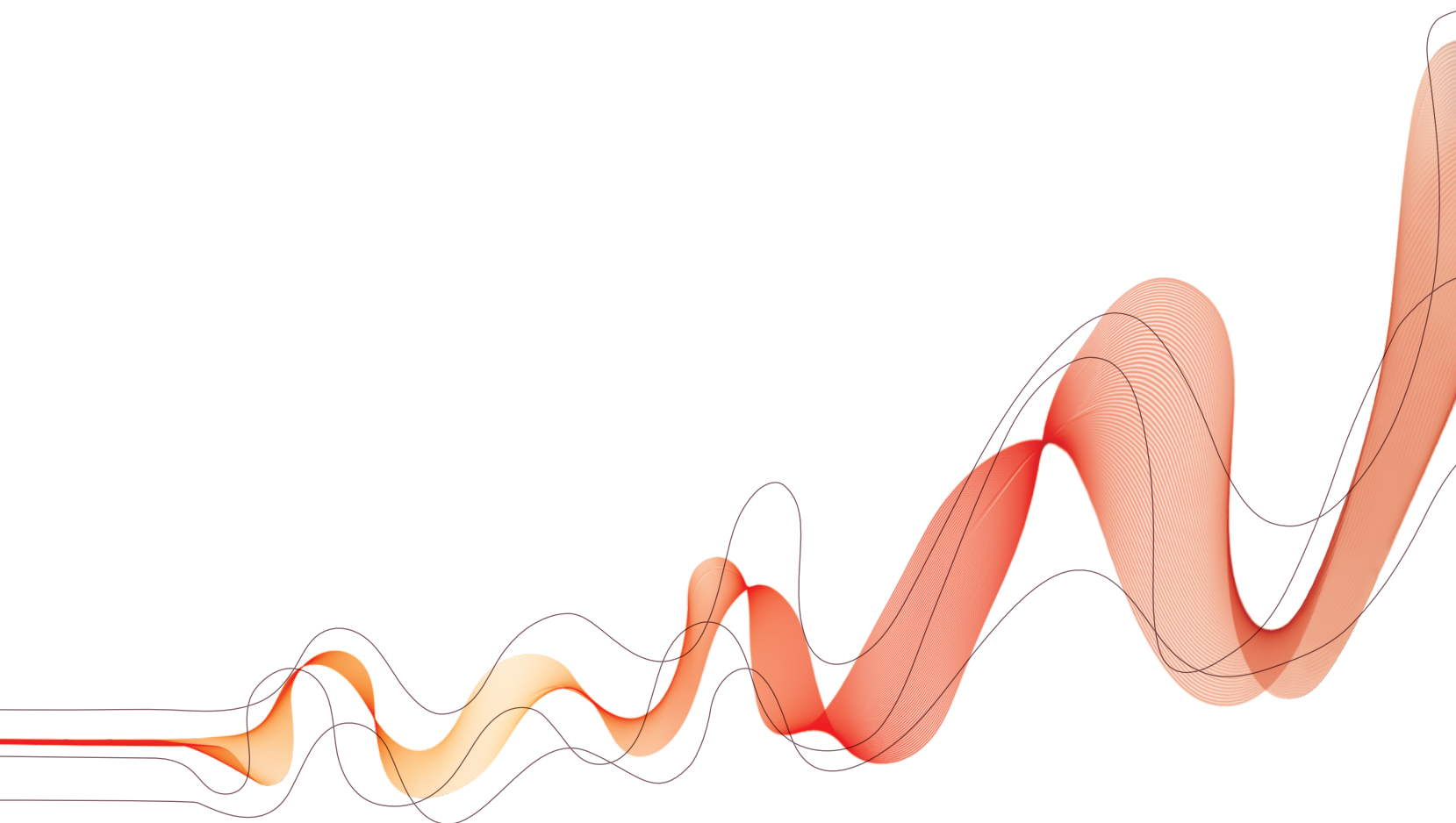


FGV HOLDINGS BERHAD
200701042133 (800165-P)

AUDITED FINANCIAL STATEMENTS 2021

FGV



HARNESSING SYNERGIES.
DELIVERING VALUE.



HARNESSING SYNERGIES. DELIVERING VALUE.

A paradigm shift is in the works at FGV. Our business transformation from an oil palm heritage towards a dynamic agribusiness player is gaining strong traction. We have been taking incremental steps towards this evolution and now is the right time to accelerate growth and optimise our potential.

We are harnessing synergies across the plantation business value chain right through the parallel food marketplace, as well as relevant service sectors. Going forward, we will harness further synergies through collaboration with key stakeholders including the smallholders in ensuring the fruits of our labour reach all facets of our society.

