrease)/Increase in amount due to related companies	**(59,997)**	10,231	11,851	(3,906)	(297,802)
Dividends paid by a subsidiary in relation to pre-acquisition dividend payables	**-**	-	-	-	(12,999)
Payment of lease liabilities	**(4,874)**	-	-	-	-
Net cash (used in)/generated from financing activities	**(47,780)**	5,120	(109,311)	39,477	(194,148)
Net increase/(decrease) in cash and cash equivalents	**18,415**	(48,269)	(64,533)	88,214	(286,782)

PERFORMANCE STATISTICS

GROUP QUARTERLY PERFORMANCE

FINANCIAL PERFORMANCE (RM'000)

	2019				
	Total	**Q4**	**Q3**	**Q2**	**Q1**
Revenue	493,650	136,247	136,007	106,113	115,283
Results from operating activities	(170,361)	(149,751)	(28,882)	(8,585)	16,857
Profit margin income from short term investments and receivables	648	313	128	109	98
Finance cost	(75,296)	(14,659)	(20,037)	(20,612)	(19,988)
Loss before tax	(245,009)	(164,097)	(48,791)	(29,088)	(3,033)
Taxation	(28,125)	(37,377)	8,778	6,343	(5,869)
Net loss for the year	(273,134)	(201,474)	(40,013)	(22,745)	(8,902)
Attributable to :					
Owners of the Company	(226,498)	(167,648)	(31,609)	(19,150)	(8,091)
Non-controlling interests	(46,636)	(33,826)	(8,404)	(3,595)	(811)
Net loss for the year	(273,134)	(201,474)	(40,013)	(22,745)	(8,902)
Earnings per share (sen)					
- basic	(25.63)	(18.96)	(3.58)	(2.17)	(0.92)
- diluted	(25.63)	(18.96)	(3.58)	(2.17)	(0.92)

	2018			
	Q4	**Q3**	**Q2**	**Q1**
Revenue	118,622	140,909	138,558	121,235
Results from operating activities	(643,547)	(8,264)	17,512	22,193
Profit margin income from short term investments and receivables	243	162	173	423
Finance cost	(20,741)	(15,568)	(15,446)	(15,251)
(Loss)/Profit before tax	(664,045)	(23,670)	2,239	7,365
Taxation	20,068	1,148	1,782	(3,269)
Net (loss)/profit for the year	(643,977)	(22,522)	4,021	4,096
Attributable to :				
Owners of the Company	(578,237)	(19,803)	200	3,232
Non-controlling interests	(65,740)	(2,719)	3,821	864
Net (loss)/profit for the year	(643,977)	(22,522)	4,021	4,096
Earnings per share (sen)				
- basic	(65.42)	(2.24)	0.02	0.37
- diluted	(65.42)	(2.24)	0.02	0.37

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

DIRECTORS' REPORT

for the year ended 31 December 2019

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

Principal activities

The Company is principally engaged in investment holding, cultivation of oil palm, processing of fresh fruit bunches ("FFB"), marketing of crude palm oil ("CPO"), palm kernel ("PK") and FFB, whilst the principal activities of the subsidiaries are as stated in Note 8 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Ultimate holding company

The Company is a subsidiary of Lembaga Tabung Haji, a statutory body established under the Tabung Haji Act 1995 (Act 535) of which is incorporated in Malaysia and regarded by the Directors as the Company's ultimate holding corporation, during the financial year and until the date of this report.

Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 8 to the financial statements.

Results

	Group RM'000	Company RM'000
Loss for the year attributable to:		
Owners of the Company	226,498	95,577
Non-controlling interests	46,636	-
	273,134	95,577

Reserves and provisions

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

Dividends

Since the end of the previous financial year, no dividend was paid in respect of the financial year ended 31 December 2018 and the Directors do not recommend any dividend in respect of the financial year ended 31 December 2019.

Directors of the Company

Directors who served during the financial year until the date of this report are:

Datuk Nik Mohd Hasyudeen bin Yusoff
Dato' Indera Dr. Md Yusop bin Omar
Dato' Shari bin Haji Osman
Mohd Adzahar bin Abdul Wahid
Tan Sri Abu Talib bin Othman (appointed on 26 March 2019)
Dzul Effendy bin Ahmad Hayan (appointed on 27 March 2019)
Dato' Mohd Shukri bin Hussin (resigned on 14 March 2019)
Datuk Seri Nurmala binti Abd Rahim (resigned on 1 August 2019)

DIRECTORS' REPORT
for the year ended 31 December 2019

Directors of the subsidiaries

The following is a list of Directors of the subsidiaries (excluding Directors who are also Directors of the Company) in office during the financial year until the date of this report:

Shafaruddin bin Hanafiah
Irwan bin Ayub
Mohammed Hayssam bin Musa
Datuk Syed Hood bin Syed Edros
Abang Dato' Dr Haji Ariffin bin Abang Haji Borhan
Datuk Bolhassan bin Di @ Ahmad bin Di
Dato' Abdul Majit bin Ahmad Khan
Dato' Sulaiman bin Mohd Yusof
Muzmi bin Mohamed
Aliatun binti Mahmud
Kamri bin Ramlee
Datu Jumastapha bin Lamat
Maizura binti Mohamed
George Lentton Anak Indang
Dato' Dr. Darus Hj. Ahmad
Datuk Hamzah bin Datuk Haji Mohd Zakaria
Yeo Kian Kok
Ishamudin bin Hashim
Abdul Rashid bin Abdul Kassim
Datuk Haji Sapin @ Sairin bin Karano @ Karno
Datuk Haji Mohammad Yusof bin Hj Apdal
Abdul Raof bin Mohamed (appointed on 7 January 2019)
Mohd Badaruddin bin Ismail (appointed on 7 January 2019)
Dato' Posa bin Majais (appointed on 8 March 2019)
Wan Abu Bakar bin Wan Hamid (appointed on 10 June 2019 and resigned on 29 February 2020)
Alam Shah bin Abdul Rahman (appointed on 9 July 2019)
Md Hanif bin Md Nor (appointed on 7 August 2019)
Ir Ramli bin Mohd Tahar (appointed on 7 August 2019)
Monaliza binti Zaidel (appointed on 1 January 2020)
Idris bin Ibrahim (appointed on 1 March 2020)
Mohammad bin Kassim (resigned on 7 January 2019)
Dato' Asha'ari bin Idris (resigned on 7 January 2019)
Japar bin Mustapa (resigned on 8 March 2019)
Dato' Abd Rashid bin Sahibjan (resigned on 30 April 2019)
Hazem Mubarak bin Musa (resigned on 1 July 2019)
Dato' Radin Rosli bin Radin Suhadi (resigned on 7 August 2019)
Mohamed Azman Shah bin Ishak (resigned on 7 August 2019)
Rifina binti Md Arif (resigned on 7 August 2019)
Aruludin Raj bin Azman Arasu (resigned on 8 August 2019)
Ghazali bin Limat (resigned on 1 October 2019)
Datu Sajeli bin Kipli (resigned on 31 December 2019)

Directors' interests in shares

None of the Directors holding office at 31 December 2019 had any interest in the shares of the Company and of its related corporations during the financial year.

The interests and deemed interests in the shares of the Company and of its related corporations of those who were Directors of the subsidiaries of the Company at financial year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	At 1.1.2019	Bought	Sold	At 31.12.2019
Interest in the Company:				
Aliatun binti Mahmud				
- own	88,000	-	-	88,000
Maizura binti Mohamed				
- own	124,800	-	(124,700)	100
Dato' Sulaiman bin Mohd Yusof				
- own	36,000	-	-	36,000
Ir Ramli bin Mohd Tahar				
- own	10,000	-	-	10,000
Md Hanif bin Md Nor				
- own	5,000	-	-	5,000

None of the other Directors of the subsidiaries holding office at 31 December 2019 had any interest in the shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than the benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statement or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director, or with a company in which the Director has a substantial financial interest.

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

Issue of shares and debentures

There were no other changes in the issued and paid-up capital of the Company during the financial year. There were no debentures issue during the financial year.

Options granted over unissued shares

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

DIRECTORS' REPORT

for the year ended 31 December 2019

Indemnity and insurance costs

There were no indemnity given to or insurance effected by any Director, officer or auditor of the Company during the year.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, except for those disclosed in the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 December 2019 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Significant event

Significant event during the financial year is disclosed in Note 38 to the financial statements.

Subsequent events

Subsequent events after the financial year end are disclosed in Note 39 to the financial statements.

Auditors

The auditors, KPMG Desa Megat PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 28 to the financial statements.

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

………………………………………………………

Mohd Adzahar bin Abdul Wahid
Director

………………………………………………………

Datuk Nik Mohd Hasyudeen bin Yusoff
Director

Kuala Lumpur,

Date: 3 June 2020

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
Assets					
Property, plant and equipment	3	**774,085**	1,765,183	**88,207**	82,247
Right-of-use assets	4	**634,060**	-	**57,871**	-
Plantation development expenditure	5	**111,410**	84,842	**24,220**	33,710
Forestry	6	**6,385**	49,825	**-**	-
Intangible asset	7	**-**	-	**-**	-
Investments in subsidiaries	8	**-**	-	**810,489**	816,242
Other investments	9	**1,825**	1,825	**1,825**	1,825
Deferred tax assets	10	**34,295**	54,166	**-**	-
Finance lease receivable	11	**-**	-	**46,673**	-
Trade and other receivables	12	**-**	-	**-**	13,752
Total non-current assets		**1,562,060**	1,955,841	**1,029,285**	947,776
Inventories	13	**7,902**	19,634	**986**	4,054
Biological asset	14	**35,405**	35,658	**6,447**	4,255
Current tax assets		**6,744**	15,166	**3,459**	4,262
Other investments	9	**1,239**	1,888	**-**	517
Finance lease receivable	11	**-**	-	**11**	**-**
Trade and other receivables	12	**31,375**	36,899	**76,059**	300,372
Prepayments and other assets		**8,022**	7,745	**1,313**	1,298
Cash and cash equivalents	15	**68,953**	50,561	**63,610**	40,490
		159,640	167,551	**151,885**	355,248
Assets classified as held for sale	16	**1,014,902**	744,911	**177,000**	72,500
Total current assets		**1,174,542**	912,462	**328,885**	427,748
Total assets		**2,736,602**	2,868,303	**1,358,170**	1,375,524

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Equity					
Capital and reserve	17	**768,571**	770,004	**762,623**	762,623
Accumulated losses/Retained earnings		**(204,143)**	22,355	**49,884**	114,732
Equity attributable to owners of the Company		**564,428**	792,359	**812,507**	877,355
Non-controlling interests		**253,376**	302,736	**-**	-
Total equity		**817,804**	1,095,095	**812,507**	877,355
Liabilities					
Loans and borrowings	18	**1,139,644**	1,199,510	**-**	-
Lease liabilities		**75,121**	-	**59,796**	-
Employee benefits	19	**730**	542	**-**	-
Deferred tax liabilities	10	**193,102**	252,542	**33,370**	16,662
Trade and other payables	21	**9,826**	10,388	**-**	9,000
Total non-current liabilities		**1,418,423**	1,462,982	**93,166**	25,662
Loans and borrowings	18	**139,771**	41,544	**60,000**	-
Lease liabilities		**1,605**	-	**926**	-
Current tax liabilities		**685**	1	**-**	-
Trade and other payables	21	**209,610**	202,701	**391,571**	472,507
		351,671	244,246	**452,497**	472,507
Liabilities classified as held for sale	16	**148,704**	65,980	**-**	-
Total current liabilities		**500,375**	310,226	**452,497**	472,507
Total liabilities		**1,918,798**	1,773,208	**545,663**	498,169
Total equity and liabilities		**2,736,602**	2,868,303	**1,358,170**	1,375,524

The notes on pages 90 to 210 form an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	22	**493,650**	519,324	**108,958**	125,394
Fair value changes on forestry	6	**(43,215)**	(134,300)	**-**	-
Fair value changes on biological asset	14	**11,031**	(9,856)	**2,193**	(399)
Cost of sales	23	**(414,362)**	(484,229)	**(88,595)**	(86,072)
Gross profit/(loss)		**47,104**	(109,061)	**22,556**	38,923
Other income		**16,156**	8,308	**182,607**	9,062
Administrative expenses		**(30,085)**	(48,084)	**(10,718)**	(14,047)
Other expenses	24	**(203,011)**	(458,838)	**(858)**	(316,330)
Impairment loss on financial instruments		**(525)**	(4,431)	**(272,553)**	(120,547)
Results from operating activities		**(170,361)**	(612,106)	**(78,966)**	(402,939)
Finance income	25	**648**	1,001	**13,143**	9,931
Finance costs	26	**(75,296)**	(67,006)	**(24,550)**	(17,582)
Net finance costs		**(74,648)**	(66,005)	**(11,407)**	(7,651)
Loss before tax		**(245,009)**	(678,111)	**(90,373)**	(410,590)
Tax (expense)/credit	27	**(28,125)**	19,729	**(5,204)**	1,053
Loss for the year	28	**(273,134)**	(658,382)	**(95,577)**	(409,537)
Other comprehensive income, net of tax					
Items that will not be reclassified subsequently to profit or loss					
Remeasurement on defined benefit liability/(asset)	29	**25**	(185)	**-**	-
		25	(185)	**-**	-
Items that are or may be reclassified subsequently to profit or loss, net of tax					
Foreign currency translation differences for foreign operations	29	**(1,566)**	(4,062)	**-**	-
		(1,566)	(4,062)	**-**	-
Other comprehensive expense for the year, net of tax		**(1,541)**	(4,247)	**-**	-
Total comprehensive expense for the year		**(274,675)**	(662,629)	**(95,577)**	(409,537)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Loss attributable to:					
Owners of the Company		**(226,498)**	(594,608)	**(95,577)**	(409,537)
Non-controlling interests		**(46,636)**	(63,774)	**-**	-
Loss for the year		**(273,134)**	(658,382)	**(95,577)**	(409,537)
Total comprehensive expense attributable to:					
Owners of the Company		**(227,931)**	(598,558)	**(95,577)**	(409,537)
Non-controlling interests		**(46,744)**	(64,071)	**-**	-
Total comprehensive expense for the year		**(274,675)**	(662,629)	**(95,577)**	(409,537)
Basic loss per ordinary share (sen)	30	**(25.63)**	(67.27)	**-**	-
Diluted loss per ordinary share (sen)	30	**(25.63)**	(67.27)	**-**	-

The notes on pages 90 to 210 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

		Attributable to owners of the Company							
		Non-distributable				Distributable			
Group	**Note**	**Share capital RM'000**	**Other reserve RM'000**	**Foreign currency translation reserves RM'000**	**Total capital reserve RM'000**	**Retained earnings/ (Accumulated losses) RM'000**	**Total RM'000**	**Non-controlling interest RM'000**	**Total equity RM'000**
At 1 January 2018		862,752	(80,786)	(8,012)	773,954	634,639	1,408,593	367,647	1,776,240
Remeasurement loss on defined benefit asset		-	(172)	-	(172)	-	(172)	(13)	(185)
Foreign currency translation differences for foreign operations		-	-	(3,778)	(3,778)	-	(3,778)	(284)	(4,062)
Total other comprehensive expense for the year		-	(172)	(3,778)	(3,950)	-	(3,950)	(297)	(4,247)
Loss for the year		-	-	-	-	(594,608)	(594,608)	(63,774)	(658,382)
Total comprehensive expense for the year		-	(172)	(3,778)	(3,950)	(594,608)	(598,558)	(64,071)	(662,629)
Contribution by and distribution to owners of the Company									
Dividends to owners of the Company	31	-	-	-	-	(17,676)	(17,676)	-	(17,676)
Dividends to non-controlling interests		-	-	-	-	-	-	(840)	(840)
Total transactions with owners of the Company		-	-	-	-	(17,676)	(17,676)	(840)	(18,516)
At 31 December 2018		862,752	(80,958)	(11,790)	770,004	22,355	792,359	302,736	1,095,095

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

		Attributable to owners of the Company							
		Non-distributable				Distributable			
Group	Note	Share capital RM'000	Other reserve RM'000	Foreign currency translation reserves RM'000	Total capital reserve RM'000	Retained earnings/ (Accumulated losses) RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
At 1 January 2019		862,752	(80,958)	(11,790)	770,004	22,355	792,359	302,736	1,095,095
Foreign currency translation differences for foreign operations		-	-	(1,456)	(1,456)	-	(1,456)	(110)	(1,566)
Remeasurement loss on defined benefit liability		-	23	-	23	-	23	2	25
Total other comprehensive income/(expense) for the year		-	23	(1,456)	(1,433)	-	(1,433)	(108)	(1,541)
Loss for the year		-	-	-	-	(226,498)	(226,498)	(46,636)	(273,134)
Total comprehensive income/ (expense) for the year		-	23	(1,456)	(1,433)	(226,498)	(227,931)	(46,744)	(274,675)
Contribution by and distribution to owners of the Group									
Dividends to non-controlling interests		-	-	-	-	-	-	(2,616)	(2,616)
Total transactions with owners of the Group		-	-	-	-	-	-	-	-
At 31 December 2019		862,752	(80,935)	(13,246)	768,571	(204,143)	564,428	253,376	817,804

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

		Attributable to owners of the Company				
		Non-distributable			Distributable	
Company	**Note**	**Share capital RM'000**	**Other reserve RM'000**	**Total capital reserve RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
At 1 January 2018		862,752	(100,129)	762,623	541,945	1,304,568
Loss for the year		-	-	-	(409,537)	(409,537)
Total comprehensive expense for the year		-	-	-	(409,537)	(409,537)
Contribution by and distribution to owners of the Company						
Dividends to owners of the Company	31	-	-	-	(17,676)	(17,676)
Total transactions with owners of the Company		-	-	-	(17,676)	(17,676)
At 31 December 2018		862,752	(100,129)	762,623	114,732	877,355
Adjustment on initial application of MFRS 16		-	-	-	30,729	30,729
At 1 January 2019		862,752	(100,129)	762,623	145,461	908,084
Loss for the year		-	-	-	(95,577)	(95,577)
Total comprehensive expense for the year		-	-	-	(95,577)	(95,577)
At 31 December 2019		862,752	(100,129)	762,623	49,884	812,507

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash flows from operating activities					
Loss before tax		**(245,009)**	(678,111)	**(90,373)**	(410,590)
Adjustments for:					
Depreciation of property, plant and equipment	3	**60,435**	100,341	**3,687**	3,132
Net (gain)/loss on disposal of property, plant and equipment	28	**(96)**	4	**(240)**	-
Depreciation of right-of-use assets	4	**14,170**	-	**985**	-
Plantation development expenditure written off	5	**-**	12,028	**-**	-
Nurseries written off	6	**-**	3,116	**-**	-
Change in fair value of forestry	6	**43,215**	134,300	**-**	-
Impairment loss on investment in subsidiaries	8	**-**	-	**-**	315,289
Change in fair value on biological asset	14	**(11,031)**	9,856	**(2,193)**	399
Expenses related to retirement benefit plan		**181**	104	**-**	-
Fair value on government grant	20	**-**	(5,192)	**-**	-
Dividend income	22	**(73)**	(146)	**(2,796)**	(20,349)
Impairment loss on property, plant and equipment	24	**75,845**	258,971	**-**	-
Reversal of impairment loss on property, plant and equipment	3	**(5,368)**	-	**-**	-
Impairment loss on plantation development expenditure	24	**20,316**	83,193	**-**	-
Reversal of impairment loss on plantation development expenditure	5	**(1,833)**	-	**-**	-
Impairment loss on intangible asset	24	**9,761**	63,504	**-**	-
Impairment loss on right-of-use assets	24	**22,819**	-	**-**	-
Impairment loss on assets held for sale	24	**73,355**	-	**-**	-
Reversal of impairment loss on investment in subsidiaries classified as assets held for sale	16	**-**	-	**(177,000)**	-
Profit margin income from short-term investments and other receivables	25	**(648)**	(1,001)	**(9,312)**	(9,931)
Finance income on finance lease receivable	25	**-**	-	**(3,831)**	-
Finance costs	26	**66,461**	67,006	**19,930**	17,582
Finance costs on lease liabilities	26	**8,835**	-	**4,620**	-

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash flows from operating activities (continued)					
Adjustments for:					
Property, plant and equipment written off	28	**244**	33,768	**38**	5
Property, plant and equipment written off in relation to assets held for sale	16	**5**	-	**-**	-
Impairment loss on trade receivables	28	**6**	-	**-**	-
Impairment loss on amount due from subsidiaries	28	**-**	-	**272,543**	116,116
Impairment loss on other receivables	28	**13**	114	**10**	114
Impairment loss on amount due from related companies	28	**506**	4,317	**-**	4,317
Operating profit before changes in working capital		**132,109**	86,172	**16,068**	16,084
Change in inventories		**8,746**	1,206	**3,068**	(3,367)
Change in trade and other payables		**75,485**	51,285	**89,936**	820
Change in trade and other receivables, prepayments and other assets		**14,791**	(5,636)	**40,113**	(95,631)
Change in employee benefits		**(18)**	(273)	**-**	-
Change in assets held for sale		**(8,954)**	-	**-**	-
Cash generated from/(used in) operations		**222,159**	132,754	**149,185**	(82,094)
Profit margin income from short-term investments and other receivables	25	**648**	1,001	**8,279**	9,931
Finance income on finance lease receivable	25	**-**	-	**3,831**	-
Finance costs	26	**(66,461)**	(67,006)	**(19,930)**	(17,582)
Finance costs on lease liabilities	26	**(8,835)**	-	**(4,620)**	-
Tax paid		**(14,951)**	(26,844)	**(844)**	(1,680)
Tax refund		**1,463**	2,364	**1,945**	-
Net cash from/(used in) operating activities		**134,023**	42,269	**137,846**	(91,425)

STATEMENTS OF CASH FLOWS
for the year ended 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Cash flows from investing activities					
Acquisition of property, plant and equipment	3	**(6,941)**	(17,816)	**(798)**	(1,325)
Acquisition of property, plant and equipment in relation to assets held for sale	16	**(918)**	-	**-**	-
Dividends received		**-**	-	**219**	20,349
Decrease/(increase) in other investments		**649**	1,400	**517**	(517)
Plantation development expenditure	(i)	**(36,339)**	(54,068)	**(6,004)**	(7,210)
Plantation development expenditure in relation to held for sale	(ii)	**(12,726)**	-	**-**	-
Forestry	(iii)	**(11,698)**	(25,290)	**-**	-
Proceeds from disposal of property, plant and equipment		**145**	116	**266**	-
Net cash (used in)/from investing activities		**(67,828)**	(95,658)	**(5,800)**	11,297
Cash flows from financing activities					
Dividends paid to owners of the Company	21	**(155)**	(18,155)	**(155)**	(18,155)
Dividends paid to non-controlling interests	21	**(4,314)**	-	**-**	-
Proceeds from drawdown of loans and borrowings	18	**187,700**	175,369	**60,000**	-
Loan repayment	18	**(151,331)**	(161,360)	**-**	-
Loan repayment in relation to liabilities held for sale	16.1	**(13,715)**	-	**-**	-
Decrease in amounts due to holding corporation	21	**(1,094)**	(965)	**(1,214)**	(965)
(Decrease)/increase in amount due to related companies	21	**(59,997)**	10,231	**(60,102)**	10,133
(Decrease)/increase in amount due to subsidiaries	21	**-**	-	**(111,051)**	39,285
Payment of lease liabilities		**(4,874)**	-	**(244)**	-
Proceed from lease receivable	11	**-**	-	**3,840**	-
Net cash (used in)/from financing activities		**(47,780)**	5,120	**(108,926)**	30,298
Net increase/(decrease) in cash and cash equivalents		**18,415**	(48,269)	**23,120**	(49,830)
Cash and cash equivalents at 1 January	(iv)	**50,969**	99,238	**40,490**	90,320
Cash and cash equivalents at 31 December	(iv)	**69,384**	50,969	**63,610**	40,490

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2019

Cash outflows for leases as a lessee

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Included in net cash from operating activities					
Finance costs on lease liabilities	26	**8,835**	-	**4,620**	-
Included in net cash from financing activities					
Payment of lease liabilities		**(4,874)**	-	**(244)**	-
Total cash outflows for leases		**3,961**	-	**4,376**	-

(i) Plantation development expenditure

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Additions of plantation development expenditure	5	**(42,937)**	(64,374)	**(6,816)**	(8,739)
Additions of nurseries	5	**(1,703)**	(3,223)	**-**	-
Finance cost	5	**7,226**	12,278	**686**	1,363
Depreciation of property, plant and equipment	5	**797**	1,251	**126**	166
Depreciation of right-of-use asset	5	**278**	-	**-**	-
		(36,339)	(54,068)	**(6,004)**	(7,210)

(ii) Plantation development expenditure of assets held for sale

	Note	Group 2019 RM'000	Group 2018 RM'000
Additions of plantation development expenditure	16	**(18,163)**	-
Additions of nurseries	16	**(3)**	-
Finance cost	16	**5,440**	-
		(12,726)	-

STATEMENTS OF CASH FLOWS
for the year ended 31 December 2019

(iii) Forestry

	Note	Group 2019 RM'000	Group 2018 RM'000
Additions of forestry plantation	6	**(25,083)**	(26,005)
Transfer from nurseries		**13,385**	2,393
Addition of nurseries	6	**-**	(1,678)
		(11,698)	(25,290)

(iv) Cash and cash equivalents

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Deposits		**59,662**	38,132	**57,000**	35,517
Less: Other investments	9	**(1,239)**	(1,888)	**-**	(517)
	15	**58,423**	36,244	**57,000**	35,000
Cash and bank balances		**10,961**	14,725	**6,610**	5,490
		69,384	50,969	**63,610**	40,490
Assets classified as held for sale	16.1	**(431)**	(408)	**-**	-
		68,953	50,561	**63,610**	40,490

NOTES TO THE FINANCIAL STATEMENTS

TH Plantations Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of the principal place of business and registered office of the Company is as follows:

Principal place of business / Registered office
Level 35, Menara TH Platinum
No. 9 Persiaran KLCC
50088 Kuala Lumpur

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the financial year ended 31 December 2019 does not include other entities.

The Company is principally engaged in investment holding, cultivation of oil palm, processing of fresh fruit bunches ("FFB"), marketing of crude palm oil ("CPO"), palm kernel ("PK") and FFB, whilst the principal activities of the subsidiaries are as stated in Note 8 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

The holding corporation during the financial year is Lembaga Tabung Haji, a statutory body established under the Tabung Haji Act 1995 (Act 535) of which is incorporated in Malaysia.

These financial statements were authorised for issue by the Board of Directors on 3 June 2020.

1. BASIS OF PREPARATION

(a) Statement of compliance

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

The following are accounting standards, interpretations and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

1. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

The Group and the Company plans to apply the abovementioned accounting standards, interpretations and amendments:

- from the annual period beginning on 1 January 2020 for the amendments that are effective for annual periods beginning on or after 1 January 2020, which is applicable to the Group and the Company.
- from the annual period beginning on 1 January 2022 for the amendment that is effective for annual periods beginning on or after 1 January 2022, which is applicable to the Group and the Company.

The Group and the Company do not plan to apply MFRS 17, Insurance Contracts that is effective for annual periods beginning on or after 1 January 2021 as it is not applicable to the Group and the Company.

The initial application of the abovementioned accounting standards, interpretations and amendments are not expected to have any material financial impact to the current period and prior period financial statements of the Group and the Company.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

The Group incurred a net loss of RM273,134,000 during the year ended 31 December 2019 and, as of that date, the Group had net current assets of RM674,167,000 (which included net non-current assets that are classified as assets held for sale equivalents of RM861,329,000), and current liabilities of RM500,375,000.

In preparing the financial statements, the Directors have considered prospective financial information based on assumptions and events that may occur for at least 12 months from the date of approval of the financial statements and the possible actions to be taken by the Group. Prospective financial information includes the Group's profit and cash flow forecasts. In preparing the cash flow forecasts, the Directors have considered the availability of cash and cash equivalents.

The Directors expect to dispose eight (8) subsidiaries in the next 12 months which has been classified as assets held for sale, with carrying amount of RM866,198,000 as at 31 December 2019. The aforesaid forecasts incorporate proceeds to be received from the disposal of the eight (8) subsidiaries, repayments for current payables, committed expenditure and other future expected expenditure, and revenue/receipts from newly mature area of 2,557 hectare.

In addition, the Company has sought and obtained formal support from its holding corporation, Lembaga Tabung Haji on 1 June 2020. The immediate holding corporation will provide the necessary level of financial support to the Group and the Company to enable them to meet the payment of debts, as and when they fall due should they be unable to do so.

The obligation to provide financial support shall remain in full force and effect until 12 months from the aforesaid date of formal support.

Accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to amounts and classification of liabilities that may be necessary if the Group and Company are unable to continue as going concern.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM has been rounded to the nearest thousand, unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION (CONTINUED)

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than as disclosed in the following notes:

(i) Depreciation of estate

The rate used to depreciate the estate is based on the expected Fresh Fruit Bunches ("FFB") production of the estate. Estimating the production trend involves significant judgement, selection of variety of methods and assumptions that are normally based on past yield trend of the estates and comparable estates in the area. The actual yield however, may be different from expected.

(ii) Recoverable amount of bearer plant

Management reviews its bearer plant for objective evidence of impairment annually. In determining this, management makes judgment as to whether there is observable data indicating that there has been a significant change in the performance of the bearer plant or whether there have been significant changes with adverse effect in the market environment in which the bearer plant operates in.

When there is an indication of impairment, management measured the recoverable amounts based on value in use or fair value less cost of disposal of the bearer plant. Significant assumptions used to derive value in use or fair value less cost of disposal are as shown in Note 24.

(iii) Recoverable amount of mill

Management reviews its mills for objective evidence of impairment annually. In determining this, management makes judgment as to whether there is observable data indicating that there has been a significant change in the performance of the mills or whether there have been significant changes with adverse effect in the market environment in which the mills operate in.

When there is an indication of impairment, management measured the recoverable amounts based on value in use or fair value less cost of disposal of the mills. Significant assumptions used to derive value in use or fair value less cost of disposal are as shown in Note 24.

(iv) Recoverable amount of plantation development expenditure ("PDE")

Management reviews its PDE for objective evidence of impairment annually. Significant delay in maturity is considered as an indication of impairment. In determining this, management makes judgment as to whether there is observable data indicating that there has been a significant change in the performance of the PDE or whether there have been significant changes with adverse effect in the market environment in which the PDE operates in.

When there is an indication of impairment, management measured the recoverable amounts based on value in use or fair value less cost of disposal of the PDE. Significant assumptions used to derive value in use or fair value less cost of disposal are as shown in Note 24.

1. BASIS OF PREPARATION (CONTINUED)

(d) Use of estimates and judgements (continued)

(v) Assets held for sale

The fair value less cost to sell of assets held for sale is determined using valuation prepared by independent valuers. The valuation involved making assumptions about discount rate, future price of fresh fruits bunches, yield of fresh fruits bunches, future upkeep and cultivation cost and harvesting cost. As such, these estimated fair values are subject to significant uncertainty. Significant assumption used to derive fair values are as shown in Note 24.

(vi) Intangible assets – goodwill

Measurement of recoverable amounts of cash generating units is derived based on value in use of the cash generating unit. Significant assumptions used to derive value in use is as shown in Note 24.

(vii) Forestry

The fair value of Forestry is determined using valuation prepared by an independent valuer. The valuation involved making assumptions about discount rate, future price of latex and log, yield of latex, volume of log, future upkeep and cultivation cost, harvesting cost and improved land value. As such, this estimated fair value is subject to significant uncertainty. Significant assumptions used to derive fair value are as shown in Note 6.

(viii) Contingencies

Determination of the treatment of contingent liabilities is based on management’s view of the expected outcome of the contingencies after consulting legal counsel for litigation cases.

(ix) Deferred tax

Estimating the deferred tax assets to be recognised requires a process that involves determining appropriate tax provisions, forecasting future years’ taxable income and assessing our ability to utilise tax benefits through future earnings. The actual utilisation of tax benefit may be different from expected.

(x) Leases

The Group and the Company assess at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. The Group and the Company consider all facts and circumstances including their past practices and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group and the Company also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. The Group and the Company first determine the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

(xi) Recoverability of amount due from related company and subsidiaries

The Group and the Company provide loans and advances to related companies and subsidiaries. The Group and the Company monitor the results of the related companies and subsidiaries regularly, as well as their ability to repay the loans and advances on an individual basis.

1. BASIS OF PREPARATION (CONTINUED)

(d) Use of estimates and judgements (continued)

(xi) Recoverability of amount due from related company and subsidiaries (continued)

It is assumed that there is a significant increase in credit risk when a related company and subsidiary's financial position deteriorates significantly. As the Group and the Company are able to determine the timing of payments of the related company and subsidiary's loans and advances when they are payable, loans and advances are considered to be in default when the related companies and subsidiaries are not able to pay when demanded. A related company and subsidiary's loans and advances are considered to be credit impaired when:

a) the related company and subsidiary are unlikely to repay their loans or advances to the Company in full;
b) the related company and subsidiary's loans and advances are overdue for more than 365 days; or
c) the related company and subsidiary are continuously loss making and has a deficit in shareholders' fund.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by the Group entities, unless otherwise stated.

Arising from the adoption of MFRS 16, *Leases*, there are changes to the accounting policies applied to lease contracts entered into by the Group entities as compared to those applied in previous financial statements. The impacts arising from the changes are disclosed in Note 40.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(ii) Business combinations (continued)

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve (“FCTR”) in equity.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

(c) Financial instruments

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financial component is initially measured at the transaction price.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(i) Recognition and initial measurement (continued)

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivatives is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely for payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Profit margin income from short-term investments and receivables, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Profit margin income from short-term investments and receivables are recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see note 2(k)(i)) where the effective interest rate is applied to the amortised cost.

Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

All financial assets, except for those measured at fair value through profit or loss are subject to impairment assessment (see note 2(k)(i)).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial liabilities

The categories of financial liabilities at initial recognition are as follow:

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.

Finance costs 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.

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(iv) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within “other income” and “other expenses” respectively in profit or loss.

Bearer plant is living plant that is used in the production of agriculture produce for more than one period. The bearer plant that is available for use are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes plantation expenditure, which represents the total cost incurred from land clearing to the point of harvesting. The bearer plant is depreciated over its remaining useful lives based on the estimated individual estate annual production yield table.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component are depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date they are ready for its intended use, except for bearer plant which is depreciated over twenty seven (27) years from the date it is ready for commercial harvesting, based on estimated individual estate annual production yield table. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

(iii) Depreciation (continued)

The estimated useful lives for the current and comparative periods are as follows:

	current	comparative
• leasehold land	-	30-999 years
• bearer plant	27 years	27 years
• building	5-30 years	5-30 years
• plant, machinery and equipment	10-15 years	10-15 years
• motor vehicles	5-10 years	5-10 years
• computer equipment	3-5 years	3-5 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

(e) Leases

The Group has applied MFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment to retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported under MFRS 117, Leases and related interpretations.