Although the bold steps we are taking are redefining our future, our goal remains the same; To maximise value delivery to a diverse base of stakeholders as a flagbearer of Malaysian agribusiness.

Inside This Report

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Statement on Directors' Responsibility

The Directors are required by the Companies Act 2016 (Act) to prepare Financial Statements for each financial year which give a true and fair view of the financial position of the Group and of the Company at the end of the financial year and of the financial performance and cash flows of the Group and of the Company for the financial year. As required by the Act and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Financial Statements for the financial year ended 31 December 2021, have been prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Act.

The Directors consider that in preparing the Financial Statements for the financial year ended 31 December 2021 set out on pages 12 to 172, the Group and the Company have applied the appropriate accounting policies on a consistent basis and supported by reasonable and prudent judgments and estimates.

The Directors have responsibility for ensuring that proper accounting records are kept. The accounting records should disclose with reasonable accuracy the financial position of the Group and of the Company to enable the Directors to ensure that the Financial Statements comply with the Act. The Directors have the general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. This Statement was made in accordance with a resolution of the Board of Directors dated 4 April 2022.

Directors' Report

The Directors have pleasure in submitting the annual report to the members together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2021.

DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Dato' Dzulkifli Abd Wahab	(Chairman) (Appointed on 1 April 2021)
Dato' Amiruddin Abdul Satar	
Dato' Shahrol Anuwar Sarman	
Dato' Nonee Ashirin Dato' Mohd Radzi	(Appointed on 30 June 2021)
Dato' Mohd Rafik Shah Mohamad	(Appointed on 1 July 2021)
Nik Fazila Nik Mohamed Shihabuddin	(Appointed on 1 July 2021)
Kasmuri Sukardi	(Appointed on 1 July 2021)
Datuk Wira Azhar Abdul Hamid	(Resigned on 1 April 2021)
Datuk Mohd Anwar Yahya	(Resigned on 1 April 2021)
Dr. Mohamed Nazeeb P. Alithambi	(Resigned on 1 April 2021)
Datin Hoi Lai Ping	(Retired on 23 June 2021)
Dr. Nesadurai Kalanithi	(Resigned on 24 June 2021)
Dato' Yusli Mohamed Yusoff	(Demised on 10 March 2022)
Datuk Dr. Zunika Mohamed	(Resigned on 11 March 2022)

The Company was granted a relief by Companies Commission of Malaysia from disclosing the names of the Directors of the Company's subsidiaries in this report as required under Section 253(2) of Companies Act 2016 in Malaysia. The names of the Directors of the subsidiaries are set out in the respective subsidiaries' Directors' Report and the Board deems such information as included herein by such reference and shall form part hereof.

PRINCIPAL ACTIVITIES

The Company is principally an investment holding company with investments primarily in oil palm plantation and its related downstream activities, sugar refining, trading, logistics, marketing, rubber processing, research and development activities and related agribusiness activities. The principal activities of the subsidiaries are stated in Note 24 to the financial statements.

There were no significant changes in the nature of the activities of the Group and the Company during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit attributable to Owners of the Company	1,167,874	269,918
Non-controlling interests	7,704	–
Profit for the financial year	1,175,578	269,918

Directors' Report

DIVIDENDS

Dividends on ordinary shares paid or declared by the Company since 31 December 2020 are as follows:

	RM'000
In respect of the financial year ended 31 December 2020:	
– Final single tier dividend of 3.0 sen per share, paid on 31 March 2021	109,445

On 28 February 2022, the Board of Directors agreed to declare the payment of a final single tier dividend of 8.0 sen per ordinary share amounting to RM291.85 million.

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are shown in the financial statements.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects 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.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the benefits shown under Directors' Remuneration) by reason of a contract made by the Company or a related corporation with the Directors or with a firm of which he/she is a member, or with a company in which he/she has a substantial financial interest.

DIRECTORS' INTEREST IN SHARES AND DEBENTURES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Company or its subsidiaries during the financial year.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 13 to the financial statements.

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 14 to the financial statements.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The Company maintains a corporate liability insurance for the Directors and Officers of the Group throughout the financial year, which provides appropriate insurance cover for the Directors and Officers of the Group. The total amount of insurance premium paid by the Group during the financial year amounted to RM2,245,000 (2020: RM1,851,000).

Directors' Report

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets, which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

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

- (a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) 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.

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

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

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

Directors' Report

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

- (a) the results of the Group's and the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than as disclosed in Notes 58 to the financial statements; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or the Company for the financial year in which this report is made.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to continue in office.