Current financial year

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases (continued)

Current financial year (continued)

(ii) Recognition and initial measurement

(a) As a lessee

The Group recognises a right-of-use assets and a lease liability at the lease commencement date. The right-of-use assets are initially measured at cost, which comprise the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprises fixed payments, including in-substance fixed payments less any incentives receivable.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

(iii) Subsequent measurement

(a) As a lessee

The right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leases (continued)

Current financial year (continued)

(iii) Subsequent measurement (continued)

(a) As a lessee (continued)

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use assets, or is recorded in profit or loss if the carrying amount of the right-of-use assets have been reduced to zero.

(b) As a lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue".

The Company recognise finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the Company's net investment in the lease. The Company aim to allocate finance income over the lease term on a systematic and rational basis. The Company apply the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income. The net investment in the lease is subject to impairment requirements in MFRS 9, Financial Instruments (see Note 2(k)(i)).

Previous financial year

As a lessee

(i) Finance lease

Leases in terms of which the Group or the Company assumed substantially all the risks and rewards of ownership were classified as finance leases. Upon initial recognition, the leased asset was measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset was accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases were apportioned between the finance expense and the reduction of the outstanding liability. The finance expense was allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments were accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment was confirmed.

Leasehold land which in substance was a finance lease was classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

(ii) Operating leases

Leases, where the Group or the Company did not assumed substantially all the risks and rewards of ownership were classified as operating leases and, the leased assets were not recognised in the statement of financial position.

Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals were charged to profit or loss in the reporting period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Intangible assets

(i) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses.

(ii) Amortisation

Goodwill is not amortised but is tested for impairment annually and whenever there is an indication that they may be impaired.

(g) Plantation development expenditure

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to the point of commercial harvesting. The cost also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

All expenditure relating to development of oil palm estate (immature estate) will be capitalised under plantation development expenditure. An estate is declared mature when they are ready for commercial harvesting. This cost will be depreciated over useful life when the expenditure is transferred to property, plant and equipment when the estate matures.

Estate overhead expenditure is apportioned to revenue and plantation development expenditure on the basis of the proportion of mature to immature areas.

Nurseries are stated at cost. This cost relates to nursery maintenance costs.

(h) Forestry

Forestry and nurseries are measured on initial recognition and at subsequent reporting dates at fair value, with any changes in fair value of forestry during a year recognised in profit or loss.

The fair value of forestry and nurseries are determined independently by professional valuers.

(i) Inventories

The cost of finished goods is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. The cost includes an appropriate share of production overheads based on normal operating capacity.

Cost of stores is consists of the invoiced value from suppliers and is calculated using the weighted average method.

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.

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short-term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment

(i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss that are determined to have low credit risk at the reporting date except for cash and bank balance for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

(ii) Other assets

The carrying amounts of other assets (except for inventories, asset held for sale, lease receivables, deferred tax asset and forestry) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill which has indefinite useful lives, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment (continued)

(ii) Other assets (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows 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 or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(l) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

Ordinary shares

Ordinary shares are classified as equity.

(m) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(o) Revenue and other income

(i) Goods sold

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Company recognises revenue when or as it transfers control over a product or service to customer. An asset is transferred when or as the customer obtains control of the asset.

The Company transfers control of a good or service at a point in time unless one of the following criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Company performs;
(b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
(c) the Company's performance does not create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date.

(ii) Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant; they are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

(iii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Revenue and other income (continued)

(iv) Management fees

Management fees income is recognised in profit or loss upon services rendered.

(v) Profit margin income

Profit margin income is recognised as it accrues, using the effective interest method.

(p) Biological assets

Biological assets comprise agricultural produce that grows on oil palm plantations.

A gain or loss arising on initial recognition of a biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset shall be included in profit or loss for the period in which it arises.

(q) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is incurred, borrowing costs are incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(r) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Income tax (continued)

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Where assets are carried at their fair value in accordance with the accounting policy set out in Note 2(h), the amount of deferred tax recognised is measured using tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the asset is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the asset over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(s) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Contingencies

Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(v) Non-current assets held for sale or distribution to owners

Non-current assets, or disposal group comprising assets and liabilities that are expected to be recovered primarily through sale or distribution to owners rather than through continuing use, are classified as held for sale or distribution.

Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group are measured at the lower of their carrying amount and fair value less costs of disposal.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated. In addition, equity accounting of equity-accounted associates and joint venture ceases once classified as held for sale or distribution.

(w) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as 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 measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement 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.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3. PROPERTY, PLANT AND EQUIPMENT

Group	Note	Leasehold land RM'000	Bearer plant RM'000	Buildings RM'000	Plant, machinery and equipment RM'000	Computer equipment RM'000	Motor vehicles RM'000	Work-in-progress RM'000	Total RM'000
Cost									
At 1 January 2018		1,128,639	1,570,634	238,249	201,926	14,589	54,970	22,614	3,231,621
Transfer from asset held for sale	16	32,462	-	166	2	-	96	-	32,726
Additions		-	-	2,381	2,303	308	6,883	5,941	17,816
Transfer from plantation development expenditure	5	-	68,238	-	-	-	-	-	68,238
Written off		-	(45,065)	(537)	(344)	(33)	(2,261)	-	(48,240)
Disposals		-	-	-	-	(4)	(789)	-	(793)
Transfer to assets held for sale	16	(395,521)	(452,470)	(61,904)	(12,427)	(303)	(15,062)	(717)	(938,404)
Transfers		-	-	22,379	1,906	18	-	(24,303)	-
Effect of movement in exchange rate		(75)	-	(32)	(21)	(9)	(13)	-	(150)
At 31 December 2018		**765,505**	**1,141,337**	**200,702**	**193,345**	**14,566**	**43,824**	**3,535**	**2,362,814**
Adjustment on initial application of MFRS 16		**(765,505)**	**-**	**-**	**-**	**-**	**-**	**-**	**(765,505)**
At 1 January 2019		**-**	**1,141,337**	**200,702**	**193,345**	**14,566**	**43,824**	**3,535**	**1,597,309**
Transfer from asset held for sale	16	**-**	**28,851**	**3,352**	**466**	**44**	**1,139**	**-**	**33,852**
Additions		**-**	**-**	**644**	**807**	**225**	**868**	**4,397**	**6,941**
Transfer from plantation development expenditure	5	**-**	**35,904**	**-**	**-**	**-**	**-**	**-**	**35,904**
Written off		**-**	**(4,148)**	**(425)**	**(1,315)**	**(61)**	**(1,148)**	**-**	**(7,097)**
Disposals		**-**	**-**	**-**	**-**	**-**	**(481)**	**-**	**(481)**
Transfer to assets held for sale	16	**-**	**(341,042)**	**(35,571)**	**(48,883)**	**(112)**	**(3,940)**	**(793)**	**(430,341)**
Transfers		**-**	**-**	**4,185**	**303**	**-**	**24**	**(4,512)**	**-**
Effect of movement in exchange rate		**-**	**-**	**17**	**17**	**6**	**18**	**-**	**58**
At 31 December 2019		**-**	**860,902**	**172,904**	**144,740**	**14,668**	**40,304**	**2,627**	**1,236,145**

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Note	Leasehold land RM'000	Bearer plant RM'000	Buildings RM'000	Plant, machinery and equipment RM'000	Computer equipment RM'000	Motor vehicles RM'000	Work-in-progress RM'000	Total RM'000
Accumulated depreciation and impairment loss									
At 1 January 2018									
Accumulated depreciation		123,449	274,013	64,524	100,138	13,492	42,696	-	618,312
Accumulated impairment loss		-	2,972	-	-	-	-	-	2,972
		123,449	276,985	64,524	100,138	13,492	42,696	-	621,284
Transfer from asset held for sale	16	2,483	-	69	2	-	96	-	2,650
Depreciation for the year	3.1	20,620	61,253	8,018	8,761	280	2,660	-	101,592
Written off		-	(11,531)	(327)	(329)	(33)	(2,252)	-	(14,472)
Disposals		-	-	-	-	(1)	(672)	-	(673)
Impairment loss	3.4	163,839	95,132	-	-	-	-	-	258,971
Accumulated depreciation transfer to asset held for sale	16	(39,704)	(48,387)	(10,326)	(5,690)	(264)	(10,788)	-	(115,159)
Accumulated impairment loss transfer to asset held for sale	16	(163,839)	(92,736)	-	-	-	-	-	(256,575)
Effect of movement in exchange rate		-	-	40	(11)	(9)	(7)	-	13
At 31 December 2018									
Accumulated depreciation		**106,848**	**275,348**	**61,998**	**102,871**	**13,465**	**31,733**	**-**	**592,263**
Accumulated impairment loss		**-**	**5,368**	**-**	**-**	**-**	**-**	**-**	**5,368**
		106,848	**280,716**	**61,998**	**102,871**	**13,465**	**31,733**	**-**	**597,631**
Adjustment on initial application of MFRS 16		**(106,848)**	**-**	**-**	**-**	**-**	**-**	**-**	**(106,848)**
At 1 January 2019									
Accumulated depreciation		**-**	**275,348**	**61,998**	**102,871**	**13,465**	**31,733**	**-**	**485,415**
Accumulated impairment loss		**-**	**5,368**	**-**	**-**	**-**	**-**	**-**	**5,368**
		-	**280,716**	**61,998**	**102,871**	**13,465**	**31,733**	**-**	**490,783**

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Note	Leasehold land RM'000	Bearer plant RM'000	Buildings RM'000	Plant, machinery and equipment RM'000	Computer equipment RM'000	Motor vehicles RM'000	Work-in-progress RM'000	Total RM'000
At 1 January 2019									
Accumulated depreciation		-	275,348	61,998	102,871	13,465	31,733	-	485,415
Accumulated impairment loss		-	5,368	-	-	-	-	-	5,368
		-	280,716	61,998	102,871	13,465	31,733	-	490,783
Transfer from asset held for sale	16	-	4,891	540	57	43	633	-	6,164
Depreciation for the year	3.1	-	44,283	6,553	8,139	299	1,958	-	61,232
Written off		-	(4,034)	(373)	(1,245)	(56)	(1,145)	-	(6,853)
Disposals		-	-	-	-	-	(432)	-	(432)
Impairment loss	3.4	-	75,845	-	-	-	-	-	75,845
Reversal of impairment loss	3.5	-	(5,368)	-	-	-	-	-	(5,368)
Effect of movement in exchange rate		-	-	3	10	5	9	-	27
Transfer to asset held for sale	16	-	(111,604)	(9,868)	(35,241)	(74)	(2,551)	-	(159,338)
At 31 December 2019									
Accumulated depreciation		-	208,884	58,853	74,591	13,682	30,205	-	386,215
Accumulated impairment loss		-	75,845	-	-	-	-	-	75,845
		-	284,729	58,853	74,591	13,682	30,205	-	462,060
Carrying amounts									
At 1 January 2018		1,005,190	1,293,649	173,725	101,788	1,097	12,274	22,614	2,610,337
At 31 December 2018		658,657	860,621	138,704	90,474	1,101	12,091	3,535	1,765,183
At 31 December 2019		-	576,173	114,051	70,149	986	10,099	2,627	774,085

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Note	Leasehold land RM'000	Bearer plant RM'000	Buildings RM'000	Plant, machinery and equipment RM'000	Computer equipment RM'000	Motor vehicles RM'000	Work-in-progress RM'000	Total RM'000
Cost									
At 1 January 2018		9,411	68,365	18,858	19,844	253	5,381	-	122,112
Additions		-	-	505	200	7	613	-	1,325
Written off		-	-	(85)	-	(6)	(320)	-	(411)
At 31 December 2018		**9,411**	**68,365**	**19,278**	**20,044**	**254**	**5,674**	**-**	**123,026**
Adjustment on initial application of MFRS 16		**(9,411)**	**-**	**-**	**-**	**-**	**-**	**-**	**(9,411)**
At 1 January 2019		**-**	**68,365**	**19,278**	**20,044**	**254**	**5,674**	**-**	**113,615**
Additions		**-**	**-**	**347**	**64**	**73**	**24**	**290**	**798**
Transfer from plantations development expenditure	5	**-**	**16,306**	**-**	**-**	**-**	**-**	**-**	**16,306**
Disposal		**-**	**-**	**-**	**-**	**-**	**(26)**	**-**	**(26)**
Written off		**-**	**(1,273)**	**(205)**	**(237)**	**(44)**	**(393)**	**-**	**(2,152)**
At 31 December 2019		**-**	**83,398**	**19,420**	**19,871**	**283**	**5,279**	**290**	**128,541**

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Note	Leasehold land RM'000	Bearer plant RM'000	Buildings RM'000	Plant, machinery and equipment RM'000	Computer equipment RM'000	Motor vehicles RM'000	Work-in-progress RM'000	Total RM'000
Accumulated depreciation									
At 1 January 2018		2,049	4,281	12,156	14,603	198	4,600	-	37,887
Depreciation for the year	3.1	95	2,206	298	488	24	187	-	3,298
Written off		-	-	(81)	-	(6)	(319)	-	(406)
At 31 December 2018		**2,144**	**6,487**	**12,373**	**15,091**	**216**	**4,468**	**-**	**40,779**
Adjustment on initial application of MFRS 16		**(2,144)**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,144)**
At 1 January 2019		**-**	**6,487**	**12,373**	**15,091**	**216**	**4,468**	**-**	**38,635**
Depreciation for the year	3.1	**-**	**2,843**	**313**	**464**	**28**	**165**	**-**	**3,813**
Written off		**-**	**(1,269)**	**(199)**	**(214)**	**(39)**	**(393)**	**-**	**(2,114)**
At 31 December 2019		**-**	**8,061**	**12,487**	**15,341**	**205**	**4,240**	**-**	**40,334**
Carrying amounts									
At 1 January 2018		7,362	64,084	6,702	5,241	55	781	-	84,225
At 31 December 2018		**7,267**	**61,878**	**6,905**	**4,953**	**38**	**1,206**	**-**	**82,247**
At 31 December 2019		**-**	**75,337**	**6,933**	**4,530**	**78**	**1,039**	**290**	**88,207**

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

3.1 Breakdown of depreciation charge for the year, are as follows:

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Recognised in profit or loss		**60,435**	100,341	**3,687**	3,132
Capitalised in plantation development expenditure	5	**797**	1,251	**126**	166
		61,232	101,592	**3,813**	3,298

3.2 Change in estimate

Bearer plant

During the financial year ended 31 December 2019, the Group and the Company revised the annual production yield table to reflect the potential yield of each individual bearer plant of the Group and Company.

The yield per hectare is determined by internal planting advisors, who have appropriate recognised professional qualifications and experience in the field.

The effect of these changes on depreciation expense, recognised in cost of sales, in current and future periods are as follows:

Group	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Decrease in recognised in expense	(1,845)	(799)	(1,686)	(1,149)	(821)

Company	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Increase/(decrease) in recognised in expense	16	(39)	(24)	(87)	(66)

3.3 The Group and the Company depreciated bearer plant based on yield estimates which is estimated based on the past trend yield per hectare which in turn is dependent on the age of the trees. The yield per hectare is determined by internal planting advisors, who have appropriate professional qualifications and experience in the field. The estimate of the potential yield requires significant judgement and is dependent on past trend production of the Group and the Company. The actual yield, however, may be different from expected.

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

3.4 Impairment on property, plant and equipment

During the financial year, the Board of Directors have approved a plan to dispose the Group's interest in three (3) additional subsidiaries on 1 August 2019 respectively. The Group has engaged a valuer to perform a valuation on the plantation assets of these subsidiaries. Based on the valuation performed by the valuers, the Group recognised an impairment loss of RM75,845,000 as the carrying amount of the assets are higher than the fair value less cost to sell as per valuation report. As at the date of the financial statements, two (2) of the subsidiaries property, plant and equipment has been reclassified to assets held for sale as the sale of the subsidiaries are expected to be completed within twelve (12) months from the approval date.

The fair value less cost of disposal is based on management estimates having regard to estimated resale value which is determined by an external, independent professional valuer, having appropriate recognised professional qualifications and recent experience in the location and category of assets being valued. Fair value less cost of disposal is a Level 3 fair value measurement. See Note 24 for further details of the impairment loss.

3.5 Reversal of impairment on property, plant and equipment

During the financial year, the Board of Directors have approved a plan to dispose the Group's interest in TH PELITA Gedong Sdn. Bhd.. The Group has engaged a valuer to perform a valuation on the plantation assets of the subsidiary. Based on the valuation by areas performed by the valuers, the Group recognised a reversal of an impairment loss of RM5,368,000 which was provided in prior year based on value in use of the area as the fair value less cost to sell of the area as per valuation report are higher than the carrying amount of the area.

The fair value less cost of disposal is based on management estimates having regard to estimated resale value which is determined by an external, independent professional valuer, having appropriate recognised professional qualifications and recent experience in the location and category of assets being valued. Fair value less cost of disposal is a Level 3 fair value measurement. See Note 24 for further details of the key assumptions used to derive to the fair value less cost to sell.

4. RIGHT-OF-USE ASSETS

Group	Note	2019 RM'000
At 31 December 2018		**-**
Adjustment on initial application of MFRS 16		**731,369**
At 1 January 2019		**731,369**
Transfer from assets held for sale	16	**82,700**
Depreciation for the year		**(14,448)**
Impairment loss	4.5	**(22,819)**
Effect of movement in exchange rate		**50**
Transfer to assets held for sale	16	**(142,792)**
At 31 December		**634,060**

4. RIGHT-OF-USE ASSETS (CONTINUED)

Company	2019 RM'000
At 31 December 2018	-
Adjustment on initial application of MFRS 16	58,856
At 1 January 2019	58,856
Depreciation for the year	(985)
At 31 December	57,871

4.1 Include in right-of-use assets is in relation to the leasehold land with unexpired lease period of more than 30 to 999 years and 62 to 70 years for the Group and the Company respectively. Certain leasehold land of the Group amounting to RM7,674,000 (2018: RM18,603,000) are pledged as securities for borrowings as disclosed in Note 18.

4.2 Breakdown of depreciation charge for the year, are as follows:

	Note	Group RM'000	Company RM'000
Recognised in profit or loss		14,170	985
Capitalised in plantation development expenditure	5	278	-
		14,448	985

4.3 Extension options

The Native Communal Right ("NCR") land lease agreement contain extension options exercisable by the Group up to three (3) years before the end of the non-cancellable contract period. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control. The Group has not included the potential future lease payment in the lease liabilities.

Group	Lease liabilities recognised (discounted) RM'000	Potential future lease payments not included in lease liabilities (discounted) RM'000
Lands	15,156	5,107

4.4 Significant judgements and assumptions in relation to leases

The Group assesses at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. The Group consider all facts and circumstances including their past practices and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. The Group first determines the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

4. RIGHT-OF-USE ASSETS (CONTINUED)

4.5 Impairment on right-of-use assets

During the financial year, the Board of Directors have approved a plan to dispose the Group's interest in three (3) additional subsidiaries on 1 August 2019. The Group has engaged a valuer to perform a valuation on the plantation assets of these subsidiaries. As at the date of the financial statements, two (2) of the subsidiaries right-of-use assets has been reclassified to assets held for sale as the sale of the subsidiaries are expected to be completed within twelve (12) months from the approval date.

During the financial year, the Group has also reclassified the right-of-use assets of one (1) subsidiaries that was previously classified as asset held for sale in prior year. The Group has engaged a registered valuer in prior year to value the plantation assets of the subsidiary. The Group is of the view that the fair value less cost to sell are consistent as per prior year valuation report when assessing the impairment of right-of-use assets as there is no significant change in the market condition.

Based on the valuation performed by the valuer, the Group recognised an impairment loss of RM22,819,000 as the carrying amount of the assets are higher than the fair value less cost to sell as per valuation report.

The fair value less cost of disposal is based on management estimates having regard to estimated resale value which is determined by an external, independent professional valuer, having appropriate recognised professional qualifications and recent experience in the location and category of assets being valued. Fair value less cost of disposal is a Level 3 fair value measurement. See Note 24 for further details of the impairment loss.

5. PLANTATION DEVELOPMENT EXPENDITURE

		Oil Palm		Teak		Total	
Group	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At 1 January		**84,842**	318,423	**-**	-	**84,842**	318,423
Additions during the year	5.1	**42,783**	64,374	**154**	-	**42,937**	64,374
Addition of nurseries		**1,703**	3,223	**-**	-	**1,703**	3,223
Transfer to property, plant and equipment	3	**(35,904)**	(68,238)	**-**	-	**(35,904)**	(68,238)
Written off		**-**	(12,028)	**-**	-	**-**	(12,028)
Impairment loss of plantation development expenditure	5.2	**(20,316)**	(83,193)	**-**	-	**(20,316)**	(83,193)
Reversal of impairment loss of plantation development expenditure	5.3	**-**	-	**1,833**	-	**1,833**	-
Transfer from assets held for sale	16	**35,633**	-	**-**	-	**35,633**	-
Transfer to assets held for sale	16	**(1,928)**	(133,718)	**-**	-	**(1,928)**	(133,718)
Effect of movement in exchange rate		**2,610**	(4,001)	**-**	-	**2,610**	(4,001)
At 31 December		**109,423**	84,842	**1,987**	-	**111,410**	84,842

5. PLANTATION DEVELOPMENT EXPENDITURE (CONTINUED)

		Company	
	Note	2019 RM'000	2018 RM'000
At 1 January		**33,710**	24,971
Additions	5.1	**6,816**	8,739
Transfer to property, plant and equipment	3	**(16,306)**	-
At 31 December		**24,220**	33,710

5.1 Additions

Included in additions during the year are as follows:

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Depreciation of property, plant and equipment	3	**797**	1,251	**126**	166
Depreciation of right-of-use assets	4	**278**	-	**-**	-
Personnel expenses:					
- Wages, salaries and others		**14,524**	12,972	**2,730**	3,612
- Contribution to EPF		**558**	691	**212**	160
Finance cost*	26	**7,226**	12,278	**686**	1,363
Management fees capitalised		**-**	-	**251**	312

* The finance cost is capitalised net interest expense at profit margin ranges from 5.56% to 6.65% (2018: 5.56% to 6.67%) per annum.

5.2 Impairment loss on Plantation Development Expenditure ("PDE")

The Group has engaged a registered valuer in prior year to value the plantation assets of the subsidiary that has not been performing up to expectation. The Group is of the view that the fair value less cost to sell are consistent as per prior year valuation report when assessing the impairment of PDE as there is no significant change in the market condition.

Based on the valuation performed by the valuers, the Group recognised an impairment loss of RM14,940,000 (2018: RM83,193,000) as the carrying amount of the assets are higher than the fair value less cost to sell as per valuation report.

Fair value less cost of disposal is based on management estimates having regard to estimated resale value which is determined by an external, independent professional valuer, having appropriate recognised professional qualifications and recent experience in the location and category of assets being valued. Fair value less cost of disposal is a Level 3 fair value measurement. See Note 24 for further details of the impairment loss.

During the financial year, one (1) area estate of PDE of a subsidiary has experienced heavy floods, in which no future income is expected to be generated from this area. The Group had fully impaired RM5,376,000 in relation to carrying amount of the PDE of the estate as at 31 December 2019 and recognised in the profit or loss.

5. PLANTATION DEVELOPMENT EXPENDITURE (CONTINUED)

5.3 Reversal of impairment loss for PDE

During the year, management has reviewed the fair value less cost to sell of the plantation development expenditure of a subsidiary and noted that the fair value less cost to sell was determined to be higher than the carrying amount of the PDE amount and reversal of impairment loss of RM1,833,000 was recognised. The fair value less cost to sell of plantation development expenditure was estimated based on the subsidiary Directors' valuation, which was based on the offer letter received from a minority shareholder of the subsidiary to acquire the PDE based on its current condition.

6. FORESTRY

		Group	
	Note	2019 RM'000	2018 RM'000
At 1 January		**49,825**	187,956
Additions	6.1	**25,083**	26,005
Transfer from nurseries		**(13,385)**	(2,393)
Additions of nurseries		**-**	1,678
Additions charged to profit or loss		**(11,923)**	(26,005)
Nurseries written off		**-**	(3,116)
Change in fair value recognised to profit or loss		**(43,215)**	(134,300)
At 31 December		**6,385**	49,825

6.1 Additions

Included in additions during the year are as follows:

	2019 RM'000	2018 RM'000
Personnel expenses:		
- Wages, salaries and others	**1,363**	1,709
- Contribution to Employees Provident Fund	**210**	261

6.2 Fair value information

Fair value of forestry is categorised as follows:

	Level 3	
	2019 RM'000	2018 RM'000
Forestry	**6,385**	49,825

* Nurseries fair value are deemed at cost.

The valuation was based on the highest and best use of the forestry which is the felling of timber which is consistent with prior year valuation. The Group is of the opinion that as the result of the decrease in latex price in recent years, it is not cost effective to extract latex from the rubber trees. Thus, the valuation does not account for tapping of latex.

6. FORESTRY (CONTINUED)

6.2 Fair value information (continued)

Highest and best use

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models in current year and prior year.

Description of Valuation technique and inputs used	Significant unobservable inputs in current year	Significant unobservable inputs in prior year	Inter-relationship between significant unobservable inputs and fair value measurement
Discounted cash flows: The valuation method considers the present value of net cash flows to be generated from forestry, taking into account expected timber volume, timber sales price, canopy wood sales price, upkeep and maintenance cost and land rental. The expected net cash flows are discounted using risk-adjusted discount rates.	• Expected clear bole volume (153tonne/ha - 217tonne/ha) • Clear bole price (RM166/tonne) • Canopy wood volume (Nil tonne/ha) • Canopy wood price (RMnil/tonne) • Log extraction cost (RM81/tonne) • General charges (RM90/ha) • Upkeep and maintenance cost (RM40/ha) • Pre-tax discount rate (10%) • Land rental rate (1%)	• Expected clear bole volume (189tonne/ha - 430tonne/ha) • Clear bole price (RM180/tonne) • Canopy wood volume (52tonne/ha – 151tonne/ha) • Canopy wood price (RM50/tonne) • Log extraction cost (RM81/tonne) • General charges (RM80/ha) • Upkeep and maintenance cost (RM30/ha) • Pre-tax discount rate (10%) • Land rental rate (3%)	The estimated fair value would increase/(decrease) if: • Expected clear bole volume were higher/(lower); • Clear bole price higher/(lower); • Canopy wood volume higher/(lower); • Canopy wood price higher/(lower); • Log extraction cost were lower/(higher); • General charges were lower/(higher); • Upkeep and maintenance cost were lower/(higher); or • Discount rates were lower/(higher); • Land rental rates were lower/(higher).

6. FORESTRY (CONTINUED)

6.2 Fair value information (continued)

Valuation processes applied by the Group for Level 3 fair value

The fair value of forestry is determined by an external, independent professional valuer, having appropriate recognised professional qualifications and recent experience in the location and category of forestry being valued. The independent professional valuer provides the fair value of the Group's forestry annually. Changes in Level 3 fair values are analysed by the management annually.

The values assigned to the key assumptions represent management's assessment of current trends in forestry in Malaysia and are based on both external and internal sources (historical data). During the year, the canopy wood has not been assigned any value as there is no market for canopy wood in Sabah based on market research and land rental rate of 1% has been used during the current year as compared to prior year where a land rental rate of 3% was used. The changes in the key assumptions as compared to prior year are as the result from the change in the market condition of the assets.

The above estimates are particularly sensitive in the following cases:

- An increase of timber volume by 10% would have resulted in a decrease of fair value loss by RM2,377,000.
- An increase of timber price by 10% would have resulted in a decrease of fair value loss by RM2,377,000.
- A decrease of 10% in the upkeep and maintenance cost would have resulted in a decrease of fair value loss by RM850,000.
- A decrease by 2% in the discount rate would have resulted in a decrease of fair value loss by RM3,345,000.

If the key assumptions used during the current year is consistent with prior year, the impact would have been as follows:

- Factoring 3% in the land rental rate which is consistent with prior year would have resulted in an increase of fair value loss of RM6,385,000.
- If canopy wood volume and price been used consistent with prior year, it would have resulted in no impairment.

7. INTANGIBLE ASSET – GOODWILL

		Group	
	Note	2019 RM'000	2018 RM'000
Cost			
Goodwill		-	73,265
Transfer from assets held for sale		**9,761**	-
Impairment loss	24	**(9,761)**	(63,504)
Transfer to assets held for sale	16	-	(9,761)
		-	-

In the current year, the Board of Directors are of the opinion that the efforts to sell investment in Hydroflow Sdn. Bhd. which was classified as assets held for sale in prior year is no longer probable, hence the Group has reclassified the goodwill arise for the acquisition of the subsidiary to its relevant financial statement caption.

7. INTANGIBLE ASSET – GOODWILL (CONTINUED)

The Group has engaged a registered valuer in prior year to value the plantation assets of the subsidiary. The Group is of the view that the fair value less cost to disposal is still the same as per prior year valuation report when assessing the impairment of intangible asset as there is no significant change in the market condition. Based on the valuation report, the Group has recognised an impairment loss of RM9,761,000 as the carrying amount of the intangible asset is higher than the fair value less cost to disposal as per valuation report.

Fair value less cost of disposal is based on management estimates having regard to estimated resale value which is determined by an external, independent professional valuer, having appropriate recognised professional qualifications and recent experience in the location and category of assets being valued. Fair value less cost of disposal is a Level 3 fair value measurement. See Note 24 for further details of the impairment loss.

8. INVESTMENTS IN SUBSIDIARIES

	Note	Company 2019 RM'000	Company 2018 RM'000
Unquoted shares at cost			
At 1 January		**816,242**	1,125,778
Impairment loss on investment in subsidiaries	8.1	**-**	(315,289)
At 31 December		**816,242**	810,489
Transfer from assets held for sale	16	**72,500**	-
Transfer to assets held for sale	16	**-**	(72,500)
		888,742	737,989
Advances to a subsidiary	8.2	**(78,253)**	78,253
		810,489	816,242

8.1 In prior year, the Company recognised an impairment loss of RM315,289,000. See Note 24 for further details of the impairment loss.

8.2 Terms of the advances in prior year were as follows:

a) The advances have no fixed redemption date and the subsidiary has an option to redeem all or part of the advances at the end of the twelfth year from date of issuance and thereafter on each subsequent periodic distribution date; and

b) The advances are unsecured and carries a periodic distribution rate of 5.61%-6.65% per annum.

The following table shows the valuation technique used in the determination of the fair value of the advances during initial recognition, which was classified within Level 3, as well as the significant unobservable inputs used in the valuation models in prior year.

Type	Significant unobservable inputs in prior year	Description of valuation technique and inputs used
• Advances to subsidiary	• Profit margin rate (7.60%) • Repayment period (2019: 10 years, 2018: 11 years)	Discounted cash flows using a rate based on the current market rate of borrowing of the subsidiary at the entities reporting date.

The difference between nominal and fair value of the debt has been recognised as equity investment in the subsidiary in prior year.

8. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

8.3 Details of the subsidiaries are as follows:

Name of subsidiary	Principal place of business	Effective ownership interest and voting interest 2019 %	2018 %	Principal activities
Direct subsidiaries				
THP Ibok Sdn. Bhd.	Malaysia	**100**	100	Cultivation of oil palm and marketing of FFB.
THP-YT Plantation Sdn. Bhd.	Malaysia	**70**	70	Cultivation of oil palm and marketing of FFB.
THP Sabaco Sdn. Bhd.	Malaysia	**51**	51	Cultivation of oil palm, processing of FFB and marketing of CPO, PK and FFB.
THP Bukit Belian Sdn. Bhd.	Malaysia	**100**	100	Cultivation of oil palm and marketing of FFB.
THP Saribas Sdn. Bhd.	Malaysia	**80**	80	Cultivation of oil palm, processing of FFB and marketing of CPO, PK and FFB.
THP Kota Bahagia Sdn. Bhd.	Malaysia	**100**	100	Cultivation of oil palm, processing of FFB and marketing of CPO, PK and FFB.
THP Agro Management Sdn. Bhd.	Malaysia	**100**	100	Management services.
Hydroflow Sdn. Bhd.	Malaysia	**70**	70	Cultivation of oil palm and marketing of FFB.
TH Ladang (Sabah & Sarawak) Sdn. Bhd.	Malaysia	**100**	100	Investment holding.
Bumi Suria Ventures Sdn. Bhd.	Malaysia	**100**	100	Cultivation of oil palm and marketing of FFB.
Maju Warisanmas Sdn. Bhd.	Malaysia	**100**	100	Letting of investment property.
Manisraya Sdn. Bhd.	Malaysia	**100**	100	Tradeline services in dealing and trading of FFB.
THP Suria Mekar Sdn. Bhd.	Malaysia	**100**	100	Special purpose vehicle.
PT Persada Kencana Prima#	Indonesia	**93**	93	Cultivation of oil palm and marketing of FFB.

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8. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

8.3 Details of the subsidiaries are as follows (continued):

Name of subsidiary	Principal place of business	Effective ownership interest and voting interest 2019 %	2018 %	Principal activities
Indirect subsidiaries held through TH Ladang (Sabah & Sarawak) Sdn. Bhd.				
Ladang Jati Keningau Sdn. Bhd.	Malaysia	**82.53**	82.53	Teak plantation.
TH-Bonggaya Sdn. Bhd.	Malaysia	**100**	100	Forestry.
TH-USIA Jatimas Sdn. Bhd.	Malaysia	**70**	70	Forestry.
Derujaya Sdn. Bhd.	Malaysia	**100**	100	Dormant.
Halus Riang Sdn. Bhd.	Malaysia	**100**	100	Dormant.
Kuni Riang Sdn. Bhd.	Malaysia	**100**	100	Dormant.
TH PELITA Meludam Sdn. Bhd.	Malaysia	**60**	60	Cultivation of oil palm and marketing of FFB.
Cempaka Teratai Sdn. Bhd.	Malaysia	**100**	100	Investment holding.
Kee Wee Plantation Sdn. Bhd.	Malaysia	**100**	100	Investment holding.
TH PELITA Gedong Sdn. Bhd.	Malaysia	**70**	70	Cultivation of oil palm, processing of FFB and marketing of CPO, PK and FFB.
TH PELITA Sadong Sdn. Bhd.	Malaysia	**70**	70	Cultivation of oil palm and marketing of FFB.
TH PELITA Simunjan Sdn. Bhd.	Malaysia	**60**	60	Cultivation of oil palm and marketing of FFB.
TH PELITA Beladin Sdn. Bhd.	Malaysia	**55**	55	Cultivation of oil palm and marketing of FFB.

8. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Non-controlling interests in subsidiaries

The Group's subsidiaries that have a material non-controlling interests ("NCI") are as follows:

Subsidiary name	NCI percentage of ownership interest and voting interest (%)	Carrying amount of NCI RM'000	(Loss)/ profit allocated to NCI RM'000
2019			
THP Sabaco Sdn. Bhd.	**49**	**194,291**	**3,507**
THP Saribas Sdn. Bhd.	**20**	**(27,288)**	**(21,000)**
THP-YT Plantation Sdn. Bhd.	**30**	**(4,191)**	**(2,242)**
Hydroflow Sdn. Bhd.	**30**	**24,683**	**(165)**
TH PELITA Gedong Sdn. Bhd.	**30**	**68,759**	**(592)**
TH PELITA Sadong Sdn. Bhd.	**30**	**48,492**	**687**
TH PELITA Meludam Sdn. Bhd.	**40**	**(16,471)**	**(4,258)**
Other individually immaterial subsidiaries	**-**	**(34,899)**	**(22,573)**
Total		**253,376**	**(46,636)**
2018			
THP Sabaco Sdn. Bhd.	49	193,400	3,734
THP Saribas Sdn. Bhd.	20	(6,287)	(11,051)
THP-YT Plantation Sdn. Bhd.	30	123	(11,303)
Hydroflow Sdn. Bhd.	30	24,847	(1,455)
TH PELITA Gedong Sdn. Bhd.	30	68,849	(1,821)
TH PELITA Sadong Sdn. Bhd.	30	47,408	699
TH PELITA Meludam Sdn. Bhd.	40	(15,002)	(8,539)
Other individually immaterial subsidiaries	-	(10,602)	(34,038)
Total		302,736	(63,774)

8. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Non-controlling interests in subsidiaries (continued)

	Summarised financial information before intra-group elimination												
	As at 31 December 2019					Year ended 31 December 2019							
Subsidiary name	Non-current assets RM'000	Current assets RM'000	Non-current liabilities RM'000	Current liabilities RM'000	Net assets/ (liabilities) RM'000	Revenue RM'000	Profit/ (loss) for the year RM'000	Total compre-hensive income/ (loss) RM'000	Cash flows from operating activities RM'000	Cash flows from investing activities RM'000	Cash flows from financing activities RM'000	Net increase/ (decrease) in cash and cash equivalents RM'000	Dividends paid to NCI RM'000
THP Sabaco Sdn. Bhd.	341,049	108,977	(22,419)	(31,095)	396,512	69,007	7,157	7,157	16,709	(13,334)	(3,255)	120	2,634
THP Saribas Sdn. Bhd.	356,806	15,497	(435,368)	(73,375)	(136,440)	104,023	(105,000)	(105,000)	43,270	(1,823)	(46,363)	(4,916)	-
THP-YT Plantation Sdn. Bhd.	64,649	1,913	(78,685)	(1,847)	(13,970)	7,299	(7,473)	(7,473)	948	(935)	-	13	-
Hydroflow Sdn. Bhd.	120,828	2,552	(38,422)	(2,681)	82,277	6,685	(550)	(550)	1,341	(1,327)	-	14	-
TH PELITA Gedong Sdn. Bhd.	181,452	84,269	(17,325)	(19,199)	229,197	101,556	(1,973)	(1,973)	1,796	(867)	(840)	89	-
TH PELITA Sadong Sdn. Bhd.	104,621	69,504	(6,849)	(5,636)	161,640	26,277	2,290	2,290	991	(118)	(840)	33	-
TH PELITA Meludam Sdn. Bhd.	133,011	2,447	(157,943)	(18,692)	(41,177)	20,261	(10,645)	(10,645)	22,817	(470)	(22,317)	30	-

8. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Non-controlling interests in subsidiaries (continued)

	Summarised financial information before intra-group elimination											
	As at 31 December 2018					Year ended 31 December 2018						
Subsidiary name	Non-current assets RM'000	Current assets RM'000	Non-current liabilities RM'000	Current liabilities RM'000	Net assets/ (liabilities) RM'000	Revenue RM'000	Profit/ (loss) for the year RM'000	Total compre-hensive income/ (loss) RM'000	Cash flows from operating activities RM'000	Cash flows from investing activities RM'000	Cash flows from financing activities RM'000	Net increase/ (decrease) in cash and cash equivalents RM'000	Dividends paid to NCI RM'000
THP Sabaco Sdn. Bhd.	435,098	98,797	(115,672)	(23,529)	394,694	77,070	7,621	7,621	11,269	(11,208)	-	61	-
THP Saribas Sdn. Bhd.	538,755	16,748	(532,991)	(53,947)	(31,435)	117,237	(55,255)	(55,255)	43,720	(3,669)	(40,198)	(147)	-
THP-YT Plantation Sdn. Bhd.	88,317	1,249	(88,103)	(1,873)	(410)	6,478	(37,677)	(37,677)	2,104	(2,174)	-	(70)	-
Hydroflow Sdn. Bhd.	140,638	1,968	(55,623)	(4,159)	82,824	6,982	(4,849)	(4,849)	1,493	(1,487)	-	6	-
TH PELITA Gedong Sdn. Bhd.	217,303	76,998	(45,306)	(19,499)	229,496	100,842	(6,070)	(6,070)	2,130	(1,397)	(980)	(247)	-
TH PELITA Sadong Sdn. Bhd.	115,130	60,742	(10,886)	(6,959)	158,027	30,785	2,330	2,330	857	12	(980)	(111)	-
TH PELITA Meludam Sdn. Bhd.	172,092	3,686	(191,013)	(22,270)	(37,505)	22,644	(21,347)	(21,347)	18,004	(1,013)	(17,000)	(9)	-

8. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Significant restrictions

Other than those disclosed elsewhere in the financial statements, the carrying amounts of assets to which significant restrictions apply are as follows:

	Group	
	2019 RM'000	**2018 RM'000**
Cash and cash equivalents	**190**	5,162
Land	**-**	18,603
Right-of-use asset	**7,674**	-
At 31 December	**7,864**	23,765

The above restrictions arise from the following:

Restriction imposed by bank covenants

The covenants of bank loans taken by the subsidiaries is as disclosed in Note 18.

9. OTHER INVESTMENTS

		Group		Company	
	Note	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Non-current					
Fair value through profit or loss	9.1	**1,825**	1,825	**1,825**	1,825
Current					
Amortised cost	9.2	**1,239**	1,888	**-**	517

9.1 This is in relation to investments in unquoted shares in Malaysia.

9.2 Included in other investments of the Group and of the Company is deposits placed with licensed banks with a profit margin ranging from 3.13% to 3.45% (2018: 3.10% to 3.65%).

10. DEFERRED TAX (ASSETS)/LIABILITIES

Recognised deferred tax (assets)/liabilities

Deferred tax (assets) and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Property, plant and equipment	**-**	-	**197,787**	341,006	**197,787**	341,006
Fair value adjustment on initial recognition of financial liabilities	**-**	-	**177**	522	**177**	522
Unabsorbed capital allowances	**(63,685)**	(128,328)	**-**	-	**(63,685)**	(128,328)
Biological assets	**-**	-	**8,027**	8,558	**8,027**	8,558
Right-of-use assets	**-**	-	**10,097**	-	**10,097**	-
Lease liabilities	**(11,481)**	-	**-**	-	**(11,481)**	-
Others	**-**	(23,382)	**17,885**	-	**17,885**	(23,382)
Tax (assets)/liabilities	**(75,166)**	(151,710)	**233,973**	350,086	**158,807**	198,376
Set off tax	**40,871**	97,544	**(40,871)**	(97,544)	**-**	-
Net tax (assets)/ liabilities	**(34,295)**	(54,166)	**193,102**	252,542	**158,807**	198,376

	Assets		Liabilities		Net	
Company	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Property, plant and equipment	**-**	-	**12,846**	13,257	**12,846**	13,257
Fair value adjustment on initial recognition of financial liabilities	**-**	-	**177**	522	**177**	522
Unabsorbed capital allowances	**(733)**	(477)	**-**	-	**(733)**	(477)
Biological assets	**-**	-	**1,547**	1,021	**1,547**	1,021
Right-of-use assets	**-**	-	**13,286**	-	**13,286**	-
Lease liabilities	**(14,632)**	-	**-**	-	**(14,632)**	-
Finance lease receivable	**-**	-	**11,204**	-	**11,204**	-
Others	**-**	(600)	**9,675**	2,939	**9,675**	2,339
Net tax (assets)/ liabilities	**(15,365)**	(1,077)	**48,735**	17,739	**33,370**	16,662

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group	
	2019 RM'000	**2018 RM'000**
Unutilised tax loss carry-forwards	**(564,726)**	(456,946)
At 31 December	**(564,726)**	(456,946)
Tax at 24% (2018: 24%)	**(135,534)**	(109,667)

Tax losses from certain subsidiaries have been recognised in prior year which gave rise to deferred tax assets. In accordance with the provision of Finance Act 2019 requirement, the unutilised tax losses are available for utilisation in the next seven years, for which, any excess at the end of the seventh year, will be disregarded. Tax losses can only be utilised once capital allowance has been fully exhausted for. Subsequent to this, deferred tax assets have not been recognised in respect for tax loss carry-forwards amounting to RM564,726,000 because it is no longer probable that future taxable profit will be available against which the Group can utilise the benefits there from.

10. DEFERRED TAX (ASSETS)/LIABILITIES (CONTINUED)

Movement in temporary differences during the year

Group	At 1.1.2018 RM'000	Recognised in profit or loss (Note 27) RM'000	Transfer to assets held for sale (Note 16) RM'000	Transfer from assets held for sale (Note 16) RM'000	At 31.12.2018 RM'000	Adjustment on initial application of MFRS 16 RM'000	At 1.1.2019 RM'000	Recognised in profit or loss (Note 27) RM'000	Transfer to assets held for sale (Note 16) RM'000	Transfer from assets held for sale (Note 16) RM'000	At 31.12.2019 RM'000
Unutilised tax losses	(88,814)	88,814	-	-	-	-	-	-	-	-	-
Unabsorbed capital allowances	(117,151)	(110,668)	99,491	-	(128,328)	-	(128,328)	74,002	-	(9,359)	(63,685)
Property, plant and equipment	403,376	26,262	(95,684)	7,052	341,006	-	341,006	(71,032)	(80,970)	8,783	197,787
Fair value adjustment on initial recognition of financial liabilities	3,720	(3,198)	-	-	522	-	522	(345)	-	-	177
Biological assets	12,505	(2,365)	(1,582)	-	8,558	-	8,558	1,307	(2,178)	340	8,027
Right-of-use assets	-	-	-	-	-	17,160	17,160	(7,063)	-	-	10,097
Lease liabilities	-	-	-	-	-	(17,160)	(17,160)	5,679	-	-	(11,481)
Others	11,232	(31,254)	(3,360)	-	(23,382)	-	(23,382)	38,527	-	2,740	17,885
	224,868	(32,409)	(1,135)	7,052	198,376	-	198,376	41,075	(83,148)	2,504	158,807

Company	At 1.1.2018 RM'000	Recognised in profit or loss (Note 27) RM'000	At 31.12.2018 RM'000	Adjustment on initial application of MFRS 16 RM'000	At 1.1.2019 RM'000	Recognised in profit or loss (Note 27) RM'000	At 31.12.2019 RM'000
Property, plant and equipment	12,899	358	13,257	-	13,257	(411)	12,846
Fair value adjustment on initial recognition of financial liabilities	3,720	(3,198)	522	-	522	(345)	177
Unabsorbed capital allowances	-	(477)	(477)	-	(477)	(256)	(733)
Biological assets	1,117	(96)	1,021	-	1,021	526	1,547
Right-of-use assets	-	-	-	13,523	13,523	(237)	13,286
Lease liabilities	-	-	-	(13,523)	(13,523)	(1,109)	(14,632)
Finance lease receivable	-	-	-	11,207	11,207	(3)	11,204
Others	(255)	2,594	2,339	-	2,339	7,336	9,675
	17,481	(819)	16,662	11,207	27,869	5,501	33,370

11. FINANCE LEASE RECEIVABLE

Net investment in lease

Company	2019 RM'000
At 1 January	-
Adjustment on initial application of MFRS 16	46,693
Finance income	3,831
Lease payments received	(3,840)
At 31 December	46,684

The finance lease receivable was related to an 84 years lease tenancy agreement between the Company and its subsidiary for the right to use of land. Upon adoption of MFRS 16, *Leases*, the Company, as the intermediate lessor, has reassessed the classification of sublease that previously classified as an operating lease under MFRS 117 to finance lease receivable.

This lease transfers substantially all the risk and rewards incidental to ownership of the leasehold land. The Company expects the residual value of the leasehold land at the end of the lease term to be minimal. This lease does not include buy-back agreements or residual value guarantees.

The future minimum lease payments under the finance lease together with the present value of the net minimum lease payments were as follows:

Company	2019 RM'000
Minimum lease payments:	
Within one year	3,840
1-2 years	7,680
2-5 years	19,200
Over 5 years	250,560
Total undiscounted lease payments	281,280
Less: Unearned finance income	(234,596)
Present value of minimum lease payments	46,684
Analysed as:	
Within one year	11
1-2 years	25
2-5 years	76
Over 5 years	46,572
Total finance lease receivable	46,684
Comprising:	
Current	11
Non-current	46,673
	46,684

For the financial year ended 31 December 2019, the Company recognised finance lease income of RM3,831,000 in the profit or loss.

12. TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-current					
Non-trade					
Amount due from subsidiary	12.1	**-**	-	**93,038**	13,752
Impairment loss on amount due from subsidiary		**-**	-	**(93,038)**	-
		-	-	**-**	13,752
Current					
Trade					
Trade receivables		**28,756**	22,357	**6,170**	3,944
Impairment loss on trade receivables		**(6)**	(157)	**-**	-
		28,750	22,200	**6,170**	3,944
Non-trade					
Amount due from subsidiaries	12.2	**-**	-	**357,373**	402,485
Amount due from related companies	12.3	**4,870**	8,501	**4,268**	8,501
Other receivables		**22,086**	23,067	**14,619**	12,347
Tax recoverable		**-**	1,480	**-**	-
		26,956	33,048	**376,260**	423,333
Impairment loss on amount due from subsidiaries		**-**	-	**(295,621)**	(116,116)
Impairment loss on amount due from related companies		**(4,774)**	(4,317)	**(4,268)**	(4,317)
Impairment loss on other receivables		**(11,165)**	(11,152)	**(6,482)**	(6,472)
		11,017	17,579	**69,889**	296,428
		39,767	39,779	**76,059**	300,372
Transfer from assets held for sale	16	**17**	-	**-**	-
Transfer to assets held for sale	16	**(8,409)**	(2,880)	**-**	-
		31,375	36,899	**76,059**	300,372

12.1 Terms of the advances to subsidiary are as follows:

a) The advances have no fixed redemption date and the subsidiary has an option to redeem all or part of the advances at the end of the twelfth year from date of issuance and thereafter on each subsequent periodic distribution date; and

b) The advances are unsecured and carries a periodic distribution rate of 5.61%-6.65% per annum. The periodic distribution is repayable on demand.

12.2 The amount due from subsidiaries are unsecured, subjected to profit margin of 5.56% to 6.65% and repayable on demand.

12.3 The amount due from related companies are unsecured, no profit margin applied and repayable on demand.

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

12.4 During the financial year ended 31 December 2019, the Company has re-assessed the recoverability of the amount due from subsidiaries.

The impairment test of the amount due from subsidiaries is based on the fair value less cost to sell as disclosed in Note 24. As a result of the impairment assessment, the Company have recognised an impairment loss on amount due from the subsidiaries amounting to RM272,543,000 (2018: RM116,116,000).

The above estimates are particularly sensitive in an increase/(decrease) of the assumption used. The sensitivity of the assumptions used in arriving to the fair value less cost to sell are as disclosed in Note 24.

13. INVENTORIES

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At cost					
Finished goods		**4,163**	14,454	**652**	3,595
Stores		**5,092**	8,640	**334**	459
		9,255	23,094	**986**	4,054
Transfer from asset held for sale	16	**86**	-	**-**	-
Transfer to asset held for sale	16	**(1,439)**	(3,460)	**-**	-
		7,902	19,634	**986**	4,054

14. BIOLOGICAL ASSET

Group	Note	2019 RM'000	2018 RM'000
At 1 January		**35,658**	52,105
Change in fair value recognised in profit or loss		**7,405**	(9,856)
		43,063	42,249
Transfer from assets held for sale	16	**1,417**	-
Transfer to assets held for sale	16	**(9,075)**	(6,591)
At 31 December		**35,405**	35,658
Company			
At 1 January		**4,254**	4,654
Change in fair value recognised in profit or loss		**2,193**	(399)
At 31 December		**6,447**	4,255

14. BIOLOGICAL ASSET (CONTINUED)

14.1 Breakdown of changes in fair value of biological assets recognised in profit or loss for the year, are as follows:

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Biological asset		**7,405**	(9,856)	**2,193**	(399)
Biological asset classified as asset held for sale	16	**3,626**	-	**-**	-
		11,031	(9,856)	**2,193**	(399)

14.2 The Group or the Company has considered the oil content of all unripe FFB from the week after pollination to the week prior to harvest. As the biological transformation of the FFB before the oil content accrues exponentially in the 3 months prior to harvest, FFB more than 3 months before harvesting are excluded from the valuation as their fair values are considered negligible. The fair value of FFB is calculated based on income approach which considers the net present value of all directly attributable net cash flows including imputed contributory asset charges. Biological assets are classified as current assets for bearer plants that are expected to be harvested.

The significant unobservable inputs used in the valuation models include FFB price (RM231/mt – RM576/mt) (2018: RM195/mt – RM399/mt), collection cost (RM62/mt – RM120/mt) (2018: RM60/mt – RM130/mt) and biological transformation factors.

The fair value measurement of the Group's biological assets is categorised within Level 3 of the fair value hierarchy. If the selling price of the FFB increase or decrease by 10%, profit or loss of the Group would have increased or decreased by approximately RM6,855,000. If the collection cost increase or decrease by 10%, profit or loss of the Group would have decreased or increased by approximately RM1,527,000.

15. CASH AND CASH EQUIVALENTS

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deposits placed with licensed banks	15.1	**58,423**	36,244	**57,000**	35,000
Cash and bank balances	15.2	**10,708**	14,725	**6,610**	5,490
		69,131	50,969	**63,610**	40,490
Transfer from assets held for sale	16	**26**	-	**-**	-
Transfer to assets held for sale	16	**(204)**	(408)	**-**	-
		68,953	50,561	**63,610**	40,490

15.1 Deposits which are placed with licensed banks for the Group and the Company have profit margins ranging between 2.80% to 3.30% (2018: 3.10% to 3.65%). Included in the deposits placed with licensed banks are RM57,000,000 (2018: RM36,212,000) and RM57,000,000 (2018: RM35,000,000) which are maintained by the Group and the Company respectively with a related corporation.

15.2 Included in the bank balances are RM7,204,000 (2018: RM6,196,000) and RM6,029,000 (2018: RM5,280,000) which are maintained by the Group and the Company respectively with a related corporation.

16. ASSETS CLASSIFIED AS HELD FOR SALE

In prior year, investment in Hydroflow Sdn. Bhd., investment in THP-YT Plantation Sdn. Bhd., investment in TH PELITA Meludam Sdn. Bhd., investment in TH PELITA Beladin Sdn. Bhd., investment in TH PELITA Simunjan Sdn. Bhd., investment in Bumi Suria Ventures Sdn. Bhd. and investment in Maju Warisanmas Sdn. Bhd. are presented as assets held for sale. These investments relate to the oil palm plantations segment of the Group. Efforts to sell the disposal group have commenced, and sale is now expected to be completed in financial year 2020 instead of 2019.

On 1 August 2019, the Board of Directors had approved the disposals of TH PELITA Gedong Sdn. Bhd. and TH PELITA Sadong Sdn. Bhd.. The investments in these subsidiaries are subsequently presented as assets held for sale. These investments relate to the oil palm plantations segment of the Group. Efforts to sell the disposal group have commenced, and sale is expected to be completed within twelve (12) months from the approval date.

In the current year, the Board of Directors are of the opinion that the efforts to sell investment in Hydroflow Sdn. Bhd. which was classified as assets held for sale in prior year is no longer probable, hence the Group has reclassified the assets and liabilities of the subsidiary to its relevant financial statement captions.

Assets classified as held for sale are as below:

		Group	
	Note	2019 RM'000	2018 RM'000
Assets classified as held for sale			
Property, plant and equipment		**633,927**	566,670
Right-of-use assets		**249,391**	-
Plantation development expenditure		**67,510**	133,718
Goodwill		**-**	9,761
Deferred tax assets		**28,894**	21,267
Biological assets		**17,875**	6,591
Inventories		**1,827**	3,460
Current tax assets		**4,744**	22
Trade and other receivables		**10,146**	2,880
Prepayments and other assets		**157**	134
Cash and cash equivalents		**431**	408
At 31 December	16.1	**1,014,902**	744,911
Liabilities classified as held for sale			
Loans and borrowings		**-**	13,715
Deferred tax liability		**83,432**	22,402
Payables and accruals		**30,311**	29,594
Current tax payable		**-**	269
Lease liabilities		**34,961**	-
At 31 December	16.1	**148,704**	65,980

		Company	
	Note	2019 RM'000	2018 RM'000
Assets classified as held for sale			
Investment in a subsidiary	16.2	**177,000**	72,500

16. ASSETS CLASSIFIED AS HELD FOR SALE (CONTINUED)

16.1 Movement of assets and liabilities classified as held for sale during the year

	Note*	At 1 January RM'000	Transfer out of assets held for sale RM'000	Movement during the year RM'000	Impairment loss RM'000	Transfer into assets held for sale RM'000	At 31 December RM'000
Assets classified as held for sale							
Property, plant and equipment	16.1.1	566,670	(27,688)	(150,012)	(26,046)	271,003	633,927
Right-of-use assets	16.1.2	-	(82,700)	226,992	(37,693)	142,792	249,391
Plantation development expenditure	16.1.3	133,718	(35,633)	(22,887)	(9,616)	1,928	67,510
Goodwill	7	9,761	(9,761)	-	-	-	-
Deferred tax assets	16.1.4	21,267	-	7,627	-	-	28,894
Biological assets	14	6,591	(1,417)	3,626	-	9,075	17,875
Inventories	13	3,460	(86)	(2,986)	-	1,439	1,827
Current tax assets		22	(2)	35	-	4,689	4,744
Trade and other receivables	12	2,880	(17)	(1,126)	-	8,409	10,146
Prepayments and other assets		134	(4)	21	-	6	157
Cash and cash equivalents	15	408	(26)	(155)	-	204	431
Total		744,911	(157,334)	61,135	(73,355)	439,545	1,014,902
Liabilities classified as held for sale							
Loans and borrowings	18	13,715	-	(13,715)	-	-	-
Deferred tax liability	16.1.4	22,402	(2,504)	(19,614)	-	83,148	83,432
Payables and accruals	21	29,594	(2,636)	(13,045)	-	16,398	30,311
Current tax payable		269	-	(269)	-	-	-
Lease liabilities		-	-	34,961	-	-	34,961
Total		65,980	(5,140)	(11,682)	-	99,546	148,704

* These notes relating to transfer into and out of assets and liabilities classified as held for sale during the year.

16. ASSETS CLASSIFIED AS HELD FOR SALE (CONTINUED)

16.1 Movement of assets and liabilities classified as held for sale during the year (continued)

Plantation assets are carried at the lower of cost or fair value less cost to sell. Fair value less cost to sell is based on management estimates having regard to estimated resale value, which is determined by an external, independent professional valuer, having appropriate recognised professional qualifications and recent experience in the location and category of assets being valued. Fair value less cost to sell is a Level 3 fair value measurement. See Note 24 for further details of the impairment loss.

16.1.1 Property, plant and equipment

The movement of property, plant and equipment comprise the following:

	Note	Group 2019 RM'000	Group 2018 RM'000
At 1 January		**566,670**	30,076
Transfer into right-of-use assets	16.1.2	**(191,978)**	-
Transfer out of assets held for sale	a	**(27,688)**	(30,076)
Impairment loss		**(26,046)**	-
Transfer from plantation development expenditure	16.1.3	**41,053**	-
Additions during the year		**918**	-
Written off during the year		**(5)**	-
		362,924	-
Transfer to assets held for sale	b	**271,003**	566,670
At 31 December		**633,927**	566,670

Note a

Property, plant and equipment transfer out of assets held for sale comprise the following:

	Note	Group 2019 RM'000	Group 2018 RM'000
Cost	3	**33,852**	32,726
Accumulated depreciation	3	**(6,164)**	(2,650)
		27,688	30,076

16. ASSETS CLASSIFIED AS HELD FOR SALE (CONTINUED)

16.1 Movement of assets and liabilities classified as held for sale during the year (continued)

16.1.1 Property, plant and equipment (continued)

Note b

Property, plant and equipment transfer into assets held for sale comprise the following:

		Group	
	Note	2019 RM'000	2018 RM'000
Cost	3	**430,341**	938,404
Accumulated depreciation	3	**(159,338)**	(115,159)
Accumulated impairment loss	3	**-**	(256,575)
		271,003	566,670

16.1.2 Right-of-use assets

The movement of right-of-use assets comprise the following:

		Group
	Note	2019 RM'000
At 31 December 2018		**-**
Adjustment on initial application of MFRS 16		**35,014**
At 1 January 2019		**35,014**
Transfer from property, plant and equipment	16.1.1	**191,978**
Transfer out assets held for sale	4	**(82,700)**
Impairment loss		**(37,693)**
		106,599
Transfer to assets held for sale	4	**142,792**
At 31 December		**249,391**

16. ASSETS CLASSIFIED AS HELD FOR SALE (CONTINUED)

16.1 Movement of assets and liabilities classified as held for sale during the year (continued)

16.1.3 Plantation development expenditure

The movement of plantation development expenditure comprise the following:

	Note	Group 2019 RM'000
At 1 January		**133,718**
Transfer out of assets held for sale	5	**(35,633)**
Impairment loss		**(9,616)**
Additions during the year	16.1.3.1	**18,163**
Additions of nurseries		**3**
Transfer to property, plant and equipment	16.1.1	**(41,053)**
		65,582
Transfer into assets held for sale	5	**1,928**
At 31 December		**67,510**

16.1.3.1 Additions

Included in additions during the year are as follows:

	2019 RM'000
Personnel expenses:	
- Wages, salaries and others	**4,036**
- Contribution to EPF	**192**
Finance cost*	**5,440**

* The finance cost is capitalised net interest expense at profit margin ranges from 5.56% to 6.65% (2018: 5.56% to 6.67%) per annum.

16. ASSETS CLASSIFIED AS HELD FOR SALE (CONTINUED)

16.1 Movement of assets and liabilities classified as held for sale during the year (continued)

16.1.4 Deferred tax (assets)/liabilities

Movement in temporary differences during the year

Group	At 1.1.2018 RM'000	Transfer into assets held for sale RM'000	At 31.12.2018 RM'000	Adjustment on initial application of MFRS 16 RM'000	At 1.1.2019 RM'000	Recognised in profit or loss (Note 27) RM'000	Transfer into assets held for sale RM'000	Transfer out assets held for sale RM'000	At 31.12.2019 RM'000
Unutilised tax losses	-	-	-	-	-	-	-	-	-
Unabsorbed capital allowances	-	(99,491)	(99,491)	-	(99,491)	(12,999)	-	9,359	(103,131)
Property, plant and equipment	-	95,684	95,684	-	95,684	(14,354)	80,970	(8,783)	153,517
Fair value adjustment on initial recognition of financial liabilities	-	-	-	-	-	-	-	-	-
Biological assets	-	1,582	1,582	-	1,582	870	2,178	(340)	4,290
Right-of-use assets	-	-	-	9,375	9,375	(150)	-	-	9,225
Lease liabilities	-	-	-	(9,375)	(9,375)	12	-	-	(9,363)
Others	-	3,360	3,360	-	3,360	(620)	-	(2,740)	-
	-	1,135	1,135	-	1,135	(27,241)	83,148	(2,504)	54,538

16. ASSETS CLASSIFIED AS HELD FOR SALE (CONTINUED)

16.2 Movement of investment in a subsidiary classified as assets held for sale during the year

The movement of investment in a subsidiary classified as assets held for sale comprise the following:

		Company	
	Note	2019 RM'000	2018 RM'000
At 1 January		**72,500**	-
Transfer from investment in subsidiaries	(a)	**-**	72,500
Transfer out of assets held for sales	(b)	**(72,500)**	-
Reversal of impairment loss	(c)	**177,000**	-
At 31 December		**177,000**	72,500

a) In prior year, investment in subsidiaries transfer into assets held for sale comprise the following;

	Note	Company 2018 RM'000
Cost		375,378
Accumulated impairment loss		(302,878)
Transfer to assets held for sales	8	72,500

There is no additional investment in subsidiaries that were transferred to assets held for sales during the financial year.

b) The Board of Directors are of the opinion that the efforts to sell investment in Hydroflow Sdn. Bhd. which was classified as assets held for sale in prior year is no longer probable, hence the Company has reclassified the investment in a subsidiary to its relevant financial statement captions.

c) Reversal of impairment loss comprise the following;

	Note	Company 2019 RM'000
THP-YT Plantation Sdn. Bhd.	(i)	**7,000**
Bumi Suria Ventures Sdn. Bhd./Maju Warisanmas Sdn. Bhd.	(ii)	**170,000**
		177,000

16. ASSETS CLASSIFIED AS HELD FOR SALE (CONTINUED)

16.2 Movement of investment in a subsidiary classified as assets held for sale during the year (continued)

c) Reversal of impairment loss comprise the following (continued):

(i) On 5 December, the Company has entered into a non-binding heads of agreements with TDM Berhad. ("TDM"), with an offer price of RM69,000,000 which comprise of RM7,000,000 for the acquisition of shares of THP-YT Sdn. Bhd. and TDM will make a repayment of RM62,000,000 relating to amount due to a subsidiary of the Company subsequent to the disposal.

The fair value less cost to sell of the subsidiary are estimated based on the Directors' valuation, which are based on the non-binding heads of agreements between the Company's and TDM dated 5 December 2019 to acquire the shares of the subsidiary. The fair value less cost to sell is higher than the carrying amount. Subsequently, a reversal of impairment loss of RM7,000,000 has been recognised as "other income" in profit or loss of the Company.

(ii) On 5 December 2019, the Company has entered into a Sale and Purchase Agreement with Tamaco Plantation Sdn. Bhd. ("Tamaco") to dispose the shares of the subsidiaries for a purchase consideration of RM170,000,000. The recoverable amount of a cash-generating unit is based on its purchased consideration less cost to sell. The fair value less cost to sell is higher than the carrying amount. Subsequently, a reversal of impairment loss of RM170,000,000 has been recognised as "other income" in profit or loss of the Company.

17. CAPITAL AND RESERVES

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Share capital	17.1	**862,752**	862,752	**862,752**	862,752
Other reserve	17.2	**(80,935)**	(80,958)	**(100,129)**	(100,129)
Foreign currency translation reserves		**(13,246)**	(11,790)	**-**	-
		768,571	770,004	**762,623**	762,623

17.1 Share capital

	Group and Company			
	Number of shares 2019 '000	Amount 2019 RM'000	Number of shares 2018 '000	Amount 2018 RM'000
Issued and fully paid shares classified as equity instruments:				
Ordinary shares				
At 1 January/31 December	**883,851**	**862,752**	883,851	862,752

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

17. CAPITAL AND RESERVES (CONTINUED)

17.2 Other reserves

Other reserves relate to fair value adjustment on initial recognition of financial instruments and adjustment to the premium of share issued for the acquisition of subsidiaries.

18. LOANS AND BORROWINGS

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Non-current					
Secured					
Commodity Murabahah Term Financing-i	18.1	**200,482**	229,819	**-**	-
Commodity Murabahah Term Financing-i	18.2	**46,254**	38,612	**-**	-
Unsecured					
SUKUK Murabahah Medium Term Notes	18.3	**855,000**	895,000	**-**	-
Term Financing	18.4	**37,908**	36,079	**-**	-
		1,139,644	1,199,510	**-**	-
Current					
Secured					
Commodity Murabahah Term Financing-i	18.2	**29,500**	30,000	**-**	-
Flexi Term Financing-i	18.5	**-**	13,715	**-**	-
Unsecured					
SUKUK Murabahah Medium Term Notes	18.3	**40,000**	-	**-**	-
Islamic Trade Financing-i	18.6	**10,271**	11,544	**-**	-
Commodity Murabahah Revolving-i	18.7	**60,000**	-	**60,000**	-
		139,771	55,259	**60,000**	-
Transfer to assets held for sale	16	**-**	(13,715)	**-**	-
		139,771	41,544	**60,000**	-
		1,279,415	1,241,054	**60,000**	-

18. LOANS AND BORROWINGS (CONTINUED)

18.1 Commodity Murabahah Term Financing-i

THP Saribas Sdn. Bhd.

Security

The Commodity Murabahah Term Financing-i Facility, which was obtained by a subsidiary of the Group, is secured over the leasehold land with a carrying amount of RM7,674,000 (2018: RM7,842,000) (see Note 4).

Significant covenants

The Commodity Murabahah Term Financing-i loan facility is subject to the fulfilment of the following significant covenants:

(a) not to grant any financings, loans, advance, provide security or guarantee any person except for normal trade credit or trade guarantee in the ordinary course of business;

(b) not to incur, assume or permit to exist any indebtedness, loans or financing under Islamic banking principles except those already disclosed in writing and consented to by the bank and unsecured indebtedness incurred in the ordinary course of business of the subsidiary;

(c) not to create or permit to subsist any security interest over any of its assets, business or undertaking (except liens arising by operation of law and in the normal course of business which in the financier opinion is not material);

(d) not to effect or permit any form of merger, reconstruction, consolidation, amalgamation or reduction in share capital or otherwise approve or permit any change of ownership or control;

(e) not to dispose or lease all or a substantial part of its assets or undertaking except in the ordinary course of its business, on ordinary commercial terms and on arm’s length basis;

(f) not to declare any dividends in excess of ten percent (10%) of its paid-up capital or any amount in excess of fifty percent (50%) of its annual net income after tax or such other threshold as may be prescribed by the Financier, provided always any such permissible declaration of dividends may only be made if all payment obligation of the subsidiary is current;

(g) not to enter into any profit sharing or other similar arrangement whereby the subsidiary’s income or profits are shared with any other person/or company unless such arrangement is entered into in the ordinary course of business on ordinary commercial terms and on arm’s length basis, or enter into any management agreement whereby its business is managed by a third party;

(h) not to decrease or alter the subsidiary’s authorised or issued capital or alter the structure thereof or the rights attached thereto; and

(i) not to breach such other covenants as may be prescribed by the Bank in the financing documents.

18. LOANS AND BORROWINGS (CONTINUED)

18.2 Commodity Murabahah Term Financing-i

PT Persada Kencana Prima

Significant covenants

The Commodity Murabahah Term Financing-i are subject to the fulfilment of the following significant covenants:

(a) The subsidiary shall maintain a Finance Service Cover Ratio ("FSCR") of at least 1.25 times during the tenure of the Facility;

(b) The Company shall remain as holding company of the subsidiary either direct or indirect with effective shareholdings of not less than 93%;

(c) The Company shall remain as subsidiary of Lembaga Tabung Haji;

(d) The subsidiary shall utilise the Facility within its permitted purposes only;

(e) Subordination of all existing advances from the subsidiary's shareholders/ directors/ related companies of not less than 40% of the Plantation Cost i.e. USD16,740,000;

(f) The subsidiary shall not without the written consent of the lender incur any additional financings/borrowings;

(g) The subsidiary shall not declare or pay/repay advances, dividends or payments owing to the shareholders (including any interests) or redeem any preference shares without the prior written consent from the lender;

(h) The subsidiary shall undertake to transfer and/or cause to transfer all revenue/income/equity contribution/takaful proceeds/ insurance proceeds from the Proposed Development into Rupiah Revenue Account and USD Proceeds Account.

18.3 SUKUK Murabahah Medium Term Notes

THP Suria Mekar Sdn. Bhd.

The SUKUK Murabahah Medium Term Notes, which was issued by THP Suria Mekar Sdn. Bhd. to Lembaga Tabung Haji is a programme of up to RM1.20 billion in nominal value.

Significant covenants

(a) not to incur or permit to exist any indebtedness for borrowed monies (which, for the purpose of this paragraph, includes any monies raised through any Islamic financing transaction such as issuance of sukuk), nor give any guarantees in respect of any indebtedness for borrowed monies to any person or entity whatsoever;

(b) not to create or permit to exist any Security Interest on any of its present and future assets, other than any lien arising in the ordinary course of business by operation of law and not by way of contract;

18. LOANS AND BORROWINGS (CONTINUED)

18.3 SUKUK Murabahah Medium Term Notes (continued)

THP Suria Mekar Sdn. Bhd. (continued)

Significant covenants (continued)

(c) not to sell, transfer or otherwise dispose of any of its assets, save for:

- i) where the sale, transfer or disposal is solely for the purposes of facilitating Shariah-compliant financing;
- ii) sale, transfer or disposal as contemplated by the terms of the transaction documents; and
- iii) where such assets to be sold, transferred or disposed of, do not exceed in aggregate of five percent (5%) of the Issuer's net assets (as shown in the latest audited consolidated accounts of the Issuer);

(d) not to obtain or permit to exist any loans or advances from its shareholder(s), unless these loans and advances are subordinated to the Sukuk Murabahah;

(e) not to grant any advances or loans to any party, save and except for:

- i) loans to its directors, officers or employees as part of their terms of employment;

(f) not to declare or pay any dividends or make any distribution, whether income or capital in nature, to the Company if:

- i) an Event of Default has occurred, is continuing and has not been remedied or waived; or
- ii) any payment under the arrangement pertaining to the SUKUK Murabahah is overdue and unpaid or if any of the payments under the arrangement pertaining to the SUKUK Murabahah which has become payable has not been paid as a consequence of default by the Issuer;

(g) not to take any step to wind up or dissolve itself;

(h) not to add, delete, amend or substitute its Memorandum and Articles of association in a manner inconsistent with the provisions of the transaction documents, unless otherwise required under the law;

(i) not to reduce or in any way whatsoever alter, except increase, its authorised or paid-up capital, whether by varying the amount, structure or value thereof or the rights attached thereto or by converting any of its share capital into stocks, or by consolidating, dividing or sub-dividing all or any of its shares, or by any other manner;

(j) not to enter into any agreement with the Company, or associated companies, unless such agreement is entered into:

- i) in the ordinary course of its business;
- ii) on an arm's-length basis; and
- iii) will not have a Material Adverse Effect on the Issuer;

(k) not to change the utilisation of proceeds of the Sukuk Murabahah Programme;

18. LOANS AND BORROWINGS (CONTINUED)

18.3 SUKUK Murabahah Medium Term Notes (continued)

THP Suria Mekar Sdn. Bhd. (continued)

Significant covenants (continued)

(l) not to engage or carry on any other business other than that as currently carried out;

(m) not to suspend or threaten to suspend any part of its business;

(n) not to consolidate or amalgamate or merge with or into, or transfer all or substantially all its assets to, or acquire all or substantially all the assets (including shares and/or stocks of any class, partnership or joint venture interest) of another entity;

(o) not to enter into a transaction, whether directly or indirectly, with interested persons (including a director, substantial shareholder or persons connected with them) unless:

i) such transaction shall be on terms that are no less favourable to the Issuer than those which could have been obtained in a comparable transaction from persons who are not interested; and

ii) with respect to transactions involving an aggregate payment or value equal to or greater than such amount representing twenty five percent (25%) of the Issuer's net asset as reflected in its then current audited financial statement, the Issuer obtains a certification from an independent adviser that the transaction is carried out on fair and reasonable terms, provided that the Issuer certifies to the Investor or the Joint Lead Managers, that the transaction complies with paragraph (i) above, that (where applicable) the Issuer has received the certification referred to in paragraph (i) above and that the transaction has been approved by the majority of the Board of Directors or shareholders in a general meeting, as the case may require; and

(p) not to enter into any partnership, profit-sharing or royalty agreement or other arrangement of whatsoever nature whereby the Issuer's income or profits derived from its main activity(ies) are, or might be, shared with any other person, firm or company or enter into any management contract or other arrangement of whatsoever nature whereby the Issuer's business or operations are managed by any other person, firm or company, unless entered into in its ordinary course of business.

18. LOANS AND BORROWINGS (CONTINUED)

18.4 Term Financing

TH-Bonggaya Sdn. Bhd.

The loans and borrowings were recognised at fair value at the date of the initial drawdown. Significant assumptions used to derive the fair value is as shown in Note 20. The total drawdown of Forest Plantations Facility as at 31 December 2019 is RM79,297,000 (2018: RM79,297,000).

Security

The term loan facility is a conventional loan granted by Forest Plantation Development Sdn. Bhd., a government agency.

Significant covenants

The term loan facility is subject to the fulfilment of the following significant covenants:

The subsidiary will not do or cause to be done the following except with the express written consent by Forest Plantation Development Sdn. Bhd. ("FPDSB"):

(i) Assign, transfer, sell, charge or otherwise howsoever deal with the subsidiary rights, title and interest under the loan agreement or the Security Documents or any part thereof or any interest therein or make the same subject to any change encumbrance liability or lien whatsoever or rescind remove or amend any condition or restriction affecting this Agreement or the Security Documents without the written consent of FPDSB first had and obtained; and

(ii) Give sub-concession of the Plantable Area, lease out or grant any license or otherwise howsoever part with the possession or make or accept the surrender of any lease whatsoever of and in respect of this Agreement or the Security Documents or the Plantable Area or the implementation of the Project without the consent in writing of FPDSB first had and obtained, provided however that nothing in this clause prohibits the Borrower from appointing or engaging sub-contractors to carry out various works or activities in relation to the implementation of the Project.

18.5 Flexi Term Financing-i

TH PELITA Meludam Sdn. Bhd.

Security

In prior year, the Flexi Term Financing-i which is taken by a subsidiary of the Group is secured over leasehold land with a carrying amount of RM10,761,000 (see Note 4).

The loan was fully paid during prior year.

18. LOANS AND BORROWINGS (CONTINUED)

18.6 Islamic Trade Financing-i

Manisraya Sdn. Bhd.

Significant covenants

The Islamic trade financing facility is subject to the fulfilment of the following significant covenants:

(a) not to grant any financings, loans or advances, or provide security or guarantee any person, except for normal trade credit or trade guarantee in the ordinary course of business;

(b) not to incur, assume or permit to exist any indebtedness or any loan or any financing under Islamic banking principles except those already disclosed in writing and consented to by the bank and unsecured indebtedness incurred in the ordinary course of business of the subsidiary;

(c) not to create or permit to subsist any Security Interest over any of its present and future assets, business or undertaking, except liens arising by operation of law and in the normal course of business and not by way of contract;

(d) not to effect or permit any form of merger, reconstruction, consolidation, amalgamation or reduction in share capital or otherwise approve or permit any change of ownership or control;

(e) not to dispose, sell or transfer or otherwise dispose of all or a substantial part of its assets or undertaking except in the ordinary course of its business, on ordinary commercial terms and on arm's length basis;

(f) not to enter into any partnership, profit-sharing or royalty agreement or other arrangement or whatsoever nature whereby the Issuer's income or profits derived from its main activities are, or might be, shared with any other person, firm or a company or enter into any management contract or other arrangement of whatsoever nature whereby the Issuer's business or operations are managed by any other person, firm or company, unless entered into in its ordinary course of business;

(g) not to engage or carry on any other business other than that as currently carried out or suspend or threaten to suspend any part of its business;

(h) not to add, delete, amend or substitute its memorandum or articles of association in a manner inconsistent with the provisions of the facility agreement, the other Security Documents and/or Transaction Documents, unless otherwise required under the law;

(i) not to take any step to wind up or dissolve itself;

(j) not to obtain or permit to exist any loans or advances from its shareholders, unless these loans and advances are subordinated to the Facilities in accordance with the provisions of this Agreement, the other Security Documents and/or Transaction Documents; and

(k) not to enter into any agreement with its shareholders, subsidiaries or associated companies, unless such agreement is entered into in the ordinary course of business, on an arm's-length basis and will not have a material adverse effect on the subsidiary.

18. LOANS AND BORROWINGS (CONTINUED)

18.7 Commodity Murabahah Revolving-i

Security

The Commodity Murabahah Revolving-i Facility, which was obtained by the Company, is secured over:

(i) The Master Facilities Agreement for Commodity Murabahah Facility;

(ii) Memorandum of charge over the following shares of 13,135,000 units of Bumi Suria Ventures Sdn. Bhd. and 1,151,998 units of Maju Warisanmas Sdn. Bhd.; and

(iii) Security documents such as Deed of assignment over the Proceeds Account (to be defined herein) to be maintained with the Financier and such other documents as may be deemed necessary by the Bank at any time or as advised by its solicitors.

The Commodity Murabahah Revolving-i Facility is subject to the fulfilment of the following significant covenants:

(a) The Company shall mandate RHB Investment Bank Berhad as the Transaction and Principal adviser for the proposed rationalisation exercise;

(b) The ultimate holding company shall remain as the controlling shareholder (directly or indirectly) and maintain at least 51% of shareholding in the Customer throughout the tenure of the Facility. Prior written consent shall be obtained should there be a dilution in ultimate holding company’s shareholding in Customer to below 51%;

(c) The Group shall maintain Financing to equity ratio not exceeding 1.25 times throughout the tenor of the Banking Facility;

(d) Payment of dividends is allowed subject to no arrears in the banking facility;

(e) No further borrowings are to be obtained by the Customer throughout the tenor of the Banking Facility without prior written consent by the Bank except for hire purchase, finance lease obligations and other short-term facilities;

(f) Other terms and conditions as may be advised by the Bank’s solicitors and agreed by Customer.

18. LOANS AND BORROWINGS (CONTINUED)

18.8 Reconciliation of movement of liabilities to cash flows arising from financing activities

Group	At 1 January 2019 RM'000	Loan repayment RM'000	Proceeds from drawdown of loans and borrowings RM'000	Other changes RM'000	Transfer to held for sale RM'000	At 31 December 2019 RM'000
Commodity Murabahah Term Financing-i	**259,819**	**(30,000)**	**-**	**163**	**-**	**229,982**
SUKUK Murabahah Medium Term Notes	**895,000**	**-**	**-**	**-**	**-**	**895,000**
Term Financing	**36,079**	**-**	**-**	**1,829**	**-**	**37,908**
Islamic Trade Financing-i	**11,544**	**(121,331)**	**120,058**	**-**	**-**	**10,271**
Commodity Murabahah Term Financing-i	**38,612**	**-**	**7,642**	**-**	**-**	**46,254**
Commodity Murabahah Revolving-i	**-**	**-**	**60,000**	**-**	**-**	**60,000**
	1,241,054	**(151,331)**	**187,700**	**1,992**	**-**	**1,279,415**

Group	At 1 January 2018 RM'000	Loan repayment RM'000	Proceeds from drawdown of loans and borrowings RM'000	Other changes RM'000	Transfer to held for sale RM'000	At 31 December 2018 RM'000
Flexi Term Financing-i	30,715	(17,000)	-	-	(13,715)	-
Commodity Murabahah Term Financing-i	283,656	(24,000)	-	163	-	259,819
SUKUK Murabahah Medium Term Notes	895,000	-	-	-	-	895,000
Term Financing	30,812	-	8,710	(3,443)	-	36,079
Islamic Trade Financing-i	3,857	(120,360)	128,047	-	-	11,544
Commodity Murabahah Term Financing-i	-	-	38,612	-	-	38,612
	1,244,040	(161,360)	175,369	(3,280)	(13,715)	1,241,054

18. LOANS AND BORROWINGS (CONTINUED)

18.8 Reconciliation of movement of liabilities to cash flows arising from financing activities (continued)

Company	At 1 January 2019 RM'000	Loan repayment RM'000	Proceeds from drawdown of loans and borrowings RM'000	At 31 December 2019 RM'000
Commodity Murabahah Revolving-i	-	-	60,000	60,000
	-	-	60,000	60,000

19. EMPLOYEE BENEFITS

	Group	
	2019 RM'000	2018 RM'000
Defined benefit obligations	730	269
Fair value of plan assets	-	273
Net defined benefit liabilities	730	542

The Staff Retirement Benefits Scheme ("the Scheme") provides pension benefits for eligible employees upon retirement. A subsidiary of the Group participated in making contributions to the Scheme.

20. DEFERRED INCOME

		Group	
	Note	2019 RM'000	2018 RM'000
Government grant			
At 1 January		-	-
Fair value on government grant	20.2	-	5,192
Fair value recognised in profit and loss	20.2	-	(5,192)
At 31 December		-	-

A subsidiary of the Company received a loan facility in 2015 which was conditional upon managing, planting and silvicultural treatment of the timber species within a plantable area and further to undertake tapping (for rubber species), cutting, collecting, removing and/or selling the planted timber trees. During the financial year, the subsidiary did not make any additional drawdown (2018: RM8,710,000).

20.1 Government grant arises due to loans received from government agency at interest rate which is below market rate. The loan is recognised and measured at fair value. The benefit of the lower interest and longer repayment period is recognised as government grant. The term financing received during the year has been fair valued based on discounted cash flows using a rate based on the current market rate of borrowing at reporting date. The repayment of the loan is estimated to be made after nineteen (19) years (2018: twenty (20) years (see Note 18.4)).

20. DEFERRED INCOME (CONTINUED)

20.2 Fair value information

Fair value of government grant categorised as follows:

	Level 3	
	2019 RM'000	2018 RM'000
Government grant	-	5,192

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
The fair value of the grant is the difference between the fair value of the government loan and the cash received from the loan. The fair value of the loan is determined using discounted cash flows. The valuation method considers the present value of net cash flows to be payables to lender, taking into account current profit margin rate (base lending rate plus spread), and expected repayment period. The expected net cash flows are discounted using risk-adjusted discount rates.	• Profit margin rate (7.76%) • Repayment period (20 years)	The estimated fair value would increase/(decrease) if: • Expected proft margin rate were higher/(lower); • Expected repayment period were longer/(shorter).

21. TRADE AND OTHER PAYABLES

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Non-current					
Non-trade					
Amounts due to related companies	21.1	**1,493**	10,388	**-**	9,000
Accrued expenses	21.2	**8,333**	-	**-**	-
		9,826	10,388	**-**	9,000
Current					
Trade					
Trade payables		**53,709**	80,253	**8,968**	6,955
Non-trade					
Amounts due to holding corporation	21.3	**12,092**	13,186	**11,972**	13,186
Amounts due to subsidiaries	21.4	**-**	-	**272,980**	384,031
Amounts due to related companies	21.4	**7,226**	58,328	**7,226**	58,328
Other payables		**121,118**	41,607	**87,583**	5,975
Accrued expenses		**18,927**	26,768	**2,842**	3,877
Dividend payable:					
- Owner of the company	21.5	**-**	155	**-**	155
- Non-controlling interest	21.5	**10,300**	11,998	**-**	-
		169,663	152,042	**382,603**	465,552
Transfer from assets held for sale	16	**2,636**	-	**-**	-
Transfer to assets held for sale	16	**(16,398)**	(29,594)	**-**	-
		209,610	202,701	**391,571**	472,507

21.1 The amounts due to related companies are unsecured, no profit margin applied and stated at amortised cost. The amounts are to be repaid over the next eight (8) years (2018: nine (9) years).

The following table shows the valuation technique used in the determination of fair value during initial recognition, which is within Level 3, as well as the significant unobservable inputs used in the valuation models in prior year.

Type	Significant unobservable inputs	Description of valuation technique and inputs used
• Amounts due to related companies	• Profit margin rate (7.60%)	Discounted cash flows using a rate based on the current market rate of borrowing of the Group and Company at the entities reporting date.

The difference between nominal and fair value has been taken up in other reserve as contribution from the holding company.

21. TRADE AND OTHER PAYABLES (CONTINUED)

21.2 The accrued expenses are in relation to interest accrued for term financing of a subsidiary. The amount is to be repaid after nineteen (19) years (see Note 18.4).

21.3 The amounts due to holding corporation is unsecured, no profit margin applied, and is repayable on demand.

21.4 The amounts due to subsidiaries and related companies are unsecured, subject to profit margin ranges from 3.13% to 5.90% (2018: 3.13% to 3.40%) and are repayable on demand.

21.5 Reconciliation of movement of dividend payables

2019	Non-controlling interest RM'000	Owners of the Company RM'000	Total RM'000
Group			
At 1 January	**11,998**	**155**	**12,153**
Dividend declared during the year	**2,616**	**-**	**2,616**
Dividend paid	**(4,314)**	**(155)**	**(4,469)**
At 31 December	**10,300**	**-**	**10,300**
Company			
At 1 January		**155**	**155**
Dividend declared during the year		**-**	**-**
Dividend paid		**(155)**	**(155)**
At 31 December		**-**	**-**
2018			
Group			
At 1 January	11,158	634	11,792
Dividend declared during the year	840	17,676	18,516
Dividend paid	-	(18,155)	(18,155)
At 31 December	11,998	155	12,153
Company			
At 1 January		634	634
Dividend declared during the year		17,676	17,676
Dividend paid		(18,155)	(18,155)
At 31 December		155	155

21. TRADE AND OTHER PAYABLES (CONTINUED)

21.6 Reconciliation of movement of liabilities to cash flows arising from financing activities

Group	At 1 January 2019 RM'000	Net changes from financing cash flows RM'000	At 31 December 2019 RM'000
Amounts due to holding corporation	**13,186**	**(1,094)**	**12,092**
Amounts due to related companies	**68,716**	**(59,997)**	**8,719**
	81,902	**(61,091)**	**20,811**
Company			
Amounts due to holding corporation	**13,186**	**(1,214)**	**11,972**
Amounts due to related companies	**67,328**	**(60,102)**	**7,226**
Amounts due to subsidiaries	**384,031**	**(111,051)**	**272,980**
	464,545	**(172,367)**	**292,178**

Group	At 1 January 2018 RM'000	Net changes from financing cash flows RM'000	At 31 December 2018 RM'000
Amounts due to holding corporation	14,151	(965)	13,186
Amounts due to related companies	58,485	10,231	68,716
	72,636	9,266	81,902
Company			
Amounts due to holding corporation	14,151	(965)	13,186
Amounts due to related companies	57,195	10,133	67,328
Amounts due to subsidiaries	344,746	39,285	384,031
	416,092	48,453	464,545

22. REVENUE

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue from contracts with customers	**493,577**	519,178	**106,162**	105,045
Other revenue:				
Dividend income	**73**	146	**2,796**	20,349
Total revenue	**493,650**	519,324	**108,958**	125,394

22.1 Disaggregation of revenue

	Oil palm plantations		Other segments		Total	
Group	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Primary geographical markets						
Malaysia	**493,577**	519,178	**-**	-	**493,577**	519,178
Indonesia	**-**	-	**-**	-	**-**	-
	493,577	519,178	**-**	-	**493,577**	519,178
Major products						
Crude Palm Oil ("CPO")	**382,750**	386,630	**-**	-	**382,750**	386,630
Palm Kernel ("PK")	**50,681**	67,103	**-**	-	**50,681**	67,103
Fresh Fruits Bunches ("FFB")	**60,146**	65,445	**-**	-	**60,146**	65,445
	493,577	519,178	**-**	-	**493,577**	519,178
Timing and recognition						
At a point in time	**493,577**	519,178	**-**	-	**493,577**	519,178
Revenue from contracts with customers	**493,577**	519,178	**-**	-	**493,577**	519,178
Other revenue	**-**	-	**73**	146	**73**	146
Total revenue	**493,577**	519,178	**73**	146	**493,650**	519,324

22. REVENUE (CONTINUED)

22.1 Disaggregation of revenue (continued)

Company	Oil palm plantations 2019 RM'000	Oil palm plantations 2018 RM'000	Other segments 2019 RM'000	Other segments 2018 RM'000	Total 2019 RM'000	Total 2018 RM'000
Major products						
Crude Palm Oil ("CPO")	**86,368**	80,835	**-**	-	**86,368**	80,835
Palm Kernel ("PK")	**12,310**	16,334	**-**	-	**12,310**	16,334
Fresh Fruits Bunches ("FFB")	**7,484**	7,876	**-**	-	**7,484**	7,876
	106,162	105,045	**-**	-	**106,162**	105,045
Timing and recognition						
At a point in time	**106,162**	105,045	**-**	-	**106,162**	105,045
Revenue from contracts with customers	**106,162**	105,045	**-**	-	**106,162**	105,045
Other revenue	**-**	-	**2,796**	20,349	**2,796**	20,349
Total revenue	**106,162**	105,045	**2,796**	20,349	**108,958**	125,394

22.2 Nature of goods and services

The following information reflects the typical transactions of the Group and the Company:

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms	Variable element in consideration
CPO	Revenue is recognised when the goods are delivered and accepted by the customers at their premises.	Credit period of 30 days from invoice date.	There would be penalty charges where the quality of CPO is below certain threshold.
PK	Revenue is recognised when the goods are delivered and accepted by the customers at their premises.	Credit period of 30 days from invoice date.	There would be penalty charges where the quality of PK is below certain threshold.
FFB	Revenue is recognised when the goods are delivered and accepted by the customers at their premises.	Credit period of 30 days from invoice date.	Penalty in relation to ripeness standard of the crop.

The Group applies the practical expedient of exemption on the disclosure of information on remaining performance obligations that have original expected durations of one year or less.

23. COST OF SALES

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Oil palm plantations	**408,729**	467,420	**88,595**	86,072
Forestry	**5,633**	16,809	**-**	-
	414,362	484,229	**88,595**	86,072

24. OTHER EXPENSES

Included in other expenses are impairment in relation to property, plant and equipment, plantation development expenditure, intangible assets and investment in subsidiaries.

		Group		Company	
	Note	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Impairment of:					
Property, plant and equipment	24.1	**75,845**	258,971	**-**	-
Plantation development expenditure	24.1	**20,316**	83,193	**-**	-
Right-of-use assets	24.1	**22,819**	-	**-**	-
Intangible assets	24.1	**9,761**	63,504	**-**	-
Assets held for sale	24.1	**73,355**	-	**-**	-
Investment in subsidiaries	24.3	**-**	-	**-**	315,289
		202,096	405,668	**-**	315,289

24. OTHER EXPENSES (CONTINUED)

24.1 Impairment of property, plant and equipment, plantation development expenditure (“PDE”), intangible assets and assets held for sale in 2019

The Board of Directors have approved a plan to dispose the Group’s interest in eight (8) subsidiaries, six (6) subsidiaries on 26 November 2018 and two (2) subsidiaries on 1 August 2019 respectively. The Group has engaged two (2) valuers to perform a valuation on leasehold land and bearer plants of these subsidiaries. During the financial year, Hydroflow Sdn. Bhd., which was classified as assets held for sale in 2018 has been transferred out from assets held for sale as the Group does not expect for the subsidiary to be disposed in the next 12 months.

During the financial year, the Group has received an offer for Bumi Suria Ventures Sdn. Bhd./Maju Warisanmas Sdn. Bhd. and THP-YT Plantation Sdn. Bhd. and has used the offer price as the basis for fair value less cost to sell for the subsidiary’s plantations assets.

The details of impairment loss arising from this are as follows:

2019	Note	Property, plant and equipment RM’000	Plantation development expenditure RM’000	Right-of-use assets RM’000	Intangible assets RM’000	Assets held for sale RM’000	Total RM’000
Group							
Bumi Suria Ventures Sdn. Bhd./ Maju Warisanmas Sdn. Bhd.*	(i)	-	-	-	-	23,021	23,021
Hydroflow Sdn. Bhd.	(ii)	-	-	12,476	9,761	-	22,237
THP-YT Plantation Sdn. Bhd.*	(iii)	-	-	-	-	14,345	14,345
TH PELITA Simunjan Sdn. Bhd.*	(iv)	-	-	-	-	31,800	31,800
PT Persada Kencana Prima	(v)	-	14,940	-	-	-	14,940
TH PELITA Gedong Sdn. Bhd.*	(vi)	-	5,376	1,473	-	-	6,849
THP Saribas Sdn. Bhd.	(vii)	75,845	-	3,976	-	-	79,821
TH PELITA Sadong Sdn. Bhd.*	(viii)	-	-	4,894	-	-	4,894
TH PELITA Beladin Sdn. Bhd.*	(ix)	-	-	-	-	4,189	4,189
		75,845	20,316	22,819	9,761	73,355	202,096

* These are in relation to disposal group held for sale (see Note 16).

24. OTHER EXPENSES (CONTINUED)

24.1 Impairment of property, plant and equipment, PDE and intangible assets in 2019 (continued)

(i) Bumi Suria Ventures Sdn. Bhd./Maju Warisanmas Sdn. Bhd.

On 5 December 2019, the Company has entered into a Sale and Purchase Agreement with Tamaco Plantation Sdn. Bhd.("Tamaco") to dispose the subsidiaries for a purchase consideration of RM170,000,000 on the assumption that the subsidiaries will be in a cash and debt free position (save for the inter-company advances) and have no other assets other than the properties and the fixed assets on the completion date. Net current assets or net current liabilities will be adjusted by increasing or decreasing the purchase consideration.

The recoverable amount of a cash-generating unit is based on its fair value less cost to sell. The fair value less cost to sell of plantation assets of the subsidiary are estimated based on the Directors' valuation, which are based on the Sale and Purchase Agreement between the Company and Tamaco to acquire the subsidiaries based on its current condition. The carrying amount of cash-generating unit is higher than the recoverable amount. An impairment loss of RM23,021,000 has been recognised in the Group profit or loss.

(ii) Hydroflow Sdn. Bhd.

During the financial year, the Group assessed the plantations assets value of the subsidiary that has not been performing up to the Group's expectation. The carrying amount of the bearer plant, PDE and Right-of-use (ROU) assets as at 31 December 2019 amounted to RM18,404,000, RM32,835,000 and RM74,366,000 respectively. The Group has engaged a registered valuer in prior year to value the plantation assets of the subsidiary. The cash-generating unit consist of planted area in relation to oil palm and unplantable area which the recoverable amount based on valuation report are RM40,742 per hectare and RM14,826 per hectare respectively. The Group is of the view that the fair value less cost to sell are consistent as per prior year valuation report as there is no significant change in the market.

The following table summarises the valuation method and assumptions used in the determination of fair value less cost to sell within Level 3, as well as the significant unobservable inputs used in the valuation models in current year.

Description of valuation technique and inputs used	Significant unobservable inputs in current year	Inter-relationship between significant unobservable inputs and fair value measurement
Discounted cash flows: The valuation method considers the present value of net cash flows to be generated from CGU, taking into account expected projected FFB yield, FFB sales price, upkeep and maintenance cost. The expected net cash flows are discounted using risk-adjusted discount rates.	• Expected projected FFB yield (6.00mt/ha – 25.00mt/ha) • FFB sales price (RM550/mt) • Upkeep and maintenance cost (RM1,200/ha – RM2,000/ha) • Pre-tax discount rate (14%) • Plantation land value (Nil) • Pre-tax discount rate for land (Nil)	The estimated fair value would increase/(decrease) if: • Expected projected FFB yield were higher/(lower); • FFB sales price were higher/(lower); • Upkeep and maintenance cost were lower/(higher); • Discount rates were lower/(higher); • Plantation land value were lower/(higher); or • Discount rates were lower/(higher).

The values assigned to the key assumptions represent valuer's assessment of future trends in the oil palm industry and are based on external sources and internal sources (historical data).

The recoverable amount of a cash-generating unit is based on its fair value less cost to sell. The carrying amount of cash-generating unit is higher than the recoverable amount of RM40,742 per hectare for planted area in relation to oil palm and RM14,826 per hectare for unplantable area. A further impairment loss of RM22,237,000 has been recognised in the Group profit or loss.

24. OTHER EXPENSES (CONTINUED)

24.1 Impairment of property, plant and equipment, PDE and intangible assets in 2019 (continued)

(ii) Hydroflow Sdn. Bhd. (continued)

The above estimates are particularly sensitive to the following assumptions:

- A reduction in FFB yield per hectare by 5% would have resulted in an increase of impairment loss of RM7,100,000.
- A reduction in price of FFB by 5% would have resulted in an increase of impairment loss of RM8,800,000.
- An increase of 5% in the upkeep and maintenance cost would have resulted in an increase of impairment loss of RM2,500,000.
- An increase of 1% in the discount rate would have resulted in an increase of impairment loss of RM5,600,000.
- Factoring plantation land value consistent with valuation that was performed in 2017 (RM18,100/ha) discounted at 4.25%, it would have resulted in a decrease of impairment loss of RM11,331,000.
- If a pre-tax discount rate of 9% been used, it would have resulted in no impairment loss.

(iii) THP-YT Plantation Sdn. Bhd. ("THP-YT")

Based on the non-binding heads of agreements between the Company and TDM Berhad ("TDM") dated 5 December 2019, the offer price to acquire THP-YT is RM69,000,000 which comprise of RM7,000,000 for the acquisition of shares of THP-YT Sdn. Bhd. and TDM will make a repayment of RM62,000,000 relating to amount due to a subsidiary of the Company subsequent to the disposal.

The recoverable amount of a cash-generating unit is based on its fair value less cost to sell. The fair value less cost to sell of plantation assets of the subsidiary are estimated based on the Directors' valuation, which are based on the non-binding heads of agreements between the Company and TDM dated 5 December 2019 to acquire the subsidiary based on its current condition. The carrying amount of cash-generating unit is higher than the fair value less cost to sell. An impairment loss of RM14,345,000 has been recognised in the Group profit or loss.

(iv) TH PELITA Simunjan Sdn. Bhd.

The Group has engaged a registered valuer in prior year to value the plantation assets of the subsidiary. The cash-generating unit consist of planted area in relation to palm oil which the recoverable amount based on valuation report is RM38,320 per hectare. The Group is of the view that the fair value less cost to sell are consistent as per prior year valuation report as there is no significant change in the market.

The following table summarises the valuation method and assumptions used in the determination of fair value less cost to sell within Level 3, as well as the significant unobservable inputs used in the valuation models in current year.

Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Discounted cash flows: The valuation method considers the present value of net cash flows to be generated from CGU, taking into account expected projected FFB yield, FFB sales price, upkeep and maintenance cost. The expected net cash flows are discounted using risk-adjusted discount rates.	• Expected projected FFB yield (6.00mt/ha – 25.00mt/ha) • FFB sales price (RM550/mt) • Upkeep and maintenance cost (RM1,300/ha – RM1,700/ha) • Pre- tax discount rate (14%)	The estimated fair value would increase/(decrease) if: • Expected projected FFB yield were higher/(lower); • FFB sales price higher/(lower); • Upkeep and maintenance cost were lower/(higher); or • Discount rates were lower/ (higher).

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24. OTHER EXPENSES (CONTINUED)

24.1 Impairment of property, plant and equipment, PDE and intangible assets in 2019 (continued)

(iv) TH PELITA Simunjan Sdn. Bhd. (continued)

The values assigned to the key assumptions represent valuer's assessment of future trends in the oil palm industry and are based on external sources and internal sources (historical data).

The recoverable amount of a cash-generating unit is based on its fair value less cost to sell. Based on the fair value less cost to sell, the carrying amount of cash-generating unit is higher than the recoverable amount of RM38,320 per hectare for planted area in relation to palm oil. An impairment loss of RM31,800,000 has been recognised in profit or loss.

The above estimates are particularly sensitive in the following assumptions:

- A reduction in FFB yield per hectare by 5% would have resulted in an increase of impairment loss of RM10,700,000.
- A reduction in price of FFB by 5% would have resulted in an increase of impairment loss of RM13,200,000.
- An increase of 5% in the upkeep and maintenance cost would have resulted in an increase of impairment loss of RM3,500,000.
- An increase of 1% in the discount rate would have resulted in an increase of impairment loss of RM7,800,000.
- If a plantation land value of RM31,540 per hectare was included in the discounted cash flow discounted at 4.25%, it would have resulted in a decrease of impairment loss of RM29,256,000.
- If a pre-tax discount rate of 9% been used, it would have resulted in no impairment loss.
- If no future replanting cost nor future revenue are considered if an area is due for replanting before the end of the cycle, it would have resulted in a decrease of impairment loss amounting to RM1,000,000.

(v) Impairment in relation to PT Persada Kencana Prima

In prior year, the Group has engaged a registered valuer to value the estates of the subsidiary that has not been performing up to the Group's expectation. The carrying amount of the PDE and ROU as at 31 December 2019 amounted to RM80,298,000 and RM1,614,000 respectively. The cash-generating unit consist of planted area in relation to palm oil and plantable area which the recoverable amount based on valuation report are RM6,593 per hectare and RM13,826 per hectare respectively. The Group is of the view that the fair value less cost to sell are consistent as per prior year valuation report as there is no significant change in the market.

Fair value less cost to sell is based on management estimates having regard to estimated resale value which is determined by an external, independent professional valuer, having appropriate recognised professional qualifications and recent experience in the location and category of assets being valued. Fair value less cost to sell is a Level 3 fair value measurement.

24. OTHER EXPENSES (CONTINUED)

24.1 Impairment of property, plant and equipment, PDE and intangible assets in 2019 (continued)

(v) Impairment in relation to PT Persada Kencana Prima (continued)

The following table summarises the valuation method and assumptions used in the determination of fair value less cost to sell within Level 3, as well as the significant unobservable inputs used in the valuation models.

Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Discounted cash flows: The valuation method considers the present value of net cash flows to be generated from CGU, taking into account expected projected FFB yield, FFB sales price, plantation land value at the end of the cycle and upkeep and maintenance cost. The expected net cash flows are discounted using risk-adjusted discount rates.	• Expected projected FFB yield (7.00mt/ha – 25.00mt/ha) • FFB sales price (RM298/mt – RM331/mt) • Upkeep and maintenance cost (RM640/ha – RM2,400/ha) • Pre-tax discount rate in relation to bearer plant (13%) • Plantation land value (RM10,500/ha) • Pre-tax discount rate in relation to plantation land value (6%)	The estimated fair value would increase/(decrease) if: • Expected projected FFB yield were higher/(lower); • FFB sales price higher/(lower); • Upkeep and maintenance cost were lower/(higher); • Discount rates were lower/(higher); • Plantation land value were lower/(higher); or • Discount rates were lower/(higher).

The values assigned to the key assumptions represent valuer's assessment of future trends in the oil palm industry and are based on external sources and internal sources (historical data).

The recoverable amount of a cash-generating unit is based on its fair value less cost to sell. The carrying amount of cash-generating unit is higher than the recoverable amount of RM6,593 per hectare for planted area in relation to palm oil and RM13,826 per hectare for plantable area. A further impairment loss of RM14,940,000 has been recognised in the profit or loss is in regard to additions during the year.