This report was approved by the Board of Directors on 4 April 2022. Signed on behalf of the Board of Directors:



DATO' DZULKIFLI ABD WAHAB
CHAIRMAN

Kuala Lumpur



DATO' AMIRUDDIN ABDUL SATAR
DIRECTOR

STATEMENT BY DIRECTORS

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

We, Dato' Dzulkifli Abd Wahab and Dato' Amiruddin Abdul Satar, two of the Directors of FGV Holdings Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 12 to 172 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021 and of the financial performance and cash flows of the Group and of the Company for the financial year ended on that date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution dated 4 April 2022.



DATO' DZULKIFLI ABD WAHAB
CHAIRMAN

Kuala Lumpur



DATO' AMIRUDDIN ABDUL SATAR
DIRECTOR

STATUTORY DECLARATION

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

I, Dato' Mohd Hairul Abdul Hamid, the Officer primarily responsible for the financial management of FGV Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 12 to 172 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.



DATO' MOHD HAIRUL ABDUL HAMID
MIA Membership No. 14173

Subscribed and solemnly declared by the abovenamed Dato' Mohd Hairul Abdul Hamid in Kuala Lumpur on 4 April 2022, before me.



COMMISSIONER FOR OATHS

SUITE 9.03, TINGKAT 9
MENARA RAJA LAUT
NO. 288 JALAN RAJA LAUT
50350 KUALA LUMPUR

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF FGV HOLDINGS BERHAD

(Incorporated in Malaysia)

(Company No. 200701042133 (800165-P))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of FGV Holdings Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2021 of the Group and of the Company, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 12 to 172.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and of the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF FGV HOLDINGS BERHAD

(Incorporated in Malaysia)

(Company No. 200701042133 (800165-P))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. There are no key audit matters to report for the Company.

Key audit matters	How our audit addressed the key audit matters
<p>Land Lease Agreement ("LLA") liability assessment</p> <p>As at 31 December 2021, the LLA liability for the Group amounted to RM3.8 billion.</p> <p>We focused on this area as the fair value of the LLA liability is determined based on cash flows projections, which require significant estimates made by management on the assumptions used in the calculations, in particular, prices of Crude Palm Oil ("CPO") and Palm Kernel ("PK"), Fresh Fruit Bunches ("FFB") yield, mature and immature estate costs.</p> <p>Refer to Note 3(i) in the significant accounting policies, Note 5(i) in the critical accounting estimates and judgements and Note 47 to the financial statements.</p>	<p>We have performed the following audit procedures:</p> <ul style="list-style-type: none"> • We checked the appropriateness of fair value model used to value the LLA liability. We also assessed the reasonableness of management's key assumptions used in the cash flows projections comprising prices of CPO and PK, FFB yield and mature and immature estate costs, by comparing against those used in business plans, historical data and industry trend; • We evaluated the reliability of management's cash flows projections by comparing the actual past financial performance against previous forecasted results; • We examined sensitivity analysis performed by management on the discount rate, prices of CPO and PK, FFB yield, mature and immature estate costs to evaluate the impact on the LLA liability; and • We assessed the adequacy of the disclosures in the financial statements. <p>Based on our procedures, we noted no significant exceptions.</p>

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF FGV HOLDINGS BERHAD

(Incorporated in Malaysia)

(Company No. 200701042133 (800165-P))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters

Key audit matters	How our audit addressed the key audit matters						
<p>Goodwill impairment assessment</p> <p>As at 31 December 2021, the Group's carrying value of goodwill of RM809.1 million comprised goodwill in relation to sugar business in Malaysia of RM576.2 million, palm upstream operations in Malaysia of RM226.8 million and other operations of RM6.1 million.</p> <p>Goodwill is subject to annual impairment testing. We focused on this area as the determination of recoverable amounts of the assets in the Cash Generating Units ("CGUs") based on discounted cash flows projections prepared by management, involved a significant degree of judgement in determining the following key assumptions:</p> <table border="1"> <thead> <tr> <th>Business</th><th>Key assumptions</th></tr> </thead> <tbody> <tr> <td>Sugar business</td><td>Selling price and sales volume, raw sugar price and refining costs, exchange rate and terminal value growth rate.</td></tr> <tr> <td>Palm upstream operations</td><td>CPO price, PK price, FFB yield and mature and immature estate costs.</td></tr> </tbody> </table> <p>The goodwill on other CGU of RM6.1 million is not material to the Group.</p> <p>Refer to Note 3(d) in the significant accounting policies, Note 5(ii) in the critical accounting estimates and judgements and Note 23 to the financial statements.</p>	Business	Key assumptions	Sugar business	Selling price and sales volume, raw sugar price and refining costs, exchange rate and terminal value growth rate.	Palm upstream operations	CPO price, PK price, FFB yield and mature and immature estate costs.	<p>We have performed the following audit procedures:</p> <ul style="list-style-type: none"> • We assessed the reliability of management's projections through the comparison of actual past financial performances against previous forecasted results; • We assessed the reasonableness of the key assumptions, which were used by management in developing the discounted cash flows projections, by comparing against historical data and industry trends; • We examined the sensitivity analysis performed by management on the key assumptions listed in the above table for the respective businesses and also the discount rates used to evaluate the impact on the impairment assessment; and • We assessed the adequacy and reasonableness of the disclosures in the financial statements. <p>Based on our procedures, we noted no significant exceptions.</p>
Business	Key assumptions						
Sugar business	Selling price and sales volume, raw sugar price and refining costs, exchange rate and terminal value growth rate.						
Palm upstream operations	CPO price, PK price, FFB yield and mature and immature estate costs.						
<p>Impairment assessments of non-financial assets with impairment indicators</p> <p>Management performed impairment assessments of the non-financial assets of the Group, which had impairment indicators. As a result, impairment losses of RM59.6 million for FGV Group's property, plant and equipment and right-of-use assets were recognised during the financial year ended 31 December 2021.</p> <p>We focused on this area as the recoverable amounts of the non-financial assets are determined based on discounted cash flows projections, which require judgement on the part of management on the future financial performance and the business plan of those businesses.</p> <p>Refer to Note 3(o) in the significant accounting policies, Note 5(iii) in the critical accounting estimates and judgements and Notes 20 and 21 to the financial statements.</p>	<p>We have performed the following audit procedures:</p> <ul style="list-style-type: none"> • We assessed the reliability of management's projections through the comparison of actual past financial performances against previous forecasted results; • We assessed the reasonableness of the key assumptions, which were used by management in developing the discounted cash flows projections, by comparing against historical data and industry trends; • We examined the sensitivity analysis performed by management on the key assumptions listed above and also the discount rates used to evaluate the impact on the impairment assessment; and • We assessed the adequacy and reasonableness of the disclosures in the financial statements. <p>Based on the above procedures performed, we noted no significant exceptions.</p>						

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF FGV HOLDINGS BERHAD

(Incorporated in Malaysia)

(Company No. 200701042133 (800165-P))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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 Chairman's Commentary, Corporate Details, Management Discussion and Analysis, Corporate Governance Overview Statement, Statement of Risk Management and Internal Control, Directors' Report, and other sections of the 2021 Annual Integrated Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

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:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF FGV HOLDINGS BERHAD

(Incorporated in Malaysia)

(Company No. 200701042133 (800165-P))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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: (continued)

- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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, actions taken to eliminate threats or safeguards applied.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 24 to the financial statements.

OTHER MATTERS

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



PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur
4 April 2022



NURUL A'IN BINTI ABDUL LATIF
02910/02/2023 J
Chartered Accountant

STATEMENTS OF PROFIT OR LOSS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

		Group		Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Revenue	6	19,565,891	14,075,712	499,287	358,704
Cost of sales		(16,891,822)	(12,501,668)	(113,562)	(93,289)
Gross profit		2,674,069	1,574,044	385,725	265,415
Other operating income	7	95,113	132,499	3,112	65,364
Selling and distribution costs		(203,935)	(114,671)	–	–
Administrative expenses		(801,475)	(774,343)	(36,500)	(46,347)
Reversal of impairment of financial assets (net)	8	722	7,793	96	618
Impairment of non-financial assets (net)	9	(59,595)	(242,074)	–	–
Other operating expenses	10	(10,098)	(22,697)	(862)	(6,581)
Other gains/(losses), net	11	83,975	(116,034)	–	–
Operating profit		1,778,776	444,517	351,571	278,469
Finance income	12	22,728	39,612	–	–
Finance costs	12	(126,933)	(161,872)	(78,989)	(57,335)
Share of results from associates	25	3,551	366	–	–
Share of results from joint ventures	26	35,858	23,441	–	–
Profit before zakat and taxation		1,713,980	346,064	272,582	221,134
Zakat	15	(17,406)	(16,300)	–	–
Taxation	16	(520,996)	(195,571)	(2,664)	(9,048)
Profit for the financial year	13	1,175,578	134,193	269,918	212,086
Profit attributable to:					
Owners of the Company		1,167,874	146,156	269,918	212,086
Non-controlling interests		7,704	(11,963)	–	–
		1,175,578	134,193	269,918	212,086
Earnings per share ("EPS") attributable to owners of the Company					
Basic and diluted EPS (sen)	18	32.0	4.0	–	–