The above estimates are particularly sensitive to the following assumptions:

- A reduction in FFB yield per hectare by 5% would have resulted in an increase of impairment loss of RM457,000.
- A reduction in price of FFB by 5% would have resulted in an increase of impairment loss of RM457,000.
- An increase of 5% in the upkeep and maintenance cost would have resulted in an increase of impairment loss of RM457,000.
- An increase of 1% in the discount rate would have resulted in an increase of impairment loss of RM457,000.

24. OTHER EXPENSES (CONTINUED)

24.1 Impairment of property, plant and equipment, PDE and intangible assets in 2019 (continued)

(vi) Impairment in relation to TH PELITA Gedong Sdn. Bhd.

During the financial year, one (1) area estate of PDE has experienced heavy floods, in which no future income is expected to be generated from this area.

Subsequent to this, the Group had fully impaired RM5,376,000 in relation to carrying amount of the PDE of the estate as at 31 December 2019 and recognised in the profit or loss.

The Group has also engaged a registered valuer during the year to perform the valuation of the subsidiary's assets to determine the fair value of the respective subsidiary's plantation assets. The cash-generating unit consist of planted area in relation to palm oil, plantable area in relation to palm oil and palm oil mill which the recoverable amount based on valuation report are RM39,042 per hectare, RM4,972 per hectare and RM850,000 per metric tonne capacity respectively.

The following table summarises the valuation method and assumptions used in the determination of fair value less cost of disposal within Level 3, as well as the significant unobservable inputs used in the valuation models in current year.

Description of valuation technique and inputs used	Significant unobservable inputs in current year	Inter-relationship between significant unobservable inputs and fair value measurement
Plantations assets Discounted cash flows: The valuation method considers the present value of net cash flows to be generated from estates, taking into account expected projected FFB yield, FFB sales price, plantation land value at the end of the cycle and upkeep and maintenance cost. The expected net cash flows are discounted using risk-adjusted discount rates.	• Expected projected FFB yield (6.00mt/ha – 25.00mt/ha) • FFB sales price (RM510/mt – RM550/mt) • Upkeep and maintenance cost (RM1,200/ha – RM2,200/ha) • Pre- tax discount rate (14%)	The estimated fair value would increase/(decrease) if: • Expected projected FFB yield were higher/(lower); • FFB sales price higher/(lower); • Upkeep and maintenance cost were lower/(higher); or • Discount rates were lower/(higher).
Mill Market approach: Fair value of land of the mill are based on sales price of comparable land in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is market price per hectare.	• Market price per hectare	• The estimated fair value would increase/(decrease) if the market price per hectare is higher/(lower).
Replacement cost approach: The most significant input into this valuation approach is replacement cost per square foot for building and replacement cost per unit for plant and machinery and adjusted by the depreciation of the assets.	• Cost per square foot and new replacement cost per unit • Depreciation rate	• The estimated fair value would increase/(decrease) if the cost per square foot and replacement cost per unit are higher/(lower). • The estimated fair value would increase/(decrease) if the depreciation rate is lower/(higher).

24. OTHER EXPENSES (CONTINUED)

24.1 Impairment of property, plant and equipment, PDE and intangible assets in 2019 (continued)

(vi) Impairment in relation to TH PELITA Gedong Sdn. Bhd. (continued)

The values assigned to the key assumptions represent management's assessment of future trends in the oil palm industry and are based on external sources and internal sources (historical data).

The recoverable amount of a cash-generating unit is based on its fair value less cost to sell. The carrying amount of cash-generating unit is higher than the recoverable amount of RM39,042 per hectare for planted area in relation to palm oil, RM4,972 per hectare for plantable area and RM850,000 per metric tonne capacity for palm oil mill. An impairment loss of RM1,473,000 has been recognised in the profit or loss.

The above estimates are particularly sensitive in the following cases:

- An increase of 1% in the discount rate would have resulted in an increase of impairment loss of RM11,500,000.
- A reduction in price of FFB by 5% would have resulted in an increase of impairment loss of RM20,400,000.
- A reduction in yield per hectare by 5% would have resulted in an increase of impairment loss of RM17,900,000.
- An increase of 5% in the upkeep and maintenance cost would have resulted in an increase of impairment loss of RM6,500,000.
- If a plantation land value of RM74,132 per hectare (based on the mill land value) was included in the discounted cash flow discounted at 5%, it would have resulted in a no impairment loss.
- If a pre-tax discount rate of 9% been used, it would have resulted in no impairment loss.
- If no future replanting cost nor future revenue are considered if an area is due for replanting before the end of the cycle, it would have resulted in an increase of impairment loss amounting to RM10,100,000.

(vii) Impairment in relation to THP Saribas Sdn. Bhd.

During the financial year, the Group has engaged a registered valuer to value the estates of the subsidiary that has not been performing up to the Group's expectation. The carrying amount of bearer plant and mill of the subsidiary as at 31 December 2019 amounted to RM317,745,000 and RM52,472,000 respectively. The Group has exercised significant judgement in assessing the estate recoverable amount using fair value less cost to sell. The cash-generating unit consist of planted area in relation to palm oil, plantable area in relation to palm oil and palm oil mill which the recoverable amount based on valuation report are RM39,608 per hectare, RM23,810 per hectare and RM900,000 per metric tonne capacity respectively.

24. OTHER EXPENSES (CONTINUED)

24.1 Impairment of property, plant and equipment, PDE and intangible assets in 2019 (continued)

(vii) Impairment in relation to THP Saribas Sdn. Bhd. (continued)

The following table summarises the valuation method and assumptions used in the determination of fair value less cost to sell within Level 3, as well as the significant unobservable inputs used in the valuation models in current year.

Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Plantations assets Discounted cash flows: The valuation method considers the present value of net cash flows to be generated from estates, taking into account expected projected FFB yield, FFB sales price, plantation land value at the end of the cycle and upkeep and maintenance cost. The expected net cash flows are discounted using risk-adjusted discount rates.	• Expected projected FFB yield (5.00mt/ha – 24.00mt/ha) • FFB sales price (RM510/mt – RM550/mt) • Upkeep and maintenance cost (RM1,200/ha – RM2,300/ha) • Pre-tax discount rate (14%-16%)	The estimated fair value would increase/(decrease) if: • Expected projected FFB yield were higher/(lower); • FFB sales price higher/(lower); • Upkeep and maintenance cost were lower/(higher); or • Discount rates were lower/(higher).
Mill Market approach: Fair value of land of the mill are based on sales price of comparable land in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is market price per hectare.	• Market price per hectare	• The estimated fair value would increase/(decrease) if the market price per hectare is higher/(lower).
Replacement cost approach: The most significant input into this valuation approach is replacement cost per square foot for building and replacement cost per unit for plant and machinery and adjusted by the depreciation of the assets.	• Cost per square foot and new replacement cost per unit • Depreciation rate	• The estimated fair value would increase/(decrease) if the cost per square foot and replacement cost per unit are higher/(lower). • The estimated fair value would increase/(decrease) if the depreciation rate is lower/(higher).

The values assigned to the key assumptions represent valuer's assessment of future trends in the oil palm industry and are based on external sources and internal sources (historical data).

The recoverable amount of a cash-generating unit is based on its fair value less cost to sell. The carrying amount of cash-generating unit is higher than the recoverable amount of RM39,608 per hectare for planted area in relation to palm oil, RM23,810 per hectare for plantable area in relation to palm oil and RM900,000 per metric tonne capacity for palm oil mill. An impairment loss of RM79,821,000 has been recognised in profit or loss.

24. OTHER EXPENSES (CONTINUED)

24.1 Impairment of property, plant and equipment, PDE and intangible assets in 2019 (continued)

(vii) Impairment in relation to THP Saribas Sdn. Bhd. (continued)

The above estimates are particularly sensitive in the following cases:

- A reduction in price of FFB by 5% would have resulted in an increase of impairment loss of RM43,090,000.
- A reduction in yield per hectare by 5% would have resulted in an increase of impairment loss of RM34,950,000.
- An increase in upkeep and maintenance cost by 5% would have resulted in an increase of impairment loss of RM12,050,000.
- An increase in discount rate by 1% would have resulted in an increase of impairment loss of RM20,800,000.
- Factoring plantation land value of RM74,132/ha (based on the mill land value) discounted at 5% would have resulted in no impairment loss.
- Discount rate at 9% for land with titles and 11% for Native Customary Rights ("NCR") land would have resulted in no impairment loss.
- A reduction in the new replacement cost of plant and machinery by 10% would have resulted in an increase of impairment loss of RM3,672,000.
- An increase in depreciation rate of the mill by 10% would have resulted in an increase of impairment loss of RM4,672,000.

(viii) Impairment in relation to TH PELITA Sadong Sdn. Bhd.

The Group has engaged a registered valuer during the year to perform the valuation of the subsidiary's assets to determine the fair value of the respective subsidiary's plantation assets. The cash-generating unit consist of planted area and plantable area in relation to palm oil which the recoverable amount based on valuation report are RM42,329 per hectare and RM3,433 per hectare respectively.

The following table summarises the valuation method and assumptions used in the determination of fair value less cost to sell within Level 3, as well as the significant unobservable inputs used in the valuation models in current year.

Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Discounted cash flows: The valuation method considers the present value of net cash flows to be generated from CGU, taking into account expected projected FFB yield, FFB sales price, upkeep and maintenance cost. The expected net cash flows are discounted using risk-adjusted discount rates.	• Expected projected FFB yield (6.00mt/ha – 25.00mt/ha) • FFB sales price (RM510/mt – RM550/mt) • Upkeep and maintenance cost (RM1,200/ha – RM2,200/ha) • Pre- tax discount rate (14%)	The estimated fair value would increase/(decrease) if: • Expected projected FFB yield were higher/(lower); • FFB sales price higher/(lower); • Upkeep and maintenance cost were lower/(higher); or • Discount rates were lower/(higher).

The values assigned to the key assumptions represent valuer's assessment of future trends in the oil palm industry and are based on external sources and internal sources (historical data).

The recoverable amount of a cash-generating unit is based on its fair value less cost to sell. The carrying amount of cash-generating unit is higher than the recoverable amount of RM42,329 per hectare for planted area and RM3,433 per hectare for plantable area in relation to palm oil. An impairment loss of RM4,894,000 has been recognised in profit or loss.

24. OTHER EXPENSES (CONTINUED)

24.1 Impairment of property, plant and equipment, PDE and intangible assets in 2019 (continued)

(viii) Impairment in relation to TH PELITA Sadong Sdn. Bhd. (continued)

The above estimates are particularly sensitive in the following assumptions:

- An increase of 1% in the discount rate would have resulted in an increase of impairment loss of RM8,100,000.
- A reduction in price of FFB by 5% would have resulted in an increase of impairment loss of RM14,800,000.
- A reduction in yield per hectare by 5% would have resulted in an increase of impairment loss of RM12,100,000.
- An increase of 5% in the upkeep and maintenance cost would have resulted in an increase of impairment loss of RM4,100,000.
- Factoring plantation land value of RM74,132/ha (based on the Gedong mill land value) discounted at 5% would have resulted in no impairment loss.
- If a pre-tax discount rate of 9% been used, it would have resulted in no impairment loss.
- If no future replanting cost nor future revenue are considered if an area is due for replanting before the end of the cycle, it would have resulted in an increase of impairment loss amounting to RM6,100,000.

(ix) Impairment in relation to TH PELITA Beladin Sdn. Bhd.

In April 2011, Sarawak State Government had gazetted an area of 1,383.70 Ha (Ladang NCR Beladin) as Native Communal Reserve ("NCR"). Out of that, all of the area has been planted.

From 2011, the subsidiary had entered into several Land Lease agreement with native customary rights (NCR) Land Owner to lease the NCR land measuring 1,223.42 Ha out of 1,383.70 Ha to mitigate the exposure.

During the financial year, the Board of the subsidiary had decided that the probability of the subsidiary to enter into an agreement for 160.28 Ha NCR is remote as there is no claim from the NCR land owners on the area.

Subsequent to this, the Group had fully impaired RM4,189,000 in relation to carrying amount of the PDE of the NCR areas as at 31 December 2019 and recognised in the profit or loss.

24.2 Impairment of property, plant and equipment, PDE and intangible assets in 2018

2018	Note	Property, plant and equipment RM'000	Plantation development expenditure RM'000	Intangible assets RM'000	Total RM'000
Group					
Bumi Suria Ventures Sdn. Bhd./Maju Warisanmas Sdn. Bhd.*	(i)	233,948	-	59,410	293,358
Hydroflow Sdn. Bhd.*	(ii)	-	-	4,094	4,094
THP-YT Plantation Sdn. Bhd.*	(iii)	4,544	23,448	-	27,992
TH PELITA Simunjan Sdn. Bhd.*	(iv)	18,083	15,057	-	33,140
PT Persada Kencana Prima	(v)	-	42,525	-	42,525
TH PELITA Gedong Sdn. Bhd.	(vi)	2,396	2,163	-	4,559
		258,971	83,193	63,504	405,668

24. OTHER EXPENSES (CONTINUED)

24.2 Impairment of property, plant and equipment, PDE and intangible assets in 2018 (continued)

(i) Bumi Suria Ventures Sdn. Bhd./ Maju Warisanmas Sdn. Bhd.

In 2018 the Group engaged a different valuer as compared to prior year. In prior year, the assets have been fair valued by a registered valuer for the purpose of impairment testing of goodwill.

The cash-generating unit consist of planted area in relation to palm oil, unplantable area and a quarry area which the recoverable amount based on valuation report for 2018 were RM38,690 per hectare, RM12,364 per hectare and RM24,702 per hectare respectively.

The assets have been valued in 2018 based on different key assumption as compared to prior year. The differences between the key assumptions in 2018 as compared to prior year were as below:

a) Plantation land value at the end of the bearer plant cycle has not been considered as compared to prior year where the plantation land value was included at the end of the bearer plant cycle;
b) Pre-tax discount rate of 14% has been used for the valuation in 2018 as compared to prior year where a pre-tax discount rate of 9% was used; and
c) In 2018, replanting cost has been incorporated in the discounted cash flow if an area is due for replanting before the end of the discounted cash flow cycle of thirty (30) years and the subsequent revenue were factored in until the end of the cash flow cycle. In the prior year, no replanting cost nor future revenue was incorporated if an area was due for replanting before the end of the discounted cash flow cycle of thirty (30) years.

The changed in the other key assumptions as compared to prior year were as the result from the changed in the market condition of the assets.

The following table summarises the valuation method and assumptions used in the determination of fair value less cost to sell within Level 3, as well as the significant unobservable inputs used in the valuation models in 2018 and prior year.

Description of valuation technique and inputs used	Significant unobservable inputs in 2018	Significant unobservable inputs in prior year	Inter-relationship between significant unobservable inputs and fair value measurement
Discounted cash flows: The valuation method considers the present value of net cash flows to be generated from CGU, taking into account expected projected FFB yield, FFB sales price, upkeep and maintenance cost and plantation land value. The expected net cash flows are discounted using risk-adjusted discount rates.	• Expected projected FFB yield (6.00mt/ha – 25.00mt/ha) • FFB sales price (RM550/mt) • Upkeep and maintenance cost (RM1,300/ha – RM1,800/ha) • Pre-tax discount rate in relation to bearer plant (14%) • Plantation land value (Nil) • Pre-tax discount rate in relation to plantation land (Nil)	• Expected projected FFB yield (19.00mt/ha – 30.00mt/ha) • FFB sales price (RM500/mt) • Upkeep and maintenance cost (RM1,770/ha – RM3,415/ha) • Pre- tax discount rate in relation to bearer plant (9% – 9.5%) • Plantation land value (RM34,900/ha – RM35,000/ha) • Pre-tax discount rate in relation to plantation land (4.25%)	The estimated fair value would increase/(decrease) if: • Expected projected FFB yield were higher/(lower); • FFB sales price were higher/(lower); • Upkeep and maintenance cost were lower/(higher); • Discount rates were lower/(higher); • Plantation land value were lower/(higher); or • Discount rates were lower/(higher).

NOTES TO THE FINANCIAL STATEMENTS

24. OTHER EXPENSES (CONTINUED)

24.2 Impairment of property, plant and equipment, PDE and intangible assets in 2018 (continued)

(i) Bumi Suria Ventures Sdn. Bhd./ Maju Warisanmas Sdn. Bhd. (continued)

The values assigned to the key assumptions represent valuer's assessment of future trends in the oil palm industry and were based on external sources and internal sources (historical data).

The recoverable amount of a cash-generating unit was based on its fair value less cost to sell. The carrying amount of cash-generating unit was higher than the recoverable amount of RM38,690 per hectare for planted area in relation to palm oil, RM12,364 per hectare for unplantable area and RM24,702 per hectare for a quarry area. An impairment loss of RM293,358,000 has been recognised in profit or loss.

The above estimates were particularly sensitive to the following assumptions:

- A reduction in FFB yield per hectare by 5% would have resulted in an increased of impairment loss of RM14,700,000.
- A reduction in price of FFB by 5% would have resulted in an increased of impairment loss of RM19,300,000.
- An increase of 10% in the upkeep and maintenance cost would have resulted in an increased of impairment loss of RM10,600,000.
- An increase of 1% in the discount rate would have resulted in an increased of impairment loss of RM11,000,000.

If the key assumptions used in 2018 was consistent with prior year, the impact would have been as follows:

- Factoring plantation land value consistent with prior year (RM35,000/ha) discounted at 4.25% would have resulted in a decreased of impairment loss amounting to approximately RM48,619,000.
- If a pre-tax discount rate of 9% to 9.5% been used, it would have resulted in a decreased of impairment loss amounting to approximately RM59,988,000.
- If no future replanting cost nor future revenue are considered if an area was due for replanting before the end of the cycle, it would have resulted in a decreased of impairment loss amounting to approximately RM2,385,000.

(ii) Hydroflow Sdn. Bhd.

In 2018, the Group engaged a different valuer as compared to prior year. In prior year the assets have been fair valued by a registered valuer for the purpose of impairment testing of goodwill. The cash-generating unit consist of planted area in relation to oil palm and unplantable area which the recoverable amount based on 2018 valuation report were RM40,742 per hectare and RM14,826 per hectare respectively.

The assets have been valued in 2018 based on different key assumptions as compared to prior year. The differences between the key assumptions in 2018 as compared to prior year were as below:

a) Factoring plantation land value at the end of the bearer plant cycle has not been considered as compared to prior year where the plantation land value was included at the end of the bearer plant cycle;
b) Pre-tax discount rate of 14% has been used in 2018 as compared to prior year where a pre-tax discount rate of 9% was used; and
c) In 2018, replanting cost has been incorporated in the discounted cash flow if an area is due for replanting before the end of the discounted cash flow cycle of thirty (30) years and the subsequent revenue are factored in until the end of the cash flow cycle. In the prior year, no replanting cost nor future revenue was incorporated if an area was due for replanting before the end of the discounted cash flow cycle of thirty (30) years.

24. OTHER EXPENSES (CONTINUED)

24.2 Impairment of property, plant and equipment, PDE and intangible assets in 2018 (continued)

(ii) Hydroflow Sdn. Bhd. (continued)

The changes in the other key assumptions as compared to prior year were as the result from the changed in the market condition of the assets.

The following table summarises the valuation method and assumptions used in the determination of fair value less cost to sell within Level 3, as well as the significant unobservable inputs used in the valuation models in 2018 and prior year.

Description of valuation technique and inputs used	Significant unobservable inputs in 2018	Significant unobservable inputs in prior year	Inter-relationship between significant unobservable inputs and fair value measurement
Discounted cash flows: The valuation method considers the present value of net cash flows to be generated from CGU, taking into account expected projected FFB yield, FFB sales price, upkeep and maintenance cost. The expected net cash flows are discounted using risk-adjusted discount rates.	• Expected projected FFB yield (6.00mt/ha – 25.00mt/ha) • FFB sales price (RM550/mt) • Upkeep and maintenance cost (RM1,200/ha – RM2,000/ha) • Pre-tax discount rate (14%) • Plantation land value (Nil) • Pre-tax discount rate (Nil)	• Expected projected FFB yield (13.20mt/ha – 25.40mt/ha) • FFB sales price (RM500/mt) • Upkeep and maintenance cost (RM1,525/ha – RM3,725/ha) • Pre-tax discount rate (9% – 9.5%) • Plantation land value (RM18,100/ha) • Pre-tax discount rate (4.25%)	The estimated fair value would increase/(decrease) if: • Expected projected FFB yield were higher/(lower); • FFB sales price were higher/(lower); • Upkeep and maintenance cost were lower/(higher); • Discount rates were lower/(higher); • Plantation land value were lower/(higher); or • Discount rates were lower/(higher).

The values assigned to the key assumptions represent valuer's assessment of future trends in the oil palm industry and were based on external sources and internal sources (historical data).

The recoverable amount of a cash-generating unit is based on its fair value less cost to sell. The carrying amount of cash-generating unit was higher than the recoverable amount of RM40,742 per hectare for planted area in relation to oil palm and RM14,826 per hectare for unplantable area. An impairment loss of RM4,094,000 has been recognised in profit or loss.

The above estimates were particularly sensitive to the following assumptions:

- A reduction in FFB yield per hectare by 5% would have resulted in an increased of impairment loss of RM7,100,000.
- A reduction in price of FFB by 5% would have resulted in an increased of impairment loss of RM8,800,000.
- An increase of 10% in the upkeep and maintenance cost would have resulted in an increased of impairment loss of RM5,100,000.
- An increase of 1% in the discount rate would have resulted in an increased of impairment loss of RM5,600,000.

24. OTHER EXPENSES (CONTINUED)

24.2 Impairment of property, plant and equipment, PDE and intangible assets in 2018 (continued)

(ii) Hydroflow Sdn. Bhd. (continued)

If the key assumption used in 2018 was consistent with prior year, the impact would have been as follows:

- Factoring plantation land value consistent with prior year (RM18,100/ha) discounted at 4.25% would have resulted in no impairment loss.
- If a pre-tax discount rate of 9% to 9.5% been used, it would have resulted in no impairment loss.
- If no future replanting cost nor future revenue are considered if an area is due for replanting before the end of the cycle, it would have resulted in an increased of impairment loss amounting to RM40,000.

(iii) THP-YT Plantation Sdn. Bhd.

The Group has engaged a different registered valuer in 2018 as compared to prior year. In prior year the assets have been fair valued by a registered valuer due to heavy floods which had caused the performance of the bearer plant to be lower than the management's expectation. The cash-generating unit consist of planted area in relation to oil palm and plantable area which the recoverable amount based on 2018 valuation report were RM32,258 per hectare and RM12,500 per hectare respectively.

The changes in the key assumptions as compared to prior year are as the result from the changed in the market condition of the assets.

The following table summarises the valuation method and assumptions used in the determination of fair value less cost to sell within Level 3, as well as the significant unobservable inputs used in the valuation models in 2018 and prior year.

Description of valuation technique and inputs used	Significant unobservable inputs in 2018	Significant unobservable inputs in prior year	Inter-relationship between significant unobservable inputs and fair value measurement
Discounted cash flows: The valuation method considers the present value of net cash flows to be generated from CGU, taking into account expected projected FFB yield, FFB sales price, plantation land value, and upkeep and maintenance cost. The expected net cash flows are discounted using risk-adjusted discount rates.	• Expected projected FFB yield (6.21mt/ha – 23.00mt/ha) • FFB sales price (RM437/mt – RM486/mt) • Upkeep and maintenance cost (RM850/ha – RM2,655/ha) • Pre-tax discount rate for bearer plant (9%) • Plantation land value (RM21,647/ha) • Pre-tax discount rate for plantation land value (4.5%)	• Expected projected FFB yield (13.2mt/ha – 30mt/ha) • FFB sales price (RM500/mt) • Upkeep and maintenance cost (RM1,525/ha – RM3,725/ha) • Pre-tax discount rate for bearer plant (9% – 9.5%) • Plantation land value (RM18,100/ha – RM35,000/ha) • Pre-tax discount rate for plantation land value (4.25%)	The estimated fair value would increase/(decrease) if: • Expected projected FFB yield were higher/(lower); • FFB sales price higher/(lower); • Upkeep and maintenance cost were lower/(higher); or • Discount rates were lower/(higher). • Plantation land value were lower/(higher); or • Discount rates were lower/(higher).

24. OTHER EXPENSES (CONTINUED)

24.2 Impairment of property, plant and equipment, PDE and intangible assets in 2018 (continued)

(iii) THP-YT Plantation Sdn. Bhd. (continued)

The values assigned to the key assumptions represent valuer's assessment of future trends in the oil palm industry and were based on external and internal sources (historical data).

The recoverable amount of a cash-generating unit was based on its fair value less cost of disposal. The carrying amount of cash-generating unit was higher than the recoverable amount of RM32,258 per hectare for planted area in relation to oil palm and RM12,500 per hectare for plantable area. An impairment loss of RM27,992,000 has been recognised in profit or loss.

The above estimates were particularly sensitive to the following assumptions:

- A reduction in FFB yield per hectare by 5% would have resulted in an increased of impairment loss of RM5,153,000.
- A reduction in price of FFB by 5% would have resulted in an increased of impairment loss of RM6,957,000.
- An increase of 10% in the upkeep and maintenance cost would have resulted in an increased of impairment loss of RM5,074,000.
- An increase of 1% in the discount rate would have resulted in an increased of impairment loss of RM4,611,000.

(iv) TH PELITA Simunjan Sdn. Bhd.

In 2018, the Group has engaged a registered valuer. The cash-generating unit consist of planted area in relation to palm oil which the recoverable amount based on valuation report was RM38,320 per hectare.

The following table summarises the valuation method and assumptions used in the determination of fair value less cost to sell within Level 3, as well as the significant unobservable inputs used in the valuation models in 2018.

Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Discounted cash flows: The valuation method considers the present value of net cash flows to be generated from CGU, taking into account expected projected FFB yield, FFB sales price, upkeep and maintenance cost. The expected net cash flows are discounted using risk-adjusted discount rates.	• Expected projected FFB yield (6.00mt/ha – 25.00mt/ha) • FFB sales price (RM550/mt) • Upkeep and maintenance cost (RM1,300/ha – RM1,700/ha) • Pre- tax discount rate (14%)	The estimated fair value would increase/(decrease) if: • Expected projected FFB yield were higher/(lower); • FFB sales price higher/(lower); • Upkeep and maintenance cost were lower/(higher); or • Discount rates were lower/(higher).

The values assigned to the key assumptions represent valuer's assessment of future trends in the oil palm industry and were based on external sources and internal sources (historical data).

The recoverable amount of a cash-generating unit was based on its fair value less cost to sell. Based on the fair value less cost to sell, the carrying amount of cash-generating unit was higher than the recoverable amount of RM38,320 per hectare for planted area in relation to palm oil. An impairment loss of RM33,140,000 has been recognised in profit or loss.

24. OTHER EXPENSES (CONTINUED)

24.2 Impairment of property, plant and equipment, PDE and intangible assets in 2018 (continued)

(iv) TH PELITA Simunjan Sdn. Bhd. (continued)

The above estimates were particularly sensitive in the following assumptions:

- A reduction in FFB yield per hectare by 5% would have resulted in an increased of impairment loss of RM10,800,000.
- A reduction in price of FFB by 5% would have resulted in an increased of impairment loss of RM13,300,000.
- An increase of 10% in the upkeep and maintenance cost would have resulted in an increased of impairment loss of RM3,600,000.
- An increase of 1% in the discount rate would have resulted in an impairment loss of RM7,800,000.
- If a plantation land value of RM31,540 per hectare was included in the discounted cash flow, it would have resulted in no impairment loss.
- If a pre-tax discount rate of 9% been used, it would have resulted in a decreased of impairment loss amounting to approximately RM40,986,000.

v) Impairment in relation to PT Persada Kencana Prima

In 2018, the Group has engaged a registered valuer to value the estates of the subsidiary that has not been performing up to the Group's expectation. The carrying amount of PDE of the estates as at 31 December 2018 amounted to RM104,347,000. The Company has exercised significant judgement in assessing the estate recoverable amount using fair value less cost to sell. The cash-generating unit consist of planted area in relation to palm oil and plantable area which the recoverable amount based on 2018 valuation report were RM6,593 per hectare and RM13,790 per hectare respectively.

Fair value less cost to sell was based on management estimates having regard to estimated resale value which was determined by an external, independent professional valuer, having appropriate recognised professional qualifications and recent experience in the location and category of assets being valued. Fair value less cost to sell is a Level 3 fair value measurement.

The following table summarises the valuation method and assumptions used in the determination of fair value less cost to sell within Level 3, as well as the significant unobservable inputs used in the valuation models.

Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Discounted cash flows: The valuation method considers the present value of net cash flows to be generated from CGU, taking into account expected projected FFB yield, FFB sales price, plantation land value at the end of the cycle and upkeep and maintenance cost. The expected net cash flows are discounted using risk-adjusted discount rates.	• Expected projected FFB yield (7.00mt/ha – 25.00mt/ha) • FFB sales price (RM298/mt – RM331/mt) • Upkeep and maintenance cost (RM640/ha – RM2,400/ha) • Pre-tax discount rate in relation to bearer plant (13%) • Plantation land value (RM10,500/ha) • Pre-tax discount rate in relation to plantation land value (6%)	The estimated fair value would increase/(decrease) if: • Expected projected FFB yield were higher/(lower); • FFB sales price were higher/(lower); • Upkeep and maintenance cost were lower/(higher); • Discount rates were lower/(higher); • Plantation land value were lower/(higher); or • Discount rates were lower/(higher).

24. OTHER EXPENSES (CONTINUED)

24.2 Impairment of property, plant and equipment, PDE and intangible assets in 2018 (continued)

(v) Impairment in relation to PT Persada Kencana Prima (continued)

The values assigned to the key assumptions represent valuer's assessment of future trends in the oil palm industry and are based on external sources and internal sources (historical data).

The recoverable amount of a cash-generating unit was based on its fair value less cost to sell. The carrying amount of cash-generating unit was higher than the recoverable amount of RM6,593 per hectare for planted area in relation to palm oil and RM13,790 per hectare for plantable area. An impairment loss of RM42,525,000 has been recognised in the profit or loss.

The above estimates were particularly sensitive to the following assumptions:

- A reduction in FFB yield per hectare by 5% would have resulted in an increased of impairment loss of RM2,141,000.
- A reduction in price of FFB by 5% would have resulted in an increased of impairment loss of RM2,980,000.
- An increase of 10% in the upkeep and maintenance cost would have resulted in an increased of impairment loss of RM4,016,000.
- An increase of 1% in the discount rate would have resulted in an increased of impairment loss of RM1,197,000.

(vi) Impairment in relation to TH PELITA Gedong Sdn. Bhd.

In 2018, two (2) areas of bearer plant of a subsidiary of the Group have experienced heavy floods which had caused the performance of the bearer plant to be lower than the management's expectation. The carrying amount of the bearer plant as at 31 December 2018 amounted to RM6,317,000 and RM10,047,000 respectively. Two (2) areas of an estate have not been declared matured even though the age of these estates were 96 months. The carrying amount of the PDE of the estates as at 31 December 2018 amounted to RM7,374,000 and RM6,401,000 respectively.

The recoverable amounts of the cash-generating units were based on their values in use. Value in use was determined by discounting the future cash flows expected to be generated from the continuing use of the unit.

The following table summarises the valuation method and assumptions used in the determination of value in use as well as the significant unobservable inputs used in the valuation models.

Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Discounted cash flows: The valuation method considers the present value of net cash flows to be generated from the estate, taking into account expected projected FFB yield, FFB sales price, upkeep and maintenance cost. The expected net cash flows are discounted using risk-adjusted discount rates.	• Expected projected FFB yield (10mt/ha – 23mt/ha) • FFB sales price (RM500/mt) • Upkeep and maintenance cost (RM1,629/ha – RM1,798/ha) • Pre- tax discount rate (10%)	The estimated fair value would increase/(decrease) if: • Expected projected FFB yield were higher/(lower); • FFB sales price higher/(lower); • Upkeep and maintenance cost were lower/(higher); or • Discount rates were lower/(higher).

24. OTHER EXPENSES (CONTINUED)

24.2 Impairment of property, plant and equipment, PDE and intangible assets in 2018 (continued)

(vi) Impairment in relation to TH PELITA Gedong Sdn. Bhd. (continued)

The values assigned to the key assumptions represent management's assessment of future trends in the oil palm industry and were based on external sources and internal sources (historical data).

Based on the value in use, the carrying amount of the estates was higher than the recoverable amount of RM25,579,000. An impairment loss of RM4,559,000 has been recognised in the profit or loss.

The above estimates were particularly sensitive to the following assumptions:

- An increase of 5% in the discount rate would have resulted in an increased of impairment loss of RM8,332,000.
- A reduction in price of FFB by 10% would have resulted in an increased of impairment loss of RM4,804,000.
- A reduction in yield per hectare by 10% resulted in an increased of impairment loss of RM4,106,000.

24.3 Impairment of subsidiaries

In the prior year, the Board of Director of the Company carried out impairment test on some of the cost of investment in subsidiaries for the purpose of disposal, for accounting purpose, and for valuation of certain non-performing assets in Indonesia. The fair values of these investments were estimated based upon the fair value of the underlying assets of the subsidiaries.

Based on the valuation performed by the valuers, the carrying amount of the subsidiaries classified as disposal group held for sale are lower than the recoverable amount. An impairment loss of RM302,879,000 has been recognised in the profit or loss in the prior year. There is no additional impairment loss that was recognised by the Company during the financial year. During the financial year, the Company has recognised a reversal of impairment loss in relation to investment in subsidiaries as disclosed in Note 16.

Fair value less cost to sell is based on management estimates having regard to estimated resale value which is determined by an external, independent professional valuer, having appropriate recognised professional qualifications and recent experience in the location and category of assets being valued. Fair value less cost to sell is a Level 3 fair value measurement. The assumptions used to derive to the fair value less cost to sell.

The estimates are particularly sensitive to the following assumptions:

- An increase in FFB yield per hectare by 5% would have resulted in a decrease of impairment loss of RM21,994,000.
- An increase in price of FFB by 5% would have resulted in a decrease of impairment loss of RM29,237,000.
- A reduction of 10% in the upkeep and maintenance cost would have resulted in a decrease of impairment loss of RM19,690,000.
- A reduction of 1% in the discount rate would have resulted in a decrease of impairment loss of RM16,808,000.

25. FINANCE INCOME

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit margin income on financial assets that are not at fair value through profit or loss:				
- intercompany receivables	**-**	-	**8,715**	9,004
- loans and receivables	**648**	1,001	**597**	927
Finance income on finance lease receivable	**-**	-	**3,831**	-
Recognised in profit or loss	**648**	1,001	**13,143**	9,931

26. FINANCE COST

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Finance cost on financial liabilities that are not at fair value through profit or loss:				
- loans and borrowings	**78,959**	76,155	**13,339**	9,615
- Interest expenses on lease liabilities	**8,835**	-	**4,620**	-
- profit margin expense on subsidiaries	**-**	-	**7,109**	6,299
- profit margin expense on related companies	**168**	3,129	**168**	3,031
	87,962	79,284	**25,236**	18,945
Recognised in profit or loss	**75,296**	67,006	**24,550**	17,582
Capitalised in plantation development expenditure* (Note a)	**12,666**	12,278	**686**	1,363
	87,962	79,284	**25,236**	18,945

a. Include in capitalised in plantation development expenditure as follow:

	Note	Group 2019 RM'000	Company 2019 RM'000
Finance cost capitalised in plantation development expenditure	5	**7,226**	**686**
Finance cost capitalised in plantation development expenditure in relation to assets held for sale	16	**5,440**	**-**
		12,666	**686**

* The finance cost is capitalised net interest expense at profit margin ranges from 5.56% to 6.65% (2018: 5.56% to 6.67%) per annum.

27. TAX EXPENSE/(CREDIT)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current tax expense				
Malaysia - current year	**13,880**	15,274	**-**	450
- prior years	**411**	(2,594)	**(297)**	(684)
Total current tax recognised in profit or loss	**14,291**	12,680	**(297)**	(234)
Deferred tax expense				
Origination and reversal of temporary differences	**(41,010)**	(115,632)	**160**	1,348
Under/(Over) provision in prior year	**19,269**	(4,991)	**5,341**	(2,167)
Derecognition of deferred tax assets	**35,575**	88,214	**-**	-
Total deferred tax recognised in profit or loss (Note a)	**13,834**	(32,409)	**5,501**	(819)
Total income tax expense/(credit)	**28,125**	(19,729)	**5,204**	(1,053)
Reconciliation of tax expense				
Loss for the year	**(273,134)**	(658,382)	**(95,577)**	(409,537)
Total income tax expense/(credit)	**28,125**	(19,729)	**5,204**	(1,053)
Loss excluding tax	**(245,009)**	(678,111)	**(90,373)**	(410,590)
Tax calculated using Malaysian tax rate of 24% (2018: 24%)	**(58,802)**	(162,747)	**(21,690)**	(98,542)
Non-assessable income	**(857)**	(842)	**(47,552)**	(7,044)
Non-deductible expenses	**32,529**	63,231	**69,402**	107,384
Derecognition of deferred tax asset	**35,575**	88,214	**-**	-
Under/(Over) provided in prior years:				
- current tax	**411**	(2,594)	**(297)**	(684)
- deferred tax	**19,269**	(4,991)	**5,341**	(2,167)
Total income tax expense/(credit)	**28,125**	(19,729)	**5,204**	(1,053)

27. TAX EXPENSE/(CREDIT) (CONTINUED)

a. Include in total deferred tax recognised in profit or loss as follow:

	Note	Group 2019 RM'000	Company 2019 RM'000
Deferred tax recognised in profit or loss	10	**41,075**	**5,501**
Deferred tax in relation to asset held for sale recognised in profit or loss	16	**(27,241)**	**-**
		13,834	**5,501**

28. LOSS FOR THE YEAR

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Loss for the year is arrived at after charging:				
Auditors' remuneration:				
- Audit fees				
KPMG Malaysia	**972**	985	**190**	190
- Non-audit fees				
KPMG Malaysia	**227**	317	**22**	20
Material expenses/(income)				
Personnel expenses (including key management personnel):				
- Wages, salaries and others	**131,098**	120,434	**10,102**	8,573
- Contribution to Employees Provident Fund	**9,485**	8,752	**927**	515
Property, plant and equipment written off	**244**	33,768	**38**	5
Plantation development expenditure written off	**-**	12,028	**-**	-
Rental expense of property (Note a)	**4,621**	4,722	**4,621**	4,722
Rental income from property	**-**	-	**(4,627)**	(8,569)
Impairment loss on property, plant and equipment	**75,845**	258,971	**-**	-
Depreciation of property, plant and equipment	**60,435**	100,341	**3,687**	3,132
Depreciation of right-of-use assets	**14,170**	-	**985**	-
Nurseries written off	**-**	3,116	**-**	-
Reversal of impairment loss on property, plant and equipment	**(5,368)**	-	**-**	-
Impairment loss on plantation development expenditure	**20,316**	83,193	**-**	-
Impairment loss on intangible asset	**9,761**	63,504	**-**	-
Impairment loss on right-of-use assets	**22,819**	-	**-**	-

28. LOSS FOR THE YEAR (CONTINUED)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Material expenses/(income) (continued)				
Reversal of impairment loss on plantation development expenditure	(1,833)	-	-	-
Impairment loss on investment in subsidiaries	-	-	-	315,289
Reversal of impairment loss on investment in subsidiaries classified as assets held for sale	-	-	(177,000)	-
Change in fair value of forestry	43,215	134,300	-	-
Change in fair value on biological asset	(11,031)	9,856	(2,193)	399
Expenses related to retirement benefit plan	181	104	-	-
Fair value on government grant	-	(5,192)	-	-
Dividend income	(73)	(146)	(2,796)	(20,349)
Impairment loss on assets held for sale	73,355	-	-	-
Profit margin income from short-term investments and other receivables	(648)	(1,001)	(9,312)	(9,931)
Finance income on finance lease receivable	-	-	(3,831)	-
Finance costs	66,461	67,006	19,930	17,582
Finance costs on lease liabilities	8,835	-	4,620	-
(Gain)/Loss on disposal of property, plant and equipment	(96)	4	(240)	-
Property, plant and equipment written off in relation to assets held for sale	5	-	-	-
Impairment/(reversal) of financial instruments				
Impairment loss on trade receivables	6	-	-	-
Reversal of impairment loss on trade receivables	(157)	-	-	-
Trade receivables written off	157	-	-	-
Impairment loss on other receivables	13	114	10	114
Impairment loss on amount due from subsidiaries	-	-	272,543	116,116
Impairment loss on amount due from related companies	506	4,317	-	4,317
Reversal of impairment loss on amount due from related companies	(49)	-	(49)	-
Amount due from related companies written off	49	-	49	-

Note a

The Group and the Company leases a building with contract terms of one (1) year. These leases are short-term. The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for these leases.

29. OTHER COMPREHENSIVE INCOME

Group	Before tax RM'000	Tax credit RM'000	Net of tax RM'000
2019			
Item that will not be reclassified subsequently to profit or loss			
Remeasurement on defined benefit liability	**25**	**-**	**25**
Item that is or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations	**(1,566)**	**-**	**(1,566)**
2018			
Item that will not be reclassified subsequently to profit or loss			
Remeasurement on defined benefit liability	(185)	-	(185)
Item that is or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations	(4,062)	-	(4,062)

30. EARNINGS PER ORDINARY SHARE

The calculation of basic and diluted earnings per share for the year ended 31 December 2019 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	Group	
	2019 RM'000	2018 RM'000
Loss for the year attributable to shareholders	**(226,498)**	(594,608)

Weighted average number of ordinary shares

	Group	
	2019 '000	2018 '000
Weighted average number of ordinary shares at 31 December	**883,851**	883,851

Weighted average number of ordinary shares (diluted)

	Group	
	2019 '000	2018 '000
Weighted average number of ordinary shares at 31 December	**883,851**	883,851

	Group	
	2019 Sen	2018 Sen
Basic loss per ordinary share	**(25.63)**	(67.27)
Diluted loss per ordinary share	**(25.63)**	(67.27)

31. DIVIDENDS

Dividends recognised in the current year by the Company are:

2018	Sen per share	Total amount RM'000	Date of payment
Final 2017 ordinary (net of tax)	2.00	17,676	4 June 2018

The Directors do not recommend any final dividend in respect of the financial year ended 31 December 2019.

32. OPERATING SEGMENTS

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different strategies. For each of the strategic business units, the Chief Executive Officer, who is the Chief Operating Decision Maker ("CODM"), reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- *Oil palm plantations* Includes cultivation of oil palm, processing of FFB, marketing of CPO, PK and FFB.
- *Forestry* Harvesting of rubberwood.

These operating segments are disaggregated due to different nature and different economic characteristic of the products.

The cultivation of oil palm, processing of FFB, marketing of CPO, PK and FFB are aggregated to form a reportable segment as oil palm plantations due to similar nature and economic characteristics of the products. The nature and methods of distribution of the products for these division are similar. The type of customers is similar, which is industrial customers.

There are varying levels of integration between reportable segments, the oil palm plantations and forestry reportable segments. This integration includes sharing of human resources function. The accounting policies of the reportable segments are the same as described in Note 2(t).

Performance is measured based on segment profit before tax, interest, and depreciation, as included in the internal management reports that are reviewed by the CODM. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

The total of segment asset is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the CODM. Segment total asset is used to measure the return of assets of each segment.

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the CODM. Hence, no disclosure is made on segment liability.

32. OPERATING SEGMENTS (CONTINUED)

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment.

Group	Oil palm plantations 2019 RM'000	Oil palm plantations 2018 RM'000	Forestry 2019 RM'000	Forestry 2018 RM'000	Total 2019 RM'000	Total 2018 RM'000
Segment profit/(loss)	**167,716**	139,404	**(46,080)**	(148,270)	**121,636**	(8,866)
Included in the measure of segment profit/(loss) are:						
Revenue from external customers	**493,577**	519,178	**-**	-	**493,577**	519,178
Fair value loss on biological assets	**11,031**	(9,856)	**-**	-	**11,031**	(9,856)
Fair value loss on forestry	**-**	-	**(43,215)**	(134,300)	**(43,215)**	(134,300)
Not included in the measure of segment profit but provided to Group's Chief Executive Officer						
Depreciation	**(71,836)**	(97,502)	**(2,769)**	(2,839)	**(74,605)**	(100,341)
Finance costs	**(139,107)**	(123,269)	**(11,581)**	(10,717)	**(150,688)**	(133,986)
Profit margin income from short-term investments and receivables	**70,540**	67,971	**48**	10	**70,588**	67,981
Fair value of government grant	**-**	-	**-**	5,192	**-**	5,192
Segment assets	**4,258,821**	5,056,519	**23,297**	100,858	**4,282,118**	5,157,377
Additions to non-current assets other than financial instrument and deferred tax assets	**68,962**	85,703	**25,083**	286	**94,045**	85,989

Reconciliations of reportable segment revenues, profit or loss, assets and other material items

Group	2019 RM'000	2018 RM'000
Profit or loss		
Total profit or loss for reportable segments	**121,636**	(8,866)
Other non-reportable segments	**73**	146
Depreciation	**(74,605)**	(100,341)
Finance cost	**(75,296)**	(67,006)
Finance income	**648**	1,001
Unallocated (expenses)/income:		
Impairment loss	**(202,096)**	(405,668)
Corporate expenses	**(30,085)**	(48,084)
Others	**14,716**	(49,293)
Consolidated loss before tax	**(245,009)**	(678,111)

32. OPERATING SEGMENTS (CONTINUED)

Reconciliations of reportable segment revenues, profit or loss, assets and other material items (continued)

2019	Fair value gain/(loss) on biological assets RM'000	Fair value loss on forestry RM'000	External revenue RM'000	Depreciation RM'000	Finance costs RM'000	Profit margin income RM'000	Fair value of government grant RM'000	Segment assets RM'000	Additions to non-current assets RM'000
Total profit or loss for reportable segments	**11,031**	**(43,215)**	**493,577**	**(74,605)**	**(150,688)**	**70,588**	**-**	**4,282,118**	**94,045**
Other non-reportable segments	**-**	**-**	**73**	**-**	**-**	**-**	**-**	**-**	**-**
Elimination of inter-segment transaction or balances	**-**	**-**	**-**	**-**	**75,392**	**(69,940)**	**-**	**(1,545,516)**	**-**
Consolidated total	**11,031**	**(43,215)**	**493,650**	**(74,605)**	**(75,296)**	**648**	**-**	**2,736,602**	**94,045**
2018									
Total profit or loss for reportable segments	(9,856)	(134,300)	519,178	(100,341)	(133,986)	67,981	5,192	5,157,377	85,989
Other non-reportable segments	-	-	146	-	-	-	-	-	-
Elimination of inter-segment transaction or balances	-	-	-	-	66,980	(66,980)	-	(2,289,074)	(576)
Consolidated total	(9,856)	(134,300)	519,324	(100,341)	(67,006)	1,001	5,192	2,868,303	85,413

32. OPERATING SEGMENTS (CONTINUED)

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets. The amounts of non-current assets do not include financial instruments and deferred tax assets.

	Revenue		Non-current assets	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Malaysia	**493,577**	519,324	**1,443,072**	1,792,931
Indonesia	**-**	-	**82,868**	106,919
	493,577	519,324	**1,525,940**	1,899,850

Major customers

The following are major customers with revenue equal or more than 10 percent of Group revenue:

	2019 RM'000	**2018 RM'000**	**Segment**
Mewaholeo Industries Sdn. Bhd.	**50,296**	55,227	Oil palm plantations
SOP Edible Oils Sdn. Bhd.	**41,529**	63,279	Oil palm plantations
Bintulu Edible Oils Sdn. Bhd.	**125,577**	124,833	Oil palm plantations

33. FINANCIAL INSTRUMENTS

33.1 Categories of financial instruments

The table below provides an analysis of financial instruments as at 31 December 2019 categorised as follows:

(a) Fair value through profit or loss ("FVTPL"); and
(b) Amortised cost ("AC").

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.1 Categories of financial instruments (continued)

2019	Carrying amount RM'000	AC RM'000	FVTPL RM'000
Group			
Financial assets			
Other investments	**3,064**	**1,239**	**1,825**
Trade and other receivables*	**31,082**	**31,082**	**-**
Cash and cash equivalents	**68,953**	**68,953**	**-**
	103,099	**101,274**	**1,825**
Financial liabilities			
Loans and borrowings	**(1,279,415)**	**(1,279,415)**	**-**
Trade and other payables	**(219,436)**	**(219,436)**	**-**
	(1,498,851)	**(1,498,851)**	**-**
Company			
Financial assets			
Other investments	**1,825**	**-**	**1,825**
Trade and other receivables*	**75,993**	**75,993**	**-**
Cash and cash equivalents	**63,610**	**63,610**	**-**
	141,428	**139,603**	**1,825**
Financial liabilities			
Trade and other payables	**(391,571)**	**(391,571)**	**-**
Loans and borrowings	**(60,000)**	**(60,000)**	**-**
	(451,571)	**(451,571)**	**-**
2018			
Group			
Financial assets			
Other investments	3,713	1,888	1,825
Trade and other receivables*	35,560	35,560	-
Cash and cash equivalents	50,561	50,561	-
	89,834	88,009	1,825
Financial liabilities			
Loans and borrowings	(1,241,054)	(1,241,054)	-
Trade and other payables	(213,089)	(213,089)	-
	(1,454,143)	(1,454,143)	-
Company			
Financial assets			
Other investments	2,342	517	1,825
Trade and other receivables*	313,986	313,986	-
Cash and cash equivalents	40,490	40,490	-
	356,818	354,993	1,825
Financial liabilities			
Trade and other payables	(481,507)	(481,507)	-

* - exclude non-financial instruments

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.2 Net gains and losses arising from financial instruments

	Group		Company	
	2019 **RM'000**	**2018** **RM'000**	**2019** **RM'000**	**2018** **RM'000**
Net gains/(losses) on:				
Financial assets at amortised cost	**123**	(3,430)	**(263,241)**	(110,616)
Financial liabilities at amortised cost	**(87,962)**	(79,284)	**(25,236)**	(12,069)
	(87,839)	(82,714)	**(288,477)**	(122,685)

Included in losses on financial liabilities of the Group and the Company measured at amortised cost are RM12,666,000 (2018: RM12,278,000) and RM686,000 (2018: RM1,363,000) respectively which are capitalised in plantation development expenditure (see Note 5).

33.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

33.4 Credit risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from their receivables from customers and cash and cash equivalents. The Company's exposure to credit risk arises principally from loans and advances to inter-companies and receivables from customers. There are no significant changes as compared to prior periods.

Trade receivable

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers requiring credit over a certain amount. The Group and the Company do not require collateral in respect of financial assets.

At each reporting date, the Group or the Company assesses whether any of the trade receivables are credit impaired.

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.4 Credit risk (continued)

Trade receivable (continued)

Risk management objectives, policies and processes for managing the risk (continued)

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables are represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group and the Company. The Group and the Company use ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than sixty (60) days, which are deemed to have higher credit risk, are monitored individually.

Recognition and measurement of impairment losses

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within 30 days.

The Company uses an allowance matrix to measure ECLs of trade receivables.

Loss rates are based on actual credit loss experience over the past three years. The Group also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Group's view of economic conditions over the expected lives of the receivables. Nevertheless, the Group believes that these factors are immaterial for the purpose of impairment calculation for the year.

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.4 Credit risk (continued)

Trade receivable (continued)

Recognition and measurement of impairment losses (continued)

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2019 which are grouped together as they are expected to have similar risk nature.

2019	Gross RM'000	Loss allowances RM'000	Net RM'000
Group			
Not past due	**20,459**	**-**	**20,459**
Credit impaired			
Individually impaired	**6**	**(6)**	**-**
	20,465	**(6)**	**20,459**
Company			
Not past due	**6,170**	**-**	**6,170**
2018			
Group			
Not past due	17,900	-	17,900
Past due 0-30 days	1,848	-	1,848
Past due 31-120 days	649	-	649
Past due more than 120 days	6	-	6
	20,403	-	20,403
Credit impaired			
Individually impaired	157	(157)	-
	20,560	(157)	20,403
Company			
Not past due	3,944	-	3,944

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.4 Credit risk (continued)

Trade receivable (continued)

Recognition and measurement of impairment losses (continued)

The movements in the allowance for impairment in respect of trade receivables during the financial year are shown below:

Group	Credit impaired RM'000
At 1 January 2018/1 January 2019	157
Amount written off	(157)
Net remeasurement of loss allowance	6
At 31 December 2019	6

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is probable, the amount considered irrecoverable is written off against the receivable.

No impairment in respect of trade receivables of the Company is necessary.

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.4 Credit risk (continued)

Other receivables

Credit risks on other receivables are mainly arising from advances to employees.

Advances to employees have a low credit risks due to the monthly deduction to their wages. Consequently, the Company is of the view that the loss allowance is not material and hence, it is not provided for.

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
At 1 January	**11,152**	11,038	**6,472**	6,358
Net remeasurement of loss allowance	**13**	114	**10**	114
At 31 December	**11,165**	11,152	**6,482**	6,472

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facility granted to a subsidiary. The Company monitors the ability of the subsidiary to service their loans on a regular basis.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit amounted to RM46,254,000 (2018: RM38,612,000) representing the outstanding banking facilities of the subsidiary as at the end of the reporting period.

Recognition and measurement of impairment loss

The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. The Company considers a financial guarantee to be credit impaired when:

a) the subsidiary is unlikely to repay its credit obligation to the bank in full; or
b) the subsidiary is continuously loss making and has a deficit shareholders' fund.

The Company determines the probability of default of the guaranteed loans individually using internal information available.

As at the end of the reporting period, there was no indication that the subsidiary would default on their loan.

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.4 Credit risk (continued)

Investments and other financial assets

Risk management objectives, policies and processes for managing the risk

Short term investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group.

Exposure to credit risk, credit quality and collateral

At the end of the reporting period, the Group and the Company have only placed excess cash in shariah compliant short term deposit with licensed financial institution. The maximum exposure to credit risk is represented by the carrying amount in the statement of financial position.

In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligation.

Inter-company and related company loans and advances

Risk management objectives, policies and processes for managing the risk

The Group and the Company provide loans and advances to related companies and subsidiaries. The Group and the Company monitor the results of the related companies and subsidiaries regularly, as well as their ability to repay the loans and advances on an individual basis.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

Inter-companies and related company loans and advances provided are not secured by any collateral or supported by any other credit enhancements.

Recognition and measurement of impairment loss

It is assumed that there is a significant increase in credit risk when a related company and subsidiary's financial position deteriorates significantly. As the Group and the Company are able to determine the timing of payments of the related company and subsidiary's loans and advances when they are payable, loans and advances are considered to be in default when the related companies and subsidiaries are not able to pay when demanded. A related company and subsidiary's loans and advances are considered to be credit impaired when:

a) the related company and subsidiary are unlikely to repay their loans or advances to the Company in full;
b) the related company and subsidiary's loans and advances are overdue for more than 365 days; or
c) the related company and subsidiary are continuously loss making and has a deficit in shareholders' fund.

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.4 Credit risk (continued)

Inter-company and related company loans and advances (continued)

Recognition and measurement of impairment loss (continued)

The Group and the Company determine the probability of default for these loans and advances individually using internal information available.

The movements in the allowance for impairment in respect of related companies' balances and advances during the year are as follows:

	Group RM'000	Company RM'000
Lifetime ECL		
At 1 January 2018	-	-
Net remeasurement of loss allowance	4,317	120,433
At 31 December 2018/1 January 2019	**4,317**	**120,433**
Net remeasurement of loss allowance	**506**	**272,543**
Amount due from related companies written off	**(49)**	**(49)**
At 31 December 2019	**4,774**	**392,927**

The significant increase in net measurement of loss allowance is primarily due to change in market condition which the subsidiaries operates in.

33.5 Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group and the Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

Group	Carrying amount RM'000	Contractual profit margin rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000	More than 5 years RM'000
2019							
Non-derivative financial liabilities							
SUKUK Murabahah Medium Term Notes	**895,000**	**5.56 - 6.65**	**1,166,482**	**40,341**	**79,821**	**379,402**	**666,918**
Term Financing	**37,908**	**3.00**	**126,875**	**-**	**-**	**-**	**126,875**
Islamic Trade Financing-i	**10,271**	**3.41 - 3.80**	**10,641**	**10,641**	**-**	**-**	**-**
Commodity Murabahah Term Financing-i	**229,982**	**5.80 - 6.12**	**282,277**	**42,653**	**41,335**	**122,935**	**75,354**
Commodity Murabahah Term Financing-i	**46,254**	**4.91 - 5.71**	**61,494**	**2,848**	**2,840**	**25,716**	**30,090**
Revolving-i	**60,000**	**5.64**	**63,384**	**63,384**	**-**	**-**	**-**
Amount due to holding corporation	**12,092**	**-**	**12,092**	**12,092**	**-**	**-**	**-**
Amount due to related companies	**8,719**	**3.13 - 3.45**	**10,147**	**7,464**	**-**	**-**	**2,683**
Trade and other payables	**198,625**	**-**	**198,625**	**190,292**	**-**	**-**	**8,333**
Lease liabilities	**76,726**	**8.20**	**558,365**	**7,896**	**5,098**	**15,939**	**529,432**
	1,575,577		**2,490,382**	**377,611**	**129,094**	**543,992**	**1,439,685**
2018							
Non-derivative financial liabilities							
SUKUK Murabahah Medium Term Notes	895,000	3.79 - 8.65	1,221,498	-	42,590	333,709	845,199
Term Financing	36,079	3.00	126,875	-	-	-	126,875
Islamic Trade Financing-i	11,544	3.22 - 3.90	11,955	11,955	-	-	-
Commodity Murabahah Term Financing-i	259,819	5.80 - 6.13	323,855	41,754	42,549	121,556	117,996
Commodity Murabahah Term Financing-i	38,612	5.36 - 5.50	52,854	2,383	2,390	17,092	30,989
Amount due to holding corporation	13,186	-	13,186	13,186	-	-	-
Amount due to related companies	68,716	3.13 - 5.90	72,645	60,962	-	-	11,683
Trade and other payables	131,187	-	131,187	131,187	-	-	-
	1,454,143		1,954,055	261,427	87,529	472,357	1,132,742

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.5 Liquidity risk (continued)

Maturity analysis (continued)

Company	Carrying amount RM'000	Contractual profit margin rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
2019							
Non-derivative financial liabilities							
Revolving-i	**60,000**	**5.64**	**63,384**	**63,384**	**-**	**-**	**-**
Amount due to subsidiaries	**272,980**	**3.13-3.38**	**281,865**	**281,865**	**-**	**-**	**-**
Amount due to holding corporation	**11,972**	**-**	**11,972**	**11,972**	**-**	**-**	**-**
Amount due to related companies	**7,226**	**3.13-3.38**	**7,461**	**7,461**	**-**	**-**	**-**
Trade and other payables	**99,393**	**-**	**99,393**	**99,393**	**-**	**-**	**-**
Financial guarantee	**-**	**-**	**46,254**	**2,848**	**2,840**	**15,545**	**25,021**
Lease liabilities	**60,722**	**8.20**	**523,350**	**5,905**	**3,220**	**10,307**	**503,918**
	512,293		**1,033,679**	**472,828**	**6,060**	**25,852**	**528,939**
2018							
Non-derivative financial liabilities							
Amount due to subsidiaries	384,031	3.13 - 3.40	396,570	396,570	-	-	-
Amount due to holding corporation	13,186	-	13,186	13,186	-	-	-
Amount due to related companies	67,328	3.13 - 3.40	69,232	60,232	-	-	9,000
Trade and other payables	16,962	-	16,962	16,962	-	-	-
Financial guarantee	-	-	38,612	2,383	2,390	17,092	16,747
	481,507		534,562	489,333	2,390	17,092	25,747

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.6 Market risk

Market risk is the risk that changes in market prices, such as profit margin rate that will affect the Group's financial position or cash flows.

33.6.1 Currency risk

The Group is exposed to foreign currency risk on purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily Indonesia Rupiah ("IDR").

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

Group	Denominated in IDR 2019 RM'000	2018 RM'000
Balances recognised in the statement of financial position		
Trade payables	**260**	312
Net exposure	**260**	312

The impact of the changes in foreign currency exchange rate is not expected to have any material financial impacts to the current period financial statements of the Group, thus no sensitivity analysis performed.

33.6.2 Profit margin risk

The Group's and the Company's fixed rate borrowings is exposed to a risk of change in its fair value due to changes in profit margin rates.

Risk management objectives, policies and processes for managing the risk

The Group and the Company adopt a policy of ensuring that almost all borrowings are on a fixed profit margin basis.

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.6 Market risk (continued)

33.6.2 Profit margin risk (continued)

Exposure to profit margin risk

The profit margin profile of the Group's and the Company's significant profit margin bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Fixed rate instruments				
Financial assets	**59,662**	38,132	**57,000**	37,342
Financial liabilities	**(1,079,905)**	(942,623)	**(132,694)**	-
	(1,020,243)	(904,491)	**(75,694)**	37,342
Floating rate instruments				
Financial assets	**-**	-	**450,411**	402,485
Financial liabilities	**(284,955)**	(356,759)	**(280,206)**	(442,359)
	(284,955)	(356,759)	**170,205**	(39,874)

As at 31 December 2019, the Group's and the Company's exposure to the variable profit margin risk are the amount due to related companies, loans and borrowings, amount due from subsidiaries and lease liabilities which carries profit margin rates as stated in Note 21, Note 18 and Note 12.

Profit margin risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial liabilities at fair value through profit or loss. Therefore, a change in profit margin rates at the end of the reporting period would not affect profit or loss.

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.6 Market risk (continued)

33.6.2 Profit margin risk (continued)

Profit margin risk sensitivity analysis (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in profit margin rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit or loss			
	100 bp increase 2019 RM'000	100 bp decrease 2019 RM'000	100 bp increase 2018 RM'000	100 bp decrease 2018 RM'000
Group				
Floating rate instruments	**(2,166)**	**2,166**	(2,711)	2,711
Company				
Floating rate instruments	**1,294**	**(1,294)**	(303)	303

33.7 Fair value information

The carrying amounts of cash and cash equivalents, short-term receivables and payables reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.7 Fair value information (continued)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

Group	Fair value of financial instruments not carried at fair value				Carrying Amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000
2019					
Financial assets					
Unquoted shares	**-**	**-**	**1,825**	**1,825**	**1,825**
Financial liabilities					
SUKUK Murabahah Medium Term Notes – unsecured	**-**	**-**	**(855,000)**	**(855,000)**	**(765,670)**
Term Financing	**-**	**-**	**(37,433)**	**(37,433)**	**(37,908)**
Commodity Murabahah Term Financing-i	**-**	**-**	**(184,412)**	**(184,412)**	**(200,482)**
Commodity Murabahah Term Financing-i	**-**	**-**	**(41,628)**	**(41,628)**	**(46,254)**
Amount due to related companies	**-**	**-**	**(1,428)**	**(1,428)**	**(1,493)**
	-	**-**	**(1,119,901)**	**(1,119,901)**	**(1,051,807)**

Group	Fair value of financial instruments not carried at fair value				Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000
2018					
Financial assets					
Unquoted shares	-	-	1,825	1,825	1,825
Financial liabilities					
SUKUK Murabahah Medium Term Notes – unsecured	-	-	(895,000)	(895,000)	(799,564)
Term Financing	-	-	(36,201)	(36,201)	(36,079)
Commodity Murabahah Term Financing-i	-	-	(239,804)	(239,804)	(259,819)
Commodity Murabahah Term Financing-i	-	-	(34,592)	(34,592)	(38,612)
Amount due to related companies	-	-	(8,923)	(8,923)	(10,388)
	-	-	(1,214,520)	(1,214,520)	(1,144,462)

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.7 Fair value information (continued)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position (continued).

Company	Fair value of financial instruments not carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000
2019					
Financial assets					
Unquoted shares	**-**	**-**	**1,825**	**1,825**	**1,825**
Finance lease receivable	**-**	**-**	**46,673**	**46,673**	**46,673**
	-	**-**	**48,498**	**48,498**	**48,498**
2018					
Financial assets					
Amount due from subsidiary	-	-	13,752	13,752	13,752
Unquoted shares	-	-	1,825	1,825	1,825
	-	-	15,577	15,577	15,577
Financial liabilities					
Amount due to related companies	-	-	(7,730)	(7,730)	(9,000)
	-	-	(7,730)	(7,730)	(9,000)

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

Financial instruments not carried at fair value

Type	Description of valuation technique and inputs used
• Amount due to related companies • Loans and borrowings	Discounted cash flows using a rate based on the current market rate of borrowing of the Group and Company at the entities reporting date.
• Finance lease receivable	Discounted cash flows using a rate based on the current market rate of borrowing of the Company at the entities reporting date.
• Amount due from subsidiaries and related companies	Discounted cash flows using a rate based on the current market rate of borrowing of the subsidiaries at the entities reporting date.

33. FINANCIAL INSTRUMENTS (CONTINUED)

33.7 Fair value information (continued)

Financial instruments carried at fair value

Type	Description of valuation technique and inputs used
• Unquoted shares	Net assets value at the entities reporting date.

Interest rates used to determine financial instrument

The interest rates used to discount estimated cash flows, when applicable, are as follows:

	2019	2018
Loans and borrowings, amount due from subsidiaries and related companies and finance lease receivables	**8.20%**	7.90%

34. CAPITAL MANAGEMENT

The Group's objective when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

During the year, the Group has adopted a Rationalisation Exercise, which involves proposed disposal of certain subsidiaries. Those subsidiaries assets have been revalued and the excess of the carrying amount over the fair value less cost of disposal of those assets have been recognised in the profit or loss as impairment, resulting in a decrease in the Group's equity. The impairment recognised to the profit or loss does not have an impact to the cash flow of the Group. However, it has substantially reduced the Group's equity, hence the debt-to-equity ratio has breached the "less than one time" ratio.

The debt-to-equity ratios at 31 December 2019 and at 31 December 2018 were as follows:

		Group	
	Note	2019 RM'000	2018 RM'000
Total borrowings	18	**1,279,415**	1,241,054
Lease liabilities		**76,726**	-
Less: Cash and cash equivalents	15	**(68,953)**	(50,561)
Less: Other investments	9	**(1,239)**	(1,888)
Net debt		**1,285,949**	1,188,605
Total equity		**817,804**	1,095,095
Debt-to-equity ratios		**157%**	109%

35. CAPITAL AND OTHER COMMITMENTS

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Property, plant and equipment				
Approved and contracted for:				
Within one year	**1,316**	874	**-**	-
Authorised but not contracted for:				
Within one year	**26,473**	51,231	**5,175**	5,455
Plantation development expenditure				
Authorised but not contracted for:				
Within one year	**46,792**	79,040	**6,818**	8,185
	74,581	131,145	**11,993**	13,640

36. RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. Key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

The Group has related party relationship with its holding corporation, subsidiaries, related companies and certain members of senior management of the Group.

36. RELATED PARTIES (CONTINUED)

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company are shown below. The balances related to the below transactions are shown in Note 12 and 21.

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
A. Holding corporation				
Expenses				
Rental of premise	-	(4,722)	-	(4,722)
Rental of land	(2,928)	(2,928)	(2,928)	(2,928)
Profit margin expense	-	(54,608)	-	-
B. Related companies				
Income				
Management fees income	325	1,524	-	-
Expenses				
Purchase of flight tickets	(362)	(795)	(27)	(85)
Insurance premium	(4,397)	(4,101)	(513)	(1,323)
C. Subsidiaries companies				
Income				
Rental of premise	-	-	4,621	4,722
Profit margin income from subsidiaries receivables	-	-	7,682	5,515
Expenses				
Management fees	-	-	(3,855)	(3,881)
Profit margin expense from subsidiaries payables	-	-	(19,409)	(14,551)
D. Key management personnel				
Non-executive directors				
- Fees (includes benefit-in-kind)	(1,903)	(2,644)	(632)	(996)
Executive directors				
- Fees	-	(189)	-	(64)
- Bonus	-	(317)	-	(317)
- Remuneration	-	(726)	-	(726)
- Benefit-in-kind	-	(180)	-	(180)
	-	(1,412)	-	(1,287)
Other key management personnel				
- Short-term employee benefits	(1,685)	(1,629)	(1,685)	(1,629)
	(3,588)	(5,685)	(2,317)	(3,912)

36. RELATED PARTIES (CONTINUED)

Significant related party transactions (continued)

Other key management personnel comprise persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the Group entities either directly or indirectly.

For salaried key management personnel, the Group also contributes to state plans at the rate which is higher than statutory rate.

The estimated monetary value of Directors' benefit-in-kind is RM36,000 (2018: RM74,000).

37. CONTINGENCIES

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefit will be required.

Litigation

(i) Certain portion of the plantation land currently owned by the subsidiary (THP Saribas Sdn. Bhd.) ("Affected Entity"), is currently being implicated under legal proceedings of which the defendants are the joint venture partners of the Affected Entity together with the Superintendent of Land & Survey Department and the State Government of Sarawak.

The case involved is as follows:

Edward Gella Baul & Ors v Superintendent of Lands and Surveys Betong, Sarawak Government and THP Saribas Sdn. Bhd. (Sri Aman High Court Suit No. SRA-21NCvC-1/3-2017)

The Plaintiffs in the above case are claiming for NCR over only 474 hectares of which overlaps with NCR claimed by the Plaintiffs in the (5) cases as below:

Garan Anak Chunggut & 13 others (Suit No: KCH-22NCvC-14/4-2016)
Shapie bin Yaman & 19 others (Suit No: KCH-22NCvC-47/8-2016)
Bajing Anak Imbing & 49 others (Suit No: KCH-22NCvC-46/8-2016)
Deget bin Mantasin & 13 others (Suit No: KCH-22NCvC-20/4-2016)
Garan Anak Chunggut & 27 others (Suit No: KCH-22NCvC-15/4-2016)

The pleadings of the above case have closed, and parties have completed discovery and all bundles of documents for trials. The plaintiffs in the five (5) cases described above have intervened in the present case. Pleadings between the interveners and the plaintiffs had been filed. The matter is pending trial.