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit for the financial year	1,175,578	134,193	269,918	212,086
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
Actuarial gain/(loss) on defined benefit plan	19,517	(4,333)	262	(47)
Fair value changes in financial assets at fair value through other comprehensive income	53,908	47,406	—	—
Items that may be subsequently reclassified to profit or loss				
Currency translation differences	23,580	(19,072)	—	—
Realisation of foreign exchange reserve upon disposal of assets held for sale	—	(4,342)	—	—
Share of other comprehensive income of an associate	531	3	—	—
Share of other comprehensive loss of joint ventures	(597)	(4,865)	—	—
Cash flow hedge reserve	5,543	(4,241)	—	—
	29,057	(32,517)	—	—
Total other comprehensive income/(loss) for the financial year, net of tax	102,482	10,556	262	(47)
Total comprehensive income for the financial year	1,278,060	144,749	270,180	212,039
Total comprehensive income attributable to:				
Owners of the Company	1,269,363	161,681	270,180	212,039
Non-controlling interests	8,697	(16,932)	—	—
	1,278,060	144,749	270,180	212,039

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

		Group		Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
ASSETS					
<u>Non-current assets</u>					
Property, plant and equipment	20	7,674,392	7,810,463	7,192	9,407
Right-of-use assets	21	2,196,084	2,299,579	24,714	29,075
Investment properties	22	81,531	93,789	11,301	12,183
Intangible assets	23	948,382	958,289	11,427	18,207
Investment in subsidiaries	24	–	–	8,501,024	8,493,027
Interests in associates	25	65,074	38,058	–	–
Interests in joint ventures	26	454,714	441,546	–	–
Receivables	27	137,066	136,078	–	–
Amount due from ultimate holding company	29	14,681	12,455	–	–
Amounts due from other related companies	29	9,107	–	–	–
Amounts due from subsidiaries	29	–	–	172,625	659,455
Deferred tax assets	50	295,131	526,672	6,527	–
Financial assets at fair value through other comprehensive income	31	201,569	144,251	–	–
Biological assets	33	2,228	–	–	–
		12,079,959	12,461,180	8,734,810	9,221,354
<u>Current assets</u>					
Inventories	32	1,914,403	1,192,616	–	–
Biological assets	33	113,791	57,001	–	–
Receivables	27	1,346,150	1,410,955	14,245	10,337
Contract assets	28	42,151	27,880	–	–
Amount due from ultimate holding company	29	36,521	62,440	20	20
Amounts due from subsidiaries	29	–	–	171,727	116,438
Amounts due from joint ventures	29	205,274	26,908	–	–
Amounts due from other related companies	29	66,801	63,660	797	711
Loans due from subsidiaries	34	–	–	216,830	368,886
Tax recoverable		12,762	33,539	374	–
Financial assets at fair value through profit or loss	35	79,136	68,201	–	–
Derivative financial assets	30	3,539	14,061	–	–
Deposits, cash and bank balances	36	2,031,666	1,729,194	338,675	20,073
		5,852,194	4,686,455	742,668	516,465
Assets held for sale	37	24,241	31,866	–	–
		5,876,435	4,718,321	742,668	516,465
Total assets		17,956,394	17,179,501	9,477,478	9,737,819

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

		Group		Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
EQUITY AND LIABILITIES					
<u>Capital and reserves</u>					
Share capital	38	7,029,889	7,029,889	7,029,889	7,029,889
Treasury shares	39	(518)	(518)	(518)	(518)
Foreign exchange reserve	40	54,036	26,497	–	–
Reorganisation reserve	41	(3,089,497)	(3,089,497)	–	–
Other reserves	42	67,427	10,624	–	–
Retained earnings		1,359,264	284,708	400,190	239,455
Equity attributable to owners of the Company		5,420,601	4,261,703	7,429,561	7,268,826
Non-controlling interests		1,765,917	1,838,504	–	–
Total equity		7,186,518	6,100,207	7,429,561	7,268,826
<u>Non-current liabilities</u>					
Borrowings	43	1,033,140	773,182	496,451	–
Lease liabilities	44	294,581	358,036	24,955	28,702
Loans due to ultimate holding company	45	632,151	882,866	632,151	882,866
Loans due to subsidiaries	46	–	–	806,047	1,283,922
Land lease agreement (“LLA”) liability	47	3,314,874	3,881,584	–	–
Derivative financial liabilities	30	3,571	10,163	–	–
Provision for asset retirement	48	41,349	32,358	–	–
Provision for defined benefit plan	49	51,136	67,492	632	877
Deferred tax liabilities	50	575,740	635,501	–	–
Payables	51	10,189	15,196	–	–
		5,956,731	6,656,378	1,960,236	2,196,367
<u>Current liabilities</u>					
Payables	51	1,414,444	1,049,465	63,950	50,976
Contract liabilities	52	132,340	104,168	–	–
Loans due to ultimate holding company	45	2,514	3,322	2,514	3,322
Loans due to subsidiaries	46	–	–	742	121,537
Amount due to ultimate holding company	29	276,082	265,984	1,179	1,179
Amount due to an associate	29	351	494	–	–
Amounts due to subsidiaries	29	–	–	15,848	14,289
Amounts due to other related companies	29	15,970	1,374	85	69
Derivative financial liabilities	30	3,749	929	–	–
Borrowings	43	2,330,357	2,633,582	–	75,080
Lease liabilities	44	27,518	27,790	3,363	3,363
Provision for asset retirement	48	666	643	–	–
Current tax liabilities		119,238	2,925	–	2,811
LLA liability	47	489,916	332,240	–	–
		4,813,145	4,422,916	87,681	272,626
Total liabilities		10,769,876	11,079,294	2,047,917	2,468,993
Total equity and liabilities		17,956,394	17,179,501	9,477,478	9,737,819

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Share capital (Note 38) RM'000	Treasury shares (Notes 39) RM'000	Foreign exchange reserve (Note 40) RM'000	Reorganisation reserve (Note 41) RM'000	Other reserves (Note 42) RM'000	Retained earnings RM'000	Attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
Group										
2021										
At 1 January 2021		7,029,889	(518)	26,497	(3,089,497)	10,624	284,708	4,261,703	1,838,504	6,100,207
Profit for the financial year		-	-	-	-	-	17,147	1,167,874	7,704	1,175,578
Other comprehensive income/(loss) for the financial year, net of tax:										
Items that will not be reclassified to profit or loss										
- actuarial gain on defined benefit plan		-	-	-	-	-	-	-	-	-
- fair value changes in financial assets at fair value through other comprehensive income ("FVOCI")		-	-	-	-	53,976	-	53,976	(68)	53,908
Items that may be subsequently reclassified to profit or loss										
- currency translation differences		-	-	27,605	-	-	-	27,605	(4,025)	23,580
- share of other comprehensive loss of joint ventures		-	-	(597)	-	-	-	(597)	-	(597)
- share of other comprehensive income of an associate		-	-	531	-	-	-	531	-	531
- cash flow hedge reserve		-	-	-	-	2,827	-	2,827	2,716	5,543
		-	-	27,539	-	2,827	-	30,366	(1,309)	29,057
Total comprehensive income for the financial year		-	-	27,539	-	56,803	1,185,021	1,269,363	8,697	1,278,060
Transactions with owners										
Accretion of interest in a subsidiary		-	-	-	-	-	(1,020)	(1,020)	1,814	794
Loss of control of subsidiaries		-	-	-	-	-	-	-	(1,687)	(1,687)
Dividends paid for the financial year ended 31 December 2020 (final)	17	-	-	-	-	-	(109,445)	(109,445)	-	(109,445)
Dividends paid to non-controlling interests of subsidiaries		-	-	-	-	-	-	-	(81,411)	(81,411)
Total transactions with owners		-	-	-	-	-	(110,465)	(110,465)	(81,284)	(191,749)
At 31 December 2021		7,029,889	(518)	54,036	(3,089,497)	67,427	1,359,264	5,420,601	1,765,917	7,186,518

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Share capital (RM'000)	Treasury shares (Notes 39) (RM'000)	Foreign exchange reserve (Note 40) (RM'000)	Reorganisation reserve (Note 41) (RM'000)	Other reserves (Note 42) (RM'000)	Retained earnings (RM'000)	Attributable to owners of the Company (RM'000)	Non-controlling interests (RM'000)	Total equity (RM'000)
Group										
2020										
At 1 January 2020		7,029,889	(302)	52,218	(3,089,497)	(20,682)	201,575	4,173,201	1,927,099	6,100,300
Profit for the financial year		–	–	–	–	–	146,156	146,156	(11,963)	134,193
Other comprehensive (loss)/income for the financial year, net of tax:										
Items that will not be reclassified to profit or loss										
– actuarial loss on defined benefit plan		–	–	–	–	–	(4,067)	(4,067)	(266)	(4,333)
– fair value changes in financial assets at FVOCI		–	–	–	–	47,476	–	47,476	(70)	47,406
– realisation of other comprehensive income reserves upon disposal of a FVOCI investment		–	–	–	–	(14,007)	14,007	–	–	–
Items that may be subsequently reclassified to profit or loss										
– currency translation differences		–	–	(16,517)	–	–	–	(16,517)	(2,555)	(19,072)
– realisation of foreign exchange reserve upon disposal of assets held for sale		–	–	(4,342)	–	–	–	(4,342)	–	(4,342)
– share of other comprehensive loss of joint ventures		–	–	(4,865)	–	–	–	(4,865)	–	(4,865)
– share of other comprehensive income of an associate		–	–	3	–	–	–	3	–	3
– cash flow hedge reserve		–	–	–	–	(2,163)	–	(2,163)	(2,078)	(4,241)
		–	–	(25,721)	–	(2,163)	–	(27,884)	(4,633)	(32,517)
Total comprehensive (loss)/income for the financial year		–	–	(25,721)	–	31,306	156,096	161,681	(16,932)	144,749
Transactions with owners										
Treasury shares		–	(2,620)	–	–	–	–	(2,620)	–	(2,620)
Employee share grant		–	–	–	–	2,404	–	2,404	–	2,404
Transfer to LTIP reserve		–	2,404	–	–	(2,404)	–	–	–	–
Acquisition of subsidiaries		–	–	–	–	–	–	–	2,676	2,676
Accretion of interest in subsidiaries		–	–	–	–	–	–	–	1,076	1,076
Disposal of a subsidiary		–	–	–	–	–	–	–	16,446	16,446
Dividends paid for the financial year ended 31 December 2019 (final)	17	–	–	–	–	–	(72,963)	(72,963)	–	(72,963)
Dividends paid to non-controlling interests of subsidiaries		–	–	–	–	–	–	–	(91,861)	(91,861)
Total transactions with owners		–	(216)	–	–	–	(72,963)	(73,179)	(71,663)	(144,842)
At 31 December 2020		7,029,889	(518)	26,497	(3,089,497)	10,624	284,708	4,261,703	1,838,504	6,100,207