In view of the interveners action against plaintiffs and their indemnity in favour of THP Saribas Sdn. Bhd., the contingent liabilities of THP Saribas Sdn. Bhd. in this suit is remote.

38. SIGNIFICANT EVENT

On 5 December 2019, the Company has entered into Sale and Purchase Agreement with Tamaco Plantation Sdn. Bhd. ("Tamaco") to dispose investments in Bumi Suria Ventures Sdn. Bhd./Maju Warisanmas Sdn. Bhd. with a purchase consideration of RM170,000,000. The agreed purchase consideration is on the assumption that the subsidiaries will be in a cash and debt free position (save for the inter-company advances) and have no other assets other than the properties and the fixed assets on the completion date. The net current assets or net current liabilities will be adjusted by increasing or decreasing the purchase consideration.

38. SIGNIFICANT EVENT (CONTINUED)

One of the condition precedents ("CP") as stated in the SPA is the Economic Planning Unit's ("EPU") approval on the disposal of land.

39. SUBSEQUENT EVENT

39.1 Prior year Board approval of investments in subsidiaries being presented as assets held for sale

THP-YT Plantation Sdn. Bhd ("TH-YT")

On 3 March 2020, the Company has entered into Sale and Purchase Agreement ("SPA") with TDM Berhad ("TDM"), to dispose 25,900,000 ordinary shares (equivalent to 70% equity interests) held by the Company in THP-YT for a purchase consideration of RM7,000,000 for the acquisition of shares of THP-YT Sdn. Bhd. and TDM will make a repayment of RM62,000,000 relating to amount due to a subsidiary of the Company subsequent to the disposal.

39.2 Event after the reporting period

The coronavirus (Covid-19) pandemic was announced by the World Health Organisation in March 2020 given the outbreak of the virus in countries across the world including Malaysia. The Covid-19 pandemic has resulted in disruptions to businesses and various macro-economic impacts. Due to uncertainty of the macro-economic outlook as a result of the COVID-19 outbreak, both domestically and globally, the Group and the Company expect that the current situation to have an impact on the Group and the Company's earnings for 2020.

The Group and Company consider that the effects related to this outbreak to be a non-adjusting event as it was not a condition that existed as at 31 December 2019, the end of the reporting period. Accordingly, the current conditions arising from this outbreak do not have an impact on the carrying amounts reported for the financial year ended 31 December 2019.

As at the date of the financial statements are authorised for issuance, based on available information, the Group expect that the revenue contribution of THP Sabaco Sdn. Bhd. to be lower as the result of certain estates and mill in Sabah that was ordered to be close down for a period of two weeks in March and April 2020.

Certain assets that are classified as held for sales might be written down due to the changes on the following key assumptions:

- Lower long-term pricing to be used in the valuation; and
- Increase in discount rate.

The sensitivity of the assumptions used in arriving to the fair value less cost to sell for the plantations assets has been disclosed in Note 24.

In addition, the timing for the realisation of the disposal of certain assets that are classified as held for sale might be delayed beyond the next twelve (12) months as the result of the COVID-19 outbreak.

The Group and the Company are actively monitoring and managing the Group's and the Company's operations to minimise any impacts that may arise from Covid-19.

40. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

During the year, the Group and the Company adopted MFRS 16, *Leases.*

Definition of a lease

On transition to MFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied MFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under MFRS 117 and IC Interpretation 4, *Determining whether an Arrangement contains a Lease* were not reassessed. Therefore, the definition of a lease under MFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee

Where the Group and the Company are a lessee, the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1 January 2019.

At 1 January 2019, for leases that were classified as operating lease under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group entities' incremental borrowing rate as at 1 January 2019. The BLR plus spread rate applied is 8.20%. Right-of-use assets are measured at either:

- their carrying amount as if MFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at 1 January 2019; or;
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying MFRS 16 to leases previously classified as operating lease under MFRS 117:

- applied a single discount rate to a portfolio of leases with similar characteristics;
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term as at 1 January 2019;
- excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease; and
- adjusted the right-of-use assets by the amount of provision for onerous contract under MFRS 137 immediately before the date of initial application, as an alternative to an impairment review.

For leases that were classified as finance lease under MFRS 117, the carrying amounts of the right-of-use assets and the lease liability at 1 January 2019 are determined to be the same as the carrying amount of the leased asset and lease liability under MFRS 117 immediately before that date.

As a lessor

Group entities who is an intermediate lessor reassessed the classification of a sublease previously classified as an operating lease under MFRS 117 and concluded that the sublease is an operating lease under MFRS 16.

40.1 Impacts on financial statements

Since the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application at 1 January 2019, there are no adjustments made to the prior period presented.

40. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONTINUED)

40.1 Impacts on financial statements (continued)

Effects of the change in accounting policy on the financial position of the Group and the Company as at 1 January 2019 are as follows:

Group	As previously stated RM'000	Effects of MFRS 16 adoption RM'000	As restated RM'000
Non-current assets			
Property, plant and equipment	1,765,183	(658,657)	1,106,526
Rights of use	-	731,369	731,369
Non-current liability			
Lease liabilities	-	(71,107)	(71,107)
Current liability			
Lease liabilities	-	(1,605)	(1,605)

Company	As previously stated RM'000	Effects of MFRS 16 adoption RM'000	As restated RM'000
Non-current assets			
Property, plant and equipment	82,247	(7,267)	74,980
Rights of use	-	58,856	58,856
Finance lease receivable	-	46,682	46,682
Current asset			
Finance lease receivable	-	11	11
Non-current liabilities			
Lease liabilities	-	(55,419)	(55,419)
Deferred tax liabilities	(16,662)	(11,207)	(27,869)
Current liability			
Lease liabilities	-	(927)	(927)
Equity			
Retained earnings	114,732	30,729	145,461

40. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONTINUED)

40.1 Impacts on financial statements (continued)

Since the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application at 1 January 2019, there are no adjustments made to the prior period presented.

The following table explains the difference between operating lease commitments disclosed applying MFRS 117 at 31 December 2018, and lease liabilities recognised in the statement of financial position at 1 January 2019.

	Group RM'000
Operating lease commitments at 31 December 2018 as disclosed in the Group's consolidated financial statements	**565,495**
Discounted using the incremental borrowing rate at 1 January 2019	**77,135**
Recognition exemption for short-term leases	**(4,276)**
Recognition exemption for leases of low-value assets	**(147)**
Lease liabilities recognised at 1 January 2019	**72,712**

	Company RM'000
Operating lease commitments at 31 December 2018 as disclosed in the Company's financial statements	**528,313**
Discounted using the incremental borrowing rate at 1 January 2019	**60,630**
Recognition exemption for short-term leases	**(4,276)**
Recognition exemption for leases of low-value assets	**(8)**
Lease liabilities recognised at 1 January 2019	**56,346**

STATEMENT BY DIRECTORS

pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 78 to 210 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2019 and of their financial performance and cash flows for the financial year then ended.

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

…………………………………………………………

Mohd Adzahar bin Abdul Wahid
Director

…………………………………………………………

Datuk Nik Mohd Hasyudeen bin Yusoff
Director

Kuala Lumpur,

Date: 3 June 2020

STATUTORY DECLARATION

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

I, **Rahimi bin Ramli**, the officer primarily responsible for the financial management of TH Plantations Berhad, do solemnly and sincerely declare that the financial statements set out on pages 78 to 210 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named Rahimi bin Ramli, NRIC No.: 700318-11-5025, MIA CA 18018, in Kuala Lumpur in the Federal Territory on 3 June 2020.

………………………………………

Rahimi bin Ramli

Before me:

Commissioner for Oaths

PESURUHJAYA SUMPAH
W 465
KAPT (B) JASNI BIN
YUSOFF
1 JAN 2019 31 DIS 2021
MALAYSIA

Lot 1.08, Tingkat 1,
angunan KWSP, Jln Raja Laut
50350 Kuala Lumpur
Tel: 019 6680745

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TH PLANTATIONS BERHAD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of TH Plantations Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of profit or loss and other 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 78 to 210.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their 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 auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Group – Impairment losses of non-current assets

Refer to Note 2(k) - Significant accounting policy: Impairment and Note 24 - Other expenses.

The key audit matter

TH Plantations Berhad's Board of Director approved in principle a plan to dispose the Group's interests in several subsidiaries on 26 November 2018 and 1 August 2019.

The plantations assets stated at the lower of its carrying value and fair value less costs to sell amounted to RM1,619,835,000 as at 31 December 2019. The estimated fair value less costs to sell of these assets were determined by registered valuers.

As disclosed in Note 24, the Group recognised RM202,096,000 of impairment loss in its profit or loss of these assets. The recorded impairment losses were highly sensitive to the assumptions applied by the valuers. In some situations, had the same key assumptions were applied as per assumption as per market information, the impairment losses could be significantly smaller or none.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF TH PLANTATIONS BERHAD

Key Audit Matters (continued)

Group – Impairment losses of non-current assets (continued)

Refer to Note 2(k) - Significant accounting policy: Impairment and Note 24 - Other expenses

How the matter was addressed in our audit

We identified the impairment losses of non-current assets as a key audit matter because:

- They are significant to the financial statements of the Group;
- The valuation process involved significant judgment in determining the appropriate valuation methodology and assumptions;
- The key assumptions applied are highly sensitive and subjective, which are susceptible to manipulation;
- There is no direct comparable prices; and
- There is no active market for the plantation assets.

Our audit procedures included, amongst others:

- We evaluated the registered valuers' competency and capabilities;
- Read the valuation reports and interviewed the valuers to understand the variation in methodologies used by the valuers;
- We checked, on a sample basis the accuracy and relevance of the input data provided by the Group to the registered valuers;
- We evaluated and challenged the key assumptions used in determining the recoverable amounts by comparing them with our understanding of the industry and with internal and external information; and
- We also considered the adequacy of the disclosures in the financial statements, in describing the inherent degree of subjectivity and key assumptions used in the estimates.

Group – Forestry

Refer to Note 2(h) - Significant accounting policy: Forestry and Note 6 – Forestry

The key audit matter

The Group has significant carrying amount of forestry which is carried at fair value less cost of disposal.

During the financial year, the valuation was based on the highest and best use of the forestry which is the felling of timber.

The registered valuer is of the opinion that as the result of the decrease in latex price in recent years, it is not cost effective to extract latex from the rubber trees, thus, the valuation for the current financial year does not account for tapping of latex.

We identified the fair valuation of forestry as a key audit matter because:

- Its significant amount in the Group's financial statements; and
- It required us to exercise significant judgement in evaluating the appropriateness of assumptions applied in determining the fair value.

Key Audit Matters (continued)

Group – Forestry (continued)

Refer to Note 2(h) - Significant accounting policy: Forestry and Note 6 – Forestry

How the matter was addressed in our audit

Our audit procedures included, amongst others:

- We evaluated the registered valuer's competency and capabilities;
- Read the valuation report and interviewed the valuer to understand the variation in methodology used by the valuer;
- We checked, on a sample basis the accuracy and relevance of the input data provided by the Group to the registered valuer;
- We evaluated and challenged the key assumptions used in determining the recoverable amounts by comparing them with our understanding of the industry and with internal and external information; and
- We also considered the adequacy of the disclosures in the financial statements, in describing the inherent degree of subjectivity and key assumptions used in the estimates.

Group – Going concern

Refer to Note 1(b) – Basis of measurement.

At 31 December 2019, the Group incurred a net loss of RM273,134,000 during the year ended 31 December 2019 and, as of that date, the Group had net current assets of RM674,167,000 (which included net non-current assets that are classified as assets held for sale equivalents of RM861,329,000), and current liabilities of RM500,375,000.

The Group finances its operation activities using a combination of cash on hand, operating cash flows, which are generated mainly from the sales of CPO, PK and FFB, and borrowings.

Based on their review of cash flow forecasts of the Group, the Directors have concluded that it is appropriate for them to prepare the consolidated financial statements using the going concern basis of accounting as the ultimate holding corporation has express willingness to provide the necessary level of financial support to the Group to enable them to meet the payment of debts, as and when they fall due should they be unable to do so. The going concern basis of accounting presumes that the Group has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date of the financial statements.

We identified the assessment of going concern as a key audit matter because the Group has sustained losses for the past 2 years which has increased the risk that the Group may not be able to continue to operate as a going concern.

How the matter was addressed in our audit

Our audit procedures included, amongst others:

- evaluated the capability of the ultimate holding corporation to support the Group,
- reviewed the loan covenants to determine breach if any, on or before reporting period: and
- reviewed the appropriateness of assets that has been classified as assets held for sale and whether the sale of the assets is expected to be completed in one year.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TH PLANTATIONS BERHAD

Information Other than the Financial Statements and Auditors' Report Thereon

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

Our opinion on the financial statements of the Group and of the Company does not cover the annual report 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 annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of 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 the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and 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 internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- 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 gives a true and fair view.
- 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 auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 8 to the financial statements.

Other Matter

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.

KPMG Desa Megat PLT
(LLP0010082-LCA & AF 0759)
Chartered Accountants

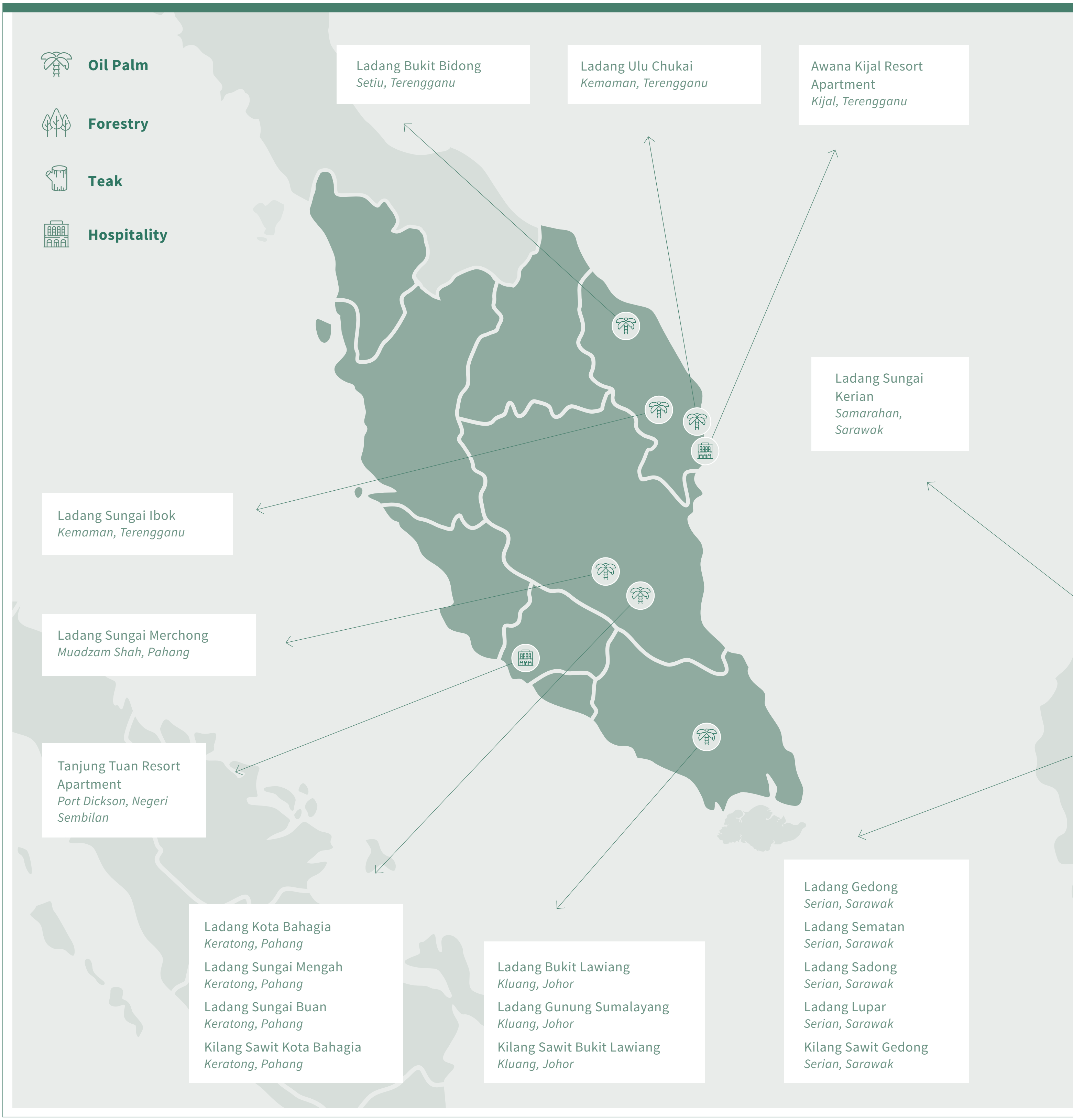
Abdullah Abu Samah
Approval Number: 02013/06/2020 J
Chartered Accountant

Petaling Jaya

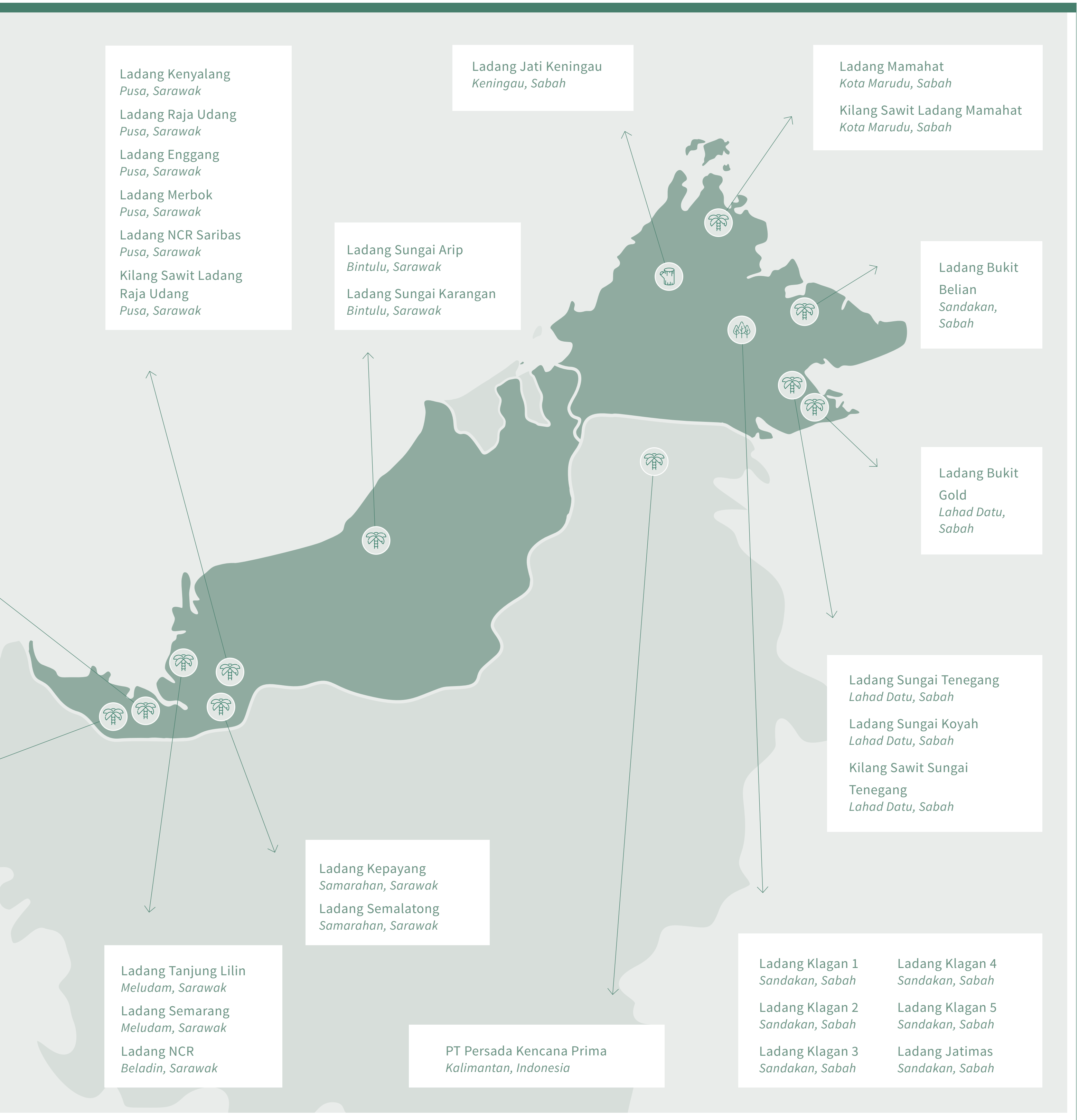
Date: 3 June 2020

PROPERTIES OWNED BY THE GROUP

for the year ended 31 December 2019



PROPERTIES OWNED BY THE GROUP
for the year ended 31 December 2019



PROPERTIES OWNED BY THE GROUP

for the year ended 31 December 2019

PLANTATIONS

LOCATION	APPROXIMATE AGE OF BUILDING	TENURE	YEAR OF EXPIRY	TITLES AREA HECTARES	DESCRIPTION	NET BOOK VALUE RM'000
PENINSULAR MALAYSIA						
TH Plantations Berhad						
Ladang Ulu Chukai Kemaman, Terengganu	-	Leasehold	2051	902	Oil Palm Estate	22,493
Ladang Bukit Lawiang Ladang Gunung Sumalayang Kluang, Johor	-	Leasehold	2091	4,058	Oil Palm Estate	62,117
Kilang Sawit Bukit Lawiang Kluang, Johor	31	Leasehold	2091	10^	Palm Oil Mill	6,060
THP Kota Bahagia Sdn. Bhd.[1]						
Ladang Kota Bahagia Keratong, Pahang	-	Leasehold	2071 and 2073	1,858	Oil Palm Estate	39,629
Kilang Sawit Kota Bahagia Keratong, Pahang	44	Leasehold	2071	9.804^	Palm Oil Mill	7,948
Ladang Sungai Mengah Keratong, Pahang	-	Leasehold	2073, 2090, 2093 and 2107	2,195	Oil Palm Estate	38,880
Ladang Sungai Buan Keratong, Pahang	-	Leasehold	2093 and 2108	1,796	Oil Palm Estate	27,086
Ladang Sungai Merchong Muadzam Shah, Pahang	-	Leasehold	2085	1,720	Oil Palm Estate	24,192
THP Ibok Sdn. Bhd.[2]						
Ladang Sungai Ibok Kemaman, Terengganu	-	Leasehold	2042 and 2052	958 ha	Oil Palm Estate	23,218
THP-YT Plantation Sdn. Bhd.						
Ladang Bukit Bidong Setiu, Terengganu	-	Leasehold	2064	2,594	Oil Palm Estate	64,575
SABAH						
THP Sabaco Sdn. Bhd.						
Ladang Sungai Tenegang Ladang Sungai Koyah Lahad Datu, Sabah	-	Leasehold	2083	3,886	Oil Palm Estate	139,784

PROPERTIES OWNED BY THE GROUP
for the year ended 31 December 2019

PLANTATIONS

LOCATION	APPROXIMATE AGE OF BUILDING	TENURE	YEAR OF EXPIRY	TITLES AREA HECTARES	DESCRIPTION	NET BOOK VALUE RM'000
SABAH						
THP Sabaco Sdn. Bhd.						
Kilang Sawit Sungai Tenegang Lahad Datu, Sabah	28	Leasehold	2083	50^	Palm Oil Mill	11,826
Ladang Bukit Gold Lahad Datu, Sabah	-	Leasehold	2076	2,020	Oil Palm Estate	76,738
Ladang Mamahat Kota Marudu, Sabah	-	Leasehold	2096, 2098 and 2099	2,936	Oil Palm Estate	105,223
Kilang Sawit Ladang Mamahat Kota Marudu, Sabah	11	Leasehold	2096	25^	Palm Oil Mill	12,509
THP Bukit Belian Sdn. Bhd.						
Ladang Bukit Belian Sandakan, Sabah	-	Leasehold	2887	1,088	Oil Palm Estate	38,776
TH-Bonggaya Sdn. Bhd.						
Ladang Klagan 1 Ladang Klagan 2 Ladang Klagan 3 Ladang Klagan 4 Ladang Klagan 5 Sandakan, Sabah	-	Licensed for 100 years	2098	10,117	Forestry	138,734
TH-USIA Jatimas Sdn. Bhd.						
Ladang Jatimas Sandakan, Sabah	-	Licensed for 100 years	2098	4,046	Forestry	53,950
Ladang Jati Keningau Sdn. Bhd.						
Ladang Jati Keningau Sandakan, Sabah	-	Leasehold	2078	1,550	Teak Estate	29,075
SARAWAK						
THP Saribas Sdn. Bhd.[3]						
Ladang Kenyalang Ladang Raja Udang Ladang Enggang Ladang Merbok Ladang NCR Saribas Pusa, Sarawak	-	Leasehold	2060	10,670∞	Oil Palm Estate	359,986
Kilang Sawit Ladang Raja Udang Pusa, Sarawak	7	Leasehold	2060	9^	Palm Oil Mill	52,472

PROPERTIES OWNED BY THE GROUP

for the year ended 31 December 2019

PLANTATIONS						
LOCATION	**APPROXIMATE AGE OF BUILDING**	**TENURE**	**YEAR OF EXPIRY**	**TITLES AREA HECTARES**	**DESCRIPTION**	**NET BOOK VALUE RM'000**
SARAWAK						
Hydroflow Sdn. Bhd.						
Ladang Sungai Kerian Samarahan, Sarawak	-	Leasehold	2064 and 2067	5,583	Oil Palm Estate	95,861
TH PELITA Gedong Sdn. Bhd.						
Ladang Gedong Ladang Sematan Serian, Sarawak	-	Leasehold	2058	7,794	Oil Palm Estate	228,096
Kilang Sawit Gedong Serian, Sarawak	15	N/a*	N/a	217*	Palm Oil Mill	26,554
TH PELITA Sadong Sdn. Bhd.						
Ladang Sadong Ladang Lupar Serian, Sarawak	-	Leasehold	2060	4,567	Oil Palm Estate	159,145
TH PELITA Simunjan Sdn. Bhd.						
Ladang Kepayang Ladang Semalatong Samarahan, Sarawak		Not available as the estate is located on NCR land and the land title has not been issued as at 2/6/2020				
	-	The land shall be alienated to TH PELITA Simunjan Sdn. Bhd. for a period of sixty (60) years pursuant to the Simunjan Joint Venture Agreement	-	9,630[4]	Oil Palm Estate	92,545
TH PELITA Beladin Sdn. Bhd.						
Ladang NCR Beladin, Sarawak		Not available as the estate is located on NCR land and the land title has not been issued as at 2/6/2020				
	-	The land shall be alienated to TH PELITA Beladin Sdn. Bhd. for a period of sixty (60) years pursuant to the Beladin Joint Venture Agreement	-	1,577[5]	Oil Palm Estate	31,276
TH PELITA Meludam Sdn. Bhd.						
Ladang Tanjung Lilin Ladang Semarang Meludam, Sarawak	-	Leasehold	2066	6,021	Oil Palm Estate	155,943

PROPERTIES OWNED BY THE GROUP
for the year ended 31 December 2019

PLANTATIONS

LOCATION	APPROXIMATE AGE OF BUILDING	TENURE	YEAR OF EXPIRY	TITLES AREA HECTARES	DESCRIPTION	NET BOOK VALUE RM'000
SARAWAK						
Bumi Suria Ventures Sdn. Bhd.						
Ladang Sungai Arip Ladang Sungai Karangan Sibu-Bintulu, Sarawak	-	Leasehold	2065 and 2066	6,514	Oil Palm Estate	124,727
PT Persada Kencana Prima						
Ladang Menjelutung Kalimantan, Indonesia		Leasehold	2052	6,929	Oil Palm Estate	20,878

HOSPITALITY

LOCATION	APPROXIMATE AGE OF BUILDING	TENURE	AREA SQ FEET	DESCRIPTION	NET BOOK VALUE RM'000
PENINSULAR MALAYSIA					
Tanjung Tuan Resort, Port Dickson, Negeri Sembilan	30	-	1,222	1 Unit 3 Rooms Apartment	10
Awana Kijal Resort, Kijal, Terengganu	17	-	816	1 Unit 3 Rooms Apartment	56

HEAD OFFICE

LOCATION	TENURE	AREA SQ FEET	DESCRIPTION	NET BOOK VALUE RM'000
PENINSULAR MALAYSIA				
Menara TH Platinum, Persiaran KLCC, Kuala Lumpur	Leasehold	56,214 [6]	Head office	20,693

Notes:

1 *Registered under the ownership of Lembaga Tabung Haji.*
2 *Registered under the ownership of Syarikat Peladang LUTH Sdn Bhd (the former name of THP Ibok Sdn Bhd).*
3 *Registered under the ownership of Kenyalang Resources Sdn Bhd. (the former name of THP Saribas Sdn. Bhd).*
4 *Gross area as stated in the Simunjan Joint Venture Agreement.*
5 *Gross area as stated in the Beladin Joint Venture Agreement.*
6 *Registered under the ownership of Urusharta Jamaah Sdn. Bhd.*
* *On 13 September 2012, TH PELITA Gedong Sdn. Bhd. received an offer from the Ministry of Resource Planning and Environment for the alienation of the land alongside Lot 166, Block 6 of Melikin Land District, where the Gedong Palm Oil Mill is located and TH PELITA Gedong Sdn. Bhd. is currently undertaking the procedures for the alienation of said land.*
∞ *As per latest perimeter survey .*
^ *Part of the titled area under Ladang Kota Bahagia (Kilang Sawit Kota Bahagia), Ladang Bukit Lawiang (Kilang sawit Bukit Lawiang), Ladang Sungai Tenegang (Kilang Sawit Sungai Tenegang), Ladang Mamahat (Kilang Sawit Ladang Mamahat) and Ladang Raja Udang (Kilang Sawit Ladang Raja Udang) .*
# *Includes the net book value of land owned under Maju Warisanmas Sdn. Bhd. Amounting to RM4,424 million.*
N/a *Not applicable.*

DIRECTORY OF ESTATES AND MILLS

COMPANY	ESTATES	DESIGNATION	ADDRESS
TH Plantations Berhad	**Ladang Bukit Lawiang** Tel: 07-7863063 Fax: 07-7864271	**Jalaludin b Sukri** *(Acting Manager)*	Karung Berkunci 522 86009 Kluang, Johor
	Ladang Gunung Sumalayang Tel: 07-7863444 Fax: 07-7864606	**Tuan Rahimi b Tuan Man** *(Senior Manager)*	Karung Berkunci 535 86009 Kluang, Johor
	Ladang Ulu Chukai Tel: 09-8676336 Fax: 09-8676336	**Usran b Mohd Zin** *(Manager)*	Peti Surat 2 24107 Kijal Kemaman, Terengganu
	Kilang Sawit Bukit Lawiang Tel: 07-7864540 Fax: 07-7864540	**Mohd Azahar b Yasin** *(Assistant General Manager)*	Peti Surat 114 86007 Kluang, Johor
THP Kota Bahagia Sdn Bhd	**Ladang Kota Bahagia** Tel: 09-4524826 Fax: 09-4524821	**Sazali b Zainol** *(Acting Manager)*	Peti Surat 19 26700 Muadzam Shah Pahang Darul Makmur
	Ladang Sungai Mengah Tel: 09-4524979 Fax: 09-4524979	**Helmi b Mokhtarrudin** *(Manager)*	Peti Surat 21 26700 Muadzam Shah Pahang Darul Makmur
	Ladang Sungai Buan Tel: 09-4524996 Fax: 09-4524995	**Rozali b Md Desa** *(Senior Manager)*	Peti Surat 18 26700 Muadzam Shah Pahang Darul Makmur
	Ladang Sungai Merchong Tel: 0116-5731211 Fax: -	**Md Johari b Md Daud** *(Manager)*	Peti Surat 4 26700 Muadzam Shah Pahang Darul Makmur
	Kilang Sawit Kota Bahagia Tel: 09-4524936 Fax: 09-4524828	**Isa b Jabar** *(Senior Manager)*	Peti Surat 20 26700 Muadzam Shah Pahang Darul Makmur
THP Ibok Sdn Bhd	**Ladang Sungai Ibok** Tel: 09-8676543 Fax: 09-8676336	**Usran b Mohd Zin** *(Manager)*	Peti Surat 2 24107 Kijal Kemaman, Terengganu
THP-YT Plantation Sdn. Bhd.	**Ladang Bukit Bidong** Tel: 09-6830002	**Nor Ali Akmar b Mahadi** *(Manager)*	Lot 2091-1, Jalan Merang-Terengganu Kg. Gong Tengah 22100 Permaisuri Terengganu
THP Sabaco Sdn. Bhd.	**Ladang Sungai Tenegang** Tel: 089-959124	**Ghazali b Ab Talib** *(Senior Manager)*	Karung Berkunci 12 91109 Lahad Datu Sabah
	Ladang Sungai Koyah Tel: 089-959814	**Mat Faisal b Ismail** *(Manager)*	Karung Berkunci No 6 91109 Lahad Datu Sabah

DIRECTORY OF ESTATES AND MILLS

COMPANY	ESTATES	DESIGNATION	ADDRESS
THP Sabaco Sdn. Bhd.	**Ladang Bukit Gold** Tel: 089-959819	**Juna b Palatuwi** *(Senior Manager)*	Peti Surat 60389 91113 Lahad Datu Sabah
	Ladang Mamahat Tel: 089-278013	**Abdul Kahar b Sariman** *(Manager)*	Karung Berkunci 1 89109 Kota Marudu Sabah
	Kilang Sawit Sungai Tenegang Tel: 089-845499	**Muhamad Murshid b Mukhtar** *(Senior Asisstant Manager)*	Peti Surat 60626 91115 Lahad Datu Sabah
	Kilang Sawit Ladang Mamahat Tel: 089-259166	**Abdul Naziz Ashady b Abdul Rahman** *(Senior Assistant Manager)*	Karung Berkunci 29 89109 Kota Marudu Sabah
THP Bukit Belian Sdn Bhd	**Ladang Bukit Belian** Tel: 089-278031	**Martin@Zaini Soili** *(Manager)*	WDT 167 Kota Kinabatangan 90200 Sandakan Sabah
Ladang Jati Keningau Sdn Bhd	**Ladang Jati Keningau** Tel: 089-278035	**Mohd Nor b Sulaiman** *(Manager)*	Peti Surat 3480 90739 Sandakan Sabah
TH Usia Jatimas Sdn Bhd	**Ladang Jatimas** Tel: 089-278035	**Mohd Nor b Sulaiman** *(Manager)*	Peti Surat 3480 90739 Sandakan Sabah
TH Bonggaya Sdn Bhd	**Ladang Klagan 1** Tel: 089-278016	**Mustaming b Abu** *(Manager)*	Peti Surat 3480 90739 Sandakan Sabah
	Ladang Klagan 2 Tel: 089-278016	**Mustaming b Abu** *(Manager)*	Peti Surat 3480 90739 Sandakan Sabah
	Ladang Klagan 3 Tel: 089-278016	**Mustaming b Abu** *(Manager)*	Peti Surat 3480 90739 Sandakan Sabah
	Ladang Klagan 4 Tel: 089-278016	**Mustaming b Abu** *(Manager)*	Peti Surat 3480 90739 Sandakan Sabah
	Ladang Klagan 5 Tel: 089-278016	**Mustaming b Abu** *(Manager)*	Peti Surat 3480 90739 Sandakan Sabah