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Non-distributable		Distributable	Total RM'000		
		Share capital (Note 38) RM'000	Treasury shares (Note 39) RM'000	Retained earnings RM'000			
Company							
2021							
At 1 January 2021		7,029,889	(518)	239,455	7,268,826		
Profit for the financial year		–	–	269,918	269,918		
Other comprehensive income:							
Item that will not be reclassified to profit or loss – actuarial gain on defined benefit plan		–	–	262	262		
Total comprehensive income for the financial year		–	–	270,180	270,180		
<u>Transaction with owners</u>							
Dividends paid for the financial year ended 31 December 2020 (final)	17	–	–	(109,445)	(109,445)		
Total transaction with owners		–	–	(109,445)	(109,445)		
At 31 December 2021		7,029,889	(518)	400,190	7,429,561		

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Non-distributable			Distributable	Total RM'000		
		Share capital (Note 38) RM'000	Treasury shares (Note 39) RM'000	Other reserves (Note 42) RM'000	Retained earnings RM'000			
Company								
2020								
At 1 January 2020		7,029,889	(302)	–	100,379	7,129,966		
Profit for the financial year		–	–	–	212,086	212,086		
Other comprehensive loss:								
<u>Item that will not be reclassified to profit or loss</u>								
– actuarial loss on defined benefit plan		–	–	–	(47)	(47)		
Total comprehensive income for the financial year		–	–	–	212,039	212,039		
<u>Transactions with owners</u>								
Treasury shares		–	(2,620)	–	–	(2,620)		
Employee share grant		–	–	672	–	672		
Recharge to subsidiaries		–	–	1,732	–	1,732		
Transfer to LTIP reserve		–	2,404	(2,404)	–	–		
Dividends paid for the financial year ended 31 December 2020 (final)	17	–	–	–	(72,963)	(72,963)		
Total transactions with owners		–	(216)	–	(72,963)	(73,179)		
At 31 December 2020		7,029,889	(518)	–	239,455	7,268,826		

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

		Group		Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit for the financial year		1,175,578	134,193	269,918	212,086
Adjustments for:					
Taxation		520,996	195,571	2,664	9,048
Zakat		17,406	16,300	–	–
Depreciation of property, plant and equipment		663,619	662,510	2,403	1,808
Impairment loss on property, plant and equipment (net)		59,914	221,769	–	–
Property, plant and equipment written off		9,135	34,332	–	–
Gain on disposal of property, plant and equipment (net)		(803)	(4,119)	–	–
Depreciation of right-of-use assets		68,825	84,334	4,361	4,361
Right-of-use assets written off		185	–	–	–
(Reversal of impairment)/impairment loss on right-of-use assets		(319)	20,305	–	–
Depreciation of investment properties		12,258	12,260	882	882
Amortisation of intangible assets		20,568	23,655	9,490	8,510
Gain on disposal of assets held for sale		(927)	(33,762)	–	–
Reversal of impairment on amount due from ultimate holding company		(3,801)	(13,341)	–	–
Impairment loss on amounts due from joint ventures		–	4,000	–	–
Impairment loss/(reversal of impairment) on amounts due from other related companies		137	(24)	–	–
Reversal of impairment on amounts due from subsidiaries		–	–	(96)	(813)
Reversal of impairment on other receivables		–	–	(195)	–
Receivables written off		–	–	195	–
Reversal of impairment loss of investment in subsidiaries, net		–	–	–	(54,200)
Impairment loss on contract assets		292	1,551	–	–
Gain on disposal of financial assets at fair value through profit or loss		(40)	–	–	–
Loss on liquidation in a joint venture		38	–	–	–
Balance carried forward		2,543,061	1,359,534	289,622	181,682