DIRECTORY OF ESTATES AND MILLS

COMPANY	ESTATES	DESIGNATION	ADDRESS
THP Saribas Sdn Bhd	**Ladang Kenyalang** Tel: 013-8370535	**Abdullah Asya'ari b Junoh** *(Manager)*	KM20, Jalan Pusa-Sessang, 94950 Pusa, Sarawak
	Ladang Raja Udang Tel: 013-8627147	**Mohd Sofi b Harun** *(Manager)*	KM11, Jalan Pusa-Sessang, Lot 1, Blok 3, Sablor Land District, 94950 Pusa, Sarawak
	Ladang Enggang Tel: 083-474909	**Mahya b Masrom** *(Manager)*	KM6, Jalan Pusa-Sessang, 94950 Pusa, Sarawak
	Ladang Merbok Tel: 013-8033213	**Alinan b Kadar** *(Manager)*	No.14, Jalan Feeder Pusa Ground Floor New Shophouse Pusa Bazaar, 94950 Pusa Sarawak
	Ladang NCR Saribas Tel: 013-8370535	**Abdullah Asya'ari b Junoh** *(Manager)*	KM20, Jalan Pusa-Sessang, 94950 Pusa, Sarawak
	Kilang Sawit Ladang Raja Udang Tel: 083-485928 Fax: 083-485929	**Zamaludin b Sarkawi** *(Manager)*	Blok 3, Lot No. 44 & 45, Sablor Land District, 94950 Pusa, Sarawak
TH Pelita Meludam Sdn Bhd	**Ladang Tanjung Lilin** Tel: 083-474913	**Rosli b Ahmed Khalil** *(Senior Manager)*	KM 4, Jalan Pusa-Beladin, 94950 Pusa, Sarawak
	Ladang Semarang Tel: 013-8151559	**Baharin b Salleh** *(Acting Manager)*	KM 18, Jalan Pusa-Meludam, 94950 Pusa, Sarawak
TH Pelita Beladin Sdn Bhd	**Ladang NCR** Tel: 083-474913	**Rosli b Ahmed Khalil** *(Senior Manager)*	KM 4, Jalan Pusa-Beladin, 94950 Pusa, Sarawak
TH Pelita Simunjan Sdn Bhd	**Ladang Kepayang** Tel: 019-8624737	**Singgat Anak Birai** *(Manager)*	KM 21, Kampung Isu, 98400 Simunjan, Sarawak
	Ladang Semalatong Tel: 082-804907	**Ismail b Sadari** *(Senior Manager)*	KM 21, Kampung Semalatong, 98400 Simunjan, Sarawak

DIRECTORY OF ESTATES AND MILLS

COMPANY	ESTATES	DESIGNATION	ADDRESS
TH Pelita Gedong Sdn Bhd	**Ladang Gedong** Tel: 082-882902	**Abang Ahmad Saifulhadi b Abang Iskandar** *(Manager)*	KM 8, Jalan Gedong P.O. Box 32, 94700 Serian, Sarawak
	Ladang Sematan Tel: 019-8243657	**Tuah b Nawi** *(Manager)*	KM 8, Jalan Gedong P.O. Box 32, 94700 Serian, Sarawak
	Kilang Sawit Gedong Tel: 082-896515/18 Fax: 082-895517	**Md Nazri b Md Noh** *(Manager)*	KM 8, Jalan Gedong P.O. Box 32, 94700 Serian, Sarawak
TH Pelita Sadong Sdn Bhd	**Ladang Sadong** Tel: 082-895512	**Ahmad Mazwan b Jamaludin** *(Manager)*	KM 8, Jalan Gedong P.O. Box 32, 94700 Serian, Sarawak
	Ladang Lupar Tel: 019-8898657	**Harisfadzillah b Lamat** *(Manager)*	KM 8, Jalan Gedong P.O. Box 32, 94700 Serian, Sarawak
Hydroflow Sdn Bhd	**Ladang Sungai Kerian** Tel: 013-8253160	**Alias b Bakir** *(Manager)*	Lot 1227, Jalan Kg Ulu Gedong 94700 Gedong, Sarawak
Bumi Suria Ventures Sdn Bhd	**Ladang Sungai Karangan** Tel: 084-375831	**Girman @ Perman b Sirah** *(Senior Manager)*	KM 91, Jalan Bintulu - Sibu, P.O Box 3325, 97000 Bintulu, Sarawak
	Ladang Sungai Arip Tel: 084-375830	**Ramlee b Mohamad** *(Manager)*	KM 91, Jalan Bintulu - Sibu, P.O Box 3325, 97000 Bintulu, Sarawak
PT Persada Kencana Prima	**Tarakan Office** Tel: 0551 380 8868		Jalan WR. Supratman, RT 69 No.15, Kel. Karang Anyer, Tarakan Barat, Kalimantan Utara, 77111, Indonesia

ANALYSIS OF SHAREHOLDINGS

As at 2 June 2020

SHAREHOLDING STRUCTURE

Total Number of Issued Shares	:	883,851,470
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote for every share held

ANALYSIS BY SIZE OF SHAREHOLDINGS

Category	No. of Holders	%	No. of Shares	%
Less than 100	284	2.93	4,290	0.00
100 to 1,000	1,031	10.65	499,808	0.05
1,001 to 10,000	6,406	66.15	27,288,826	3.09
10,001 to 100,000	1,740	17.97	51,161,874	5.79
100,001 to less than 5% of issued shares	222	2.29	152,302,041	17.23
5% and above of issued shares	1	0.01	652,594,631	73.84
Total	9,684	100.00	883,851,470	100.00

DIRECTORS' SHAREHOLDING

		No. of Ordinary Shares Held			
No.	Name of Directors	Direct	%	Indirect	%
1.	Tan Sri Abu Talib bin Othman	Nil	Nil	Nil	Nil
2.	Datuk Nik Mohd Hasyudeen bin Yusoff	Nil	Nil	Nil	Nil
3.	Dato' Shari bin Haji Osman	Nil	Nil	Nil	Nil
4.	Dato' Indera Dr. Md Yusop bin Omar	Nil	Nil	Nil	Nil
5.	Mohd Adzahar bin Abdul Wahid	Nil	Nil	Nil	Nil
6.	Dzul Effendy bin Ahmad Hayan	Nil	Nil	Nil	Nil

SUBSTANTIAL SHAREHOLDER

		No. of Ordinary Shares Held			
No.	Name of Substantial Shareholder	Direct	%	Indirect	%
1.	Lembaga Tabung Haji	652,594,631	73.84	Nil	Nil

ANALYSIS OF SHAREHOLDINGS

As at 2 June 2020

TOP THIRTY SHAREHOLDERS

No.	Name of Shareholders	No. of Shares Held	% of Issued Share capital
1.	Lembaga Tabung Haji	652,594,631	73.84
2.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Kong Goon Khing (E-SRK)	43,933,000	4.97
3.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Yayasan Pok Dan Kassim	9,969,360	1.13
4.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Kong Goon Siong (E-JCL)	6,000,000	0.68
5.	Pertubuhan Peladang Negeri Terengganu	5,870,294	0.66
6.	RHB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Veloo A/L Karupayah	5,000,000	0.57
7.	Amanahraya Trustees Berhad Public Islamic Opportunities Fund	4,838,680	0.55
8.	CIMB Islamic Nominees (Tempatan) Sdn. Bhd. Affin Hwang Asset Management Berhad for Majlis Ugama Islam Dan Adat Resam Melayu Pahang	3,977,760	0.45
9.	Neoh Choo Ee & Company, Sdn. Berhad	3,700,000	0.42
10.	Maybank Nominees (Tempatan) Sdn. Bhd. Amanahraya Investment Management Sdn. Bhd. for Majlis Agama Islam Negeri Sembilan (C417-260272)	2,415,840	0.27
11.	Amin Baitulmal Johor	2,400,000	0.27
12.	Majlis Agama Islam Wilayah Persekutuan	2,400,000	0.27
13.	Majlis Agama Islam Dan Adat Melayu Perak Darul Ridzuan	2,320,000	0.26
14.	RHB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for VM Team Engineering Sdn. Bhd.	2,000,000	0.23
15.	HLIB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Yap Qwee Beng	1,822,600	0.21
16.	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Raja Aznin bin Raja Ahmad (CEB)	1,605,400	0.18
17.	CGS-CIMB Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Yayasan Pok Dan Kassim (MP0296)	1,533,000	0.17
18.	AMSEC Nominees (Tempatan) Sdn. Bhd. Ambank (M) Berhad for Lim Huat Bee (6720-1502)	1,450,000	0.16

ANALYSIS OF SHAREHOLDINGS

As at 2 June 2020

No.	Name of Shareholders	No. of Shares Held	% of Issued Share capital
19.	Raja Aznin bin Raja Ahmad	1,378,600	0.16
20.	Che Abdullah @ Rashidi bin Che Omar	1,090,800	0.12
21.	Tai Yat Choy	1,018,600	0.12
22.	AMSEC Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan Peng Nguang	984,500	0.11
23.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Chong Yiew On (6000006)	822,800	0.09
24.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Allan Kong Siong Kien (E-JCL)	804,300	0.09
25.	Maybank Nominees (Tempatan) Sdn. Bhd. Mtrustee Berhad for Tabung Baitulmal Sarawak (Majlis Islam Sarawak) (FM-ASSAR-TBS)(419511)	758,900	0.09
26.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tee Kim Tee @ Tee Ching Tee (TEE0063C)	754,000	0.09
27.	Dynaquest Sdn. Bhd.	750,000	0.08
28.	Ang Chai Eng	740,300	0.08
29.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Kelvin Kong Siong Kang (E-JCL)	730,000	0.08
30.	Lembaga Kemajuan Tanah Persekutuan (FELDA)	689,100	0.08
	TOTAL	764,352,465	86.48

NOTICE OF 46TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Forty-Sixth Annual General Meeting ("46th AGM") of TH Plantations Berhad ("THP" or "the Company") will be held on a fully virtual basis via live streaming from the Broadcast Venue at **Dewan Perkasa, Level 34, Menara TH Platinum, No. 9 Persiaran KLCC, 50088 Kuala Lumpur** on **Monday, 3 August 2020** at **10.00 a.m.** to transact the following businesses:

As Ordinary Businesses

1. To receive the Audited Financial Statements for the year ended 31 December 2019 together with Reports of the Directors and the Auditors thereon.

2. To approve the payment of Directors' fees and benefits payable of up to RM760,000.00 for the period from 4 August 2020 until the next Annual General Meeting of the Company to be held in 2021. — Ordinary Resolution 1

3. To re-elect Dato' Shari bin Haji Osman, who shall retire by rotation in accordance with Clause 89 of the Constitution of the Company and being eligible, has offered himself for re-election. — Ordinary Resolution 2

4. To re-elect Mohd Adzahar bin Abdul Wahid, who shall retire by rotation in accordance with Clause 89 of the Constitution of the Company and being eligible, has offered himself for re-election. — Ordinary Resolution 3

5. To re-appoint Messrs. KPMG Desa Megat PLT as Auditors of the Company in respect of the financial year ending 31 December 2020 and to authorise the Board of Directors to determine the Auditors' remuneration. — Ordinary Resolution 4

As Special Business

To consider, and if deemed fit, to pass with or without modification, the following Resolution:

6. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature** — Ordinary Resolution 5

   "**THAT**, subject always to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), approval be and is hereby given for the renewal of the existing Shareholders' Mandate for the Company and/or its Subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.4.1 of the Circular to Shareholders dated 30 June 2020 with the related parties described therein provided that such transactions are necessary for the Group's day-to-day operations, carried out in the normal course of business, at arm's length, on normal commercial terms, not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders;

   AND THAT such approval granted shall take effect immediately upon passing of this Resolution and shall continue to be in force until:

   i. the conclusion of the next Annual General Meeting ("AGM") of the Company following the forthcoming AGM at which such mandate is approved, at which time it will lapse, unless by a resolution passed at the next AGM, the mandate is renewed;

   ii. the expiration of the period within which the next AGM of the Company after the forthcoming AGM is required to be held pursuant to Section 340(2) of the Companies Act, 2016 ("the Act"), (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

   iii. revoked or varied by a resolution passed by the shareholders in a general meeting;

   whichever is earlier.

NOTICE OF 46TH ANNUAL GENERAL MEETING

AND THAT the Directors of the Company and/or its Subsidiaries be and are hereby authorised to do all such acts and things as may be necessary in the best interests of the Company to give full effect to the Recurrent Related Party Transactions as authorised by this Resolution."

7. To transact any other business of which due notice shall have been received in accordance with the Act and the Constitution of the Company.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend, speak and vote at the 46th AGM, the Company shall request for Bursa Malaysia Depository Sdn. Bhd. ("Bursa Depository"), in accordance with Clause 65(b) of the Constitution of the Company and Section 34(1) of the Securities Industry (Central Depositories) Act 1991 (SICDA), to issue a Record of Depositors ("ROD") as at 27 July 2020. Only a depositor whose name appear on the ROD as at 27 July 2020 shall be entitled to attend, speak and vote at the 46th AGM or appoint proxy/proxies to attend, speak and vote on his/her behalf.

By Order of the Board

ALIATUN BINTI MAHMUD
(LS0008841) (SSM PC No.201908003467)
WAN NURUL HIDAYAH BINTI WAN YUSOFF
(LS0008555) (SSM PC No.201908003468)

Company Secretaries

Kuala Lumpur
Date: 30 June 2020

NOTES:

1. **Mode of Meeting**

   i. **In view of the COVID-19 pandemic and as part of the safety measures, the 46th AGM of the Company will be conducted on a fully virtual basis via live streaming from the broadcast venue and through the Remote Participation and Voting ("RPV") facilities.**

   ii. This is in line with the Guidance and FAQs on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 18 April 2020, 14 May 2020 and 11 June 2020 ("Guidance Note").

   iii. The broadcast venue of the 46th AGM is strictly for the purpose of complying with Section 327(2) of the Act which requires the Chairman of the Meeting to be at the main venue. **NO SHAREHOLDERS** will be allowed to be physically present at the broadcast venue on the day of the 46th AGM.

   iv. As such, we strongly encourage you to make use of the RPV facilities to attend, speak (in the form of real time submission of typed texts) and vote (collectively "participate") at the 46th AGM. Pursuant to Guidance Note, the right to speak is not limited to verbal communication only but includes other modes of expression such as real time submission of typed texts.

   Please read the notes provided in the Administrative Guide for further details.

2. **Proxy and Entitlement to Participate**

   i. Only a Member whose name appear on the ROD as at 27 July 2020 shall be entitled to participate at the 46th AGM or appoint proxy(ies) on his/her behalf.

   ii. A Member entitled to participate at the 46th AGM may appoint not more than two (2) proxies to participate on his/her behalf. A proxy may but need not be a member of the Company.

   iii. Where a Member appoints two (2) proxies, the appointment shall not be valid unless he/she specifies his/her shareholdings to be represented by each proxy. Each proxy appointed shall represent a minimum of 100 shares.

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

   iv. The instrument in appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its Common Seal or under the hand of its officer or attorney duly authorised by the corporation.

   v. The instrument in appointing a proxy must be deposited at the Company's Registered Office at Level 35, Menara TH Platinum, No. 9 Persiaran KLCC, 50088 Kuala Lumpur not less than 24 hours before the time set for holding the 46th AGM or **no later than 2 August 2020** at **10.00 a.m.** or at any adjourned meeting at which the person named in the instrument proposes to vote and in default, the instrument of proxy shall not be treated as valid.

   vi. Pursuant to Paragraph 8.29A(i) of the Listing Requirements, all resolutions set out in this Notice will be put to vote by poll.

3. **Item 1 of the Agenda**
Audited Financial Statements for the year ended 31 December 2019

This Agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Act does not require a formal approval from the shareholders for the Audited Financial Statements. Hence, this Agenda is **not put forward for voting**.

4. **Item 2 of the Agenda**
Directors' Fees and Benefits Payable

The proposed Ordinary Resolution 1, if passed, will allow the payment of directors' fees and benefits for the period commencing from 4 August 2020 until the next Annual General Meeting of the Company to be held in 2021.

The payment of directors' fees will be made on a monthly basis or as and when incurred, after the Directors have discharged their responsibilities and rendered their services to the Company.

The details of the directors' fees and benefits are as follows:

(A) Directors' Fees

	Monthly Fees	
Board/Board Committee	**Chairman**	**Members**
Board	RM12,000.00	RM5,000.00
Audit Committee	RM2,000.00	RM1,000.00
Other Board Committees: • Nomination & Remuneration Committee • Tender Committee A • Tender Committee B	Not Applicable	

(B) Directors' Benefits

Meeting Allowance	Board and Board Committee meetings: RM1,000.00 per meeting
Other benefits	Medical and insurance coverage

5. **Item 6 of the Agenda**
Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The proposed Ordinary Resolution 5, if passed, will allow the Company and/or its Subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the mandated related parties provided that such transactions are necessary for the Group's day-to-day operations, carried out in the normal course of business, at arm's length, on commercial terms which are not more favourable to the related parties than those generally available to the public and not detrimental to the minority shareholders. Shareholders are advised to refer to the Circular to Shareholders dated 30 June 2020 for more information.

ADMINISTRATIVE GUIDE

For the Fully Virtual 46th Annual General Meeting

Event		Date	Time
46th ANNUAL GENERAL MEETING ("46th AGM")		Monday, 3 August 2020	10.00 a.m.
Broadcast Venue			**Mode of Meeting**
Dewan Perkasa, Level 34, Menara TH Platinum, No. 9 Persiaran KLCC, 50088 Kuala Lumpur			Fully virtual

IMPORTANT NOTICE

MODE OF MEETING

i. **In view of the COVID-19 pandemic and as part of the safety measures, the 46th AGM of the Company will be conducted on a fully virtual basis via live streaming from the broadcast venue and through the Remote Participation and Voting ("RPV") facilities.**

ii. This is in line with the Guidance and FAQs on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 18 April 2020, 14 May 2020 and 11 June 2020 ("Guidance Note").

iii. The broadcast venue of the 46th AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act, 2016 which requires the Chairman of the Meeting to be at the main venue. **NO SHAREHOLDERS** will be allowed to be physically present at the broadcast venue on the day of the 46th AGM.

iv. As such, we strongly encourage you to make use of the RPV facilities to attend, speak (in the form of real time submission of typed texts) and vote (collectively "participate") at the 46th AGM. Pursuant to Guidance Note, the right to speak is not limited to verbal communication only but includes other modes of expression such as real time submission of typed texts.

v. The RPV facilities can be accessed as follows:

   a. Download the free **Lumi AGM app** onto your personal voting device prior to the 46th AGM from Apple App Store or Google Play Store; **OR**

   b. Launch **Lumi AGM** by scanning the QR code given to you in the email along with your remote participation User ID and Password; **OR**

   c. Alternatively, you may access **Lumi AGM** via website URL at https://web.lumiagm.com/.

1. ENTITLEMENT TO PARTICIPATE

Only a member whose name appear on the Record of Depositors of the Company as at 27 July 2020 shall be entitled to participate at the 46th AGM or appoint proxy(ies) on his/her behalf.

2. PROXY

i. A member entitled to participate at the 46th AGM may appoint not more than two (2) proxies to participate on his/her behalf. A proxy may but need not be a member of the Company.

ii. Where a member appoints two (2) proxies, the appointment shall not be valid unless he/she specifies his/her shareholdings to be represented by each proxy. Each proxy appointed, shall represent a minimum of 100 shares.

iii. The instrument in appointing a proxy must be deposited at the Company's Registered Office at **Level 35, Menara TH Platinum, No. 9 Persiaran KLCC, 50088 Kuala Lumpur** not less than 24 hours before the time set for holding the 46th AGM or **no later than 2 August 2020 at 10.00 a.m.**, or at any adjourned meeting at which the person named in the instrument proposes to vote and in default, the instrument of proxy shall not be treated as valid.

iv. If you wish to participate at the 46th AGM, please do not submit any Proxy Form. You will not be allowed to participate at the 46th AGM together with a proxy appointed by you.

v. If you have submitted your Proxy Form and subsequently decide to participate in the meeting, please contact the Officer In-Charge (refer to item 11) **no later than Sunday, 2 August 2020 at 10.00 a.m.** to revoke the appointment of your proxy.

3. CORPORATE MEMBER

Any corporate member who wishes to appoint a representative instead of a proxy to participate at the 46th AGM should lodge the certificate of appointment under the seal of the corporation at the Company's Registered Office at **Level 35, Menara TH Platinum, No. 9 Persiaran KLCC, 50088 Kuala Lumpur** not less than 24 hours before the time set for holding the 46th AGM or **no later than 2 August 2020 at 10.00 a.m.**, or at any adjourned meeting at which the person named in the instrument proposes to vote and in default, the instrument of proxy shall not be treated as valid.

ADMINISTRATIVE GUIDE

For the Fully Virtual 46th Annual General Meeting

4. REMOTE PARTICIPATION AND VOTING ("RPV")

i. Please note that the RPV is available to:

a. Individual members;
b. Corporate shareholders;
c. Authorised Nominees; and
d. Exempt Authorised Nominees.

ii. If you choose to participate in the meeting online, you will be able to view a live streaming of the 46th AGM, submit questions and submit your votes in real time.

iii. Please follow the steps below on how to request for a login User ID and Password in order to participate at the 46th AGM remotely.

PRIOR TO THE DAY OF THE 46TH AGM

STEP 1 – REGISTER ONLINE WITH BOARDROOM SMART INVESTOR PORTAL (FOR FIRST TIME REGISTRATION ONLY)

[Note: If you have already signed up with Boardroom Smart Investor Portal, you are not required to register again. You may proceed to Step 2 – Submit Request for RPV User ID and Password]

a. Access website https://boardroomlimited.my
b. Click <<Login>> and click <<Register>> to sign up as a user.
c. Complete registration and upload softcopy of MyKAD (front and back) or Passport.
d. Please enter a valid email address and wait for email verification from Boardroom.
e. Your registration will be verified and approved within one (1) business day and an email notification will be provided to you.

STEP 2 – SUBMIT REQUEST FOR RPV USER ID AND PASSWORD

*[Note: The registration for remote access will be opened on **Tuesday, 30 June 2020 until Sunday, 2 August 2020**]*

Individual Members

a. Login to https://boardroomlimited.my using your user id and password above.
b. Select "Hybrid / Virtual Meeting" from main menu and select the correct Corporate Event **"TH Plantations Berhad Fully Virtual 46th AGM"**.
c. Enter your CDS Account Number.
d. Read and agree to the terms & conditions and thereafter submit your request.

Corporate Shareholders

a. Write in to BSR.Helpdesk@boardroomlimited.com by providing the name of member, CDS Account Number accompanied with the Certificate of Appointment of Corporate Representative or Form of Proxy to submit the request.
b. Corporate shareholder must also provide a copy of Corporate Representative's MyKAD (front & back) or Passport as well as his/her email address.
c. Corporate shareholder will receive a notification from Boardroom that your request has been received and is being verified.
d. Upon system verification of your registration against the 46th AGM's Record of Depositors as at **27 July 2020**, the Corporate shareholder will receive an email from Boardroom either approving or rejecting your registration for remote participation.
e. Corporate shareholder will also receive your remote access User ID and Password along with the email from Boardroom if your registration is approved.
f. Please note that the closing date and time to submit your request is on **Sunday, 2 August 2020 at 10.00 a.m.**

Authorised Nominee and Exempt Authorised Nominee

a. Write in to BSR.Helpdesk@boardroomlimited.com by providing the name of member, CDS Account Number accompanied with the Form of Proxy to submit the request.
b. Authorised nominee and exempt authorised nominee must also provide a copy of the Proxy Holder's MyKAD (front & back) or Passport as well as his/her email address.
c. Authorised nominee and exempt authorised nominee will receive a notification from Boardroom that your request has been received and is being verified.
d. Upon system verification of your registration against the 46th AGM's Record of Depositors as at **27 July 2020**, Authorised nominee and exempt authorised nominee will receive an email from Boardroom either approving or rejecting your registration for remote participation.
e. Authorised nominee and exempt authorised nominee will also receive your remote access User ID and Password along with the email from Boardroom if your registration is approved.
f. Please note that the closing date and time to submit your request is on **Sunday, 2 August 2020 at 10.00 a.m.**

ON THE DAY OF THE 46TH AGM

STEP 3 – LOGIN TO VIRTUAL AGM PORTAL

[Note: Please note that the quality of the connectivity to Virtual AGM Portal for live webcast as well as for remote online voting is highly dependent on the bandwidth and the stability of the internet connectivity available at the location of the remote users].

a. The Virtual AGM Portal will be opened for login starting one (1) hour before the commencement of the 46th AGM, which is from **9.00 a.m. on Monday, 3 August 2020**.
b. Please follow the steps given to you in the email along with your remote access User ID and Password to login the Virtual AGM Portal *(Refer to Step 2 above)*.
c. The steps given will also guide you on how to view live webcast, ask questions and vote.
d. The live webcast will end and the Messaging window (for asking questions) will be disabled once the Chairman announces the closure of the 46th AGM.
e. You can then logout from the Virtual AGM Portal.

5. PROCEDURE OF THE 46th AGM

i. The login User ID and Password to participate at the 46th AGM will be provided along with email confirmation on the successful registration of the RPV facilities by 27 July 2020.

ii. The 46th AGM will start promptly at 10.00 a.m.

iii. Poll voting at the 46th AGM will be conducted electronically with Boardroom appointed as the Poll Administrator and Mega Corporate Services Sdn. Bhd. appointed as the Scrutineers to verify the poll results.

iv. Please ensure you are connected to the internet at all times in order to participate when the 46th AGM has commenced. Therefore, it is your responsibility to ensure that connectivity during the 46th AGM is maintained. Kindly note that the quality of the live streaming is dependent on the bandwidth and the stability of the internet connection at the location of the remote participants.

v. Strictly **NO** unauthorised recording or photography of the proceedings of the 46th AGM is allowed.

6. SUBMISSION OF QUESTIONS

Shareholders and proxies may raise relevant questions to the Company through the following avenues:

(A) Prior to the day of the 46th AGM

Questions may be submitted via email to info@thplantations.com **no later than Sunday, 2 August 2020 at 10.00 a.m.**

(B) On the day of the 46th AGM (3 August 2020)

Questions may be submitted to the Messaging window via RPV facilities during the live streaming.

7. NO FOOD VOUCHER AND DOOR GIFTS

There will be **NO DISTRIBUTION OF DOOR GIFT AND FOOD VOUCHER** for members/proxies who participate at the 46th AGM.

8. PERSONAL DATA PRIVACY

By registering for the RPV and/or submitting the instrument appointing a proxy(ies) and/or representative(s), the member of the Company has consented to the use of such data for purposes of processing and administration by the Company (or its agents); and to comply with any laws, listing rules, regulations and/or guidelines. The member agrees that he/she will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty.

9. ANNUAL REPORT 2019, CIRCULAR TO SHAREHOLDERS AND CORPORATE GOVERNANCE REPORT 2019

The following documents are available at http://www.thplantations.my/annual_report.php:

1. Annual Report 2019;
2. Circular to Shareholders on the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature;
3. Corporate Governance Report 2019; and
4. Notice of the 46th AGM, Administrative Guide, Proxy Form and Request Form.

10. ENQUIRIES

If you have any enquiry in relation to the 46th AGM, **Lumi AGM, RPV** and **Proxy Form**, please contact the Share Registrar of the Company during office hours as follows:

Address : Boardroom Share Registrars Sdn. Bhd.
11th Floor, Menara Symphony
No 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan

Tel (Helpdesk) : 03 7890 4700
Fax : 03 7890 4670
Email : BSR.Helpdesk@boardroomlimited.com
Officer : Encik Nu'man Al-Muqarrin
(03-7890 4744)
(numan.muqarrin@boardroomlimited.com)

GLOSSARY

AC	Audit Committee
AGM	Annual General Meeting
BOD	Biological Oxygen Demand
Bursa Depository	Bursa Malaysia Depository Sdn. Bhd.
Bursa Malaysia	Bursa Malaysia Securities Berhad
CEMS	Continuous Emissions Monitoring Systems
CHRA	Chemical Health Risk Assessment
CPO	Crude Palm Oil
DOE	Department of Environment
DOSH	Department of Occupational Safety and Health
ED	Executive Director
EES	Economic, Environmental and Social
EFB	Empty Fruit Bunch(es)
EIA	Environmental Impact Assessment
EPS	Earning Per Share
ERP	Emergency Response Plan
ESP	Electrostatic Precipitator
ESOS	Employees' Share Option Scheme
FFB	Fresh Fruit Bunch(es)
FY2019	Financial Year Ended 31 December 2019
GAP	Good Agricultural Practices
GHG	Greenhouse Gas
GIS	Geographic Information System
GLCs	Government-Linked Companies
GLCT	Government-Linked Company Transformation
HA	Hospital Assistant
Ha	Hectares
HIRARC	Hazard Identification, Risk Assessment, Risk Control
IAD	Internal Audit Department
INED	Independent Non-Executive Director
INFERS	Integrated Fertilisers Recommendation System
IC	Investment Committee
KER	Kernel Extraction Rate
KPIs	Key Performance Indicators
LCC	Legumes Cover Crop
Listing Requirements	Main Market of Listing Requirements of Bursa Malaysia
MASB	Malaysian Accounting Standard Board
MPOB	Malaysian Palm Oil Board
MSPO	Malaysian Sustainable Palm Oil
MT	Metric Tonnes
NCR	Native Customary Rights
NED	Non-Executive Director
NINED	Non-Independent Non-Executive Director
OER	Oil Extraction Rate
OSH	Occupational Safety and Health
OSHD	Occopational Safety & Health Doctor
PAT	Profit After Tax
PBT	Profit Before Tax
PINTAR	Promoting Intelligence, Nurturing Talent and Advocating Responsibility
PIP	Performance Improvement Programme
PK	Palm Kernel
POME	Palm Oil Mill Effluent
PPE	Personal Protective Equipment
RECAL	Recognition of Employees' Children's Achievement in Learning
RMC	Risk Management Committee
RMF	Risk Management Framework
RPG	Recommended Practice Guide
RMP	Risk Management Policy
ROD	Record of Depositors
ROE	Return on Equity
R&D	Research and Development
SDGs	United Nation Sustainable Development Goals
SOP	Standard Operating Procedures
SPA	Sale Purchase Agreement
SPV	Special Purpose Vehicle
TH	Lembaga Tabung Haji
THP or the Company	TH Plantations Berhad
THP Group or the Group	TH Plantations Berhad and Subsidiaries
THPAM	THP Agro Management Sdn. Bhd.
The Board	The Board of Directors of THP
The Code	Malaysian Code on Corporate Governance
UAV	Unmanned Aerial Vehicle
VDI	Vendor Development Initiative
Yield	FFB Production per Hectare

TH PLANTATIONS BERHAD
Registration No. 197201001069 (12696-M)
(Incorporated in Malaysia)

PROXY FORM

I/We, ______________________________ (FULL NAME IN BLOCK LETTERS)

NRIC No./Passport No./Registration No. ____________________ of ____________________

____________________ (RESIDENTIAL ADDRESS) ____________________(EMAIL ADDRESS)

being member/members of TH PLANTATIONS BERHAD ("the Company") hereby appoint____________________

______________________________ (FULL NAME IN BLOCK LETTERS)

NRIC No./Passport No./Registration No. ____________________ of ____________________

____________________ (RESIDENTIAL ADDRESS) ____________________(EMAIL ADDRESS)

or failing him/her ______________________________ (FULL NAME IN BLOCK LETTERS)

NRIC No./Passport No./Registration No. ____________________ of ____________________

____________________ (RESIDENTIAL ADDRESS) ____________________(EMAIL ADDRESS)

or failing him/her, the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us and on my/our behalf at the Forty-Sixth Annual General Meeting ("46th AGM") of the Company to be held on a fully virtual basis via live streaming from the Broadcast Venue at **Dewan Perkasa, Level 34, Menara TH Platinum, No. 9 Persiaran KLCC, 50088 Kuala Lumpur** on **Monday, 3 August 2020** at **10.00 a.m.** or at any adjournment thereof.

My/our proxy is to vote as indicated below:

RESOLUTION NO.	ORDINARY BUSINESSES	FOR	AGAINST
Ordinary Resolution 1	To approve the payment of Directors' fees and benefits payable of up to RM760,000.00 for the period from 4 August 2020 until the next Annual General Meeting of the Company to be held in 2021.		
Ordinary Resolution 2	To re-elect Dato' Shari bin Haji Osman as a Director.		
Ordinary Resolution 3	To re-elect Mohd Adzahar bin Abdul Wahid as a Director.		
Ordinary Resolution 4	To re-appoint Messrs. KPMG Desa Megat PLT as Auditors of the Company and to authorise the Board of Directors to determine their remuneration.		
RESOLUTION NO.	**SPECIAL BUSINESSES**	**FOR**	**AGAINST**
Ordinary Resolution 5	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.		

(Please indicate with an "X" how you wish your vote to be cast. If no specific direction as to the voting is given, the proxy will vote or abstain at his/her own discretion).

For the appointment of two (2) proxies, the percentage of shareholdings to be represented by the proxies:

	NO. OF SHARES	PERCENTAGE
First Proxy		
Second Proxy		
TOTAL		100%

CDS Account No.	
Number of Ordinary Shares Held	

Dated this __________ day of ____________________ 2020

____
Signature/Common Seal of Shareholder

NOTES:

i. Only a Member whose name appear on the ROD as at 27 July 2020 shall be entitled to participate at the 46th AGM or appoint proxy(ies) on his/her behalf.

ii. A Member entitled to participate at the 46th AGM may appoint not more than two (2) proxies to participate on his/her behalf. A proxy may but need not be a member of the Company.

iii. Where a Member appoints two (2) proxies, the appointment shall not be valid unless he/she specifies his/her shareholdings to be represented by each proxy. Each proxy appointed shall represent a minimum of 100 shares.

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

iv. The instrument in appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its Common Seal or under the hand of its officer or attorney duly authorised by the corporation.

v. The instrument in appointing a proxy must be deposited at the Company's Registered Office at Level 35, Menara TH Platinum, No. 9 Persiaran KLCC, 50088 Kuala Lumpur not less than 24 hours before the time set for holding the 46th AGM or **no later than 2 August 2020 at 10.00 a.m.** or at any adjourned meeting at which the person named in the instrument proposes to vote and in default, the instrument of proxy shall not be treated as valid.

vi. Pursuant to Paragraph 8.29A(i) of the Listing Requirements, all resolutions set out in this Notice will be put to vote by poll.

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STAMP

The Company Secretary
TH PLANTATIONS BERHAD
Level 35
Menara TH Platinum
No. 9 Persiaran KLCC
50088 Kuala Lumpur

Fold Here

www.thplantations.my

TH PLANTATIONS BERHAD

Level 35, Menara TH Platinum
No. 9 Persiaran KLCC, 50088 Kuala Lumpur