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Group		Company		
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	
CASH FLOWS FROM OPERATING ACTIVITIES						
(CONTINUED)						
Balance brought forward		2,543,061	1,359,534	289,622	181,682	
Realisation of foreign exchange upon disposal of assets held sale		–	(4,342)	–	–	
Impairment loss of receivables (net)		2,942	1,572	–	195	
Written off of inventories		9,157	3,589	–	–	
Share of results from associates		(3,551)	(366)	–	–	
Share of results from joint ventures		(35,858)	(23,441)	–	–	
Net unrealised foreign exchange loss		5,133	7,326	875	59	
Dividends from subsidiaries		–	–	(374,547)	(239,899)	
Dividend income from financial assets at fair value through other comprehensive income		(2,572)	(2,814)	–	–	
Finance costs		126,933	161,872	78,989	57,335	
Finance income		(22,728)	(39,612)	(31)	(44)	
Other (gains)/losses, net		(27,195)	127,280	–	–	
Fair value changes in biological assets (net)		(56,780)	(11,246)	–	–	
Provision for defined benefit plan		7,345	(22,189)	83	(864)	
Termination of lease contracts		(12)	496	–	–	
Provision for asset retirement		8,245	–	–	–	
Unwinding of discount for provision for asset retirement		447	437	–	–	
Provision for litigation loss		–	19,802	–	–	
Provision for LTIP		–	2,404	–	672	
Operating profit/(loss) before working capital changes		2,554,567	1,580,302	(5,009)	(864)	
Changes in working capital:						
Inventories		(728,394)	115,808	–	–	
Receivables		114,861	(211,182)	(3,909)	6,222	
Intercompany		(140,229)	253,622	493,036	104,952	
Payables		351,861	109,720	7,973	11,579	
Cash generated from operation		2,152,666	1,848,270	492,091	121,889	
Finance income		22,728	39,612	31	44	
Taxation paid		(233,597)	(118,340)	(12,489)	(6,414)	
Zakat paid		(17,406)	(16,300)	–	–	
Tax refunded		21,584	4,800	113	–	
Retirement benefit paid		(4,089)	(2,363)	(66)	(12)	
Net cash generated from operating activities		1,941,886	1,755,679	479,680	115,507	

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(566,137)	(435,536)	(188)	(615)
Purchase of right-of-use assets		(4,417)	–	–	–
Purchase of intangible assets		(9,954)	(3,337)	(2,710)	(1,306)
Additions of financial assets at fair value through other comprehensive income		(3,541)	(3,521)	–	–
Additions of financial assets at fair value through profit or loss		(17,691)	(13,278)	–	–
Cash inflow/(outflow) from additional investment in a subsidiary		794	(1,076)	–	–
Net cash inflow from acquisition of subsidiaries	24	–	207	–	–
Additional investment in subsidiaries		–	–	(2,780)	(10,570)
Additional investment in a joint venture		–	(1,274)	–	–
Additional loans to subsidiaries		–	–	(446,539)	(434,437)
Repayment of loans from subsidiaries		–	–	598,595	128,151
Payment for asset retirement		(10)	(52)	–	–
Proceeds from disposal of property, plant and equipment		803	4,830	–	–
Proceeds from disposal of assets held for sale		2,000	54,522	–	–
Proceeds from liquidation of a joint venture		1,519	–	–	–
Proceeds from disposal of financial assets at fair value through other comprehensive income		–	14,007	–	–
Proceeds from sales of financial assets at fair value through profit or loss		4,213	–	–	–
Dividends received from subsidiaries		–	–	308,547	422,399
Dividends received from joint ventures		17,986	16,401	–	–
Dividends received from associates		2,600	3,437	–	–
Dividends received from financial assets at fair value through other comprehensive income		2,572	2,814	–	–
Net cash (used in)/generated from investing activities		(569,263)	(361,856)	454,925	103,622

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

		Group		Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of loans due to ultimate holding company		(250,000)	(310)	(250,000)	(310)
Repayment of loans from subsidiaries		–	–	(586,209)	(71,653)
Drawdown of borrowings		12,734,330	8,959,653	500,000	–
Repayment of borrowings		(12,778,135)	(9,586,469)	(75,080)	–
Payments of lease liabilities		(46,794)	(43,676)	(5,234)	(5,019)
Repayment of LLA liability		(413,018)	(260,812)	–	–
Dividends paid to shareholders		(109,445)	(72,963)	(109,445)	(72,963)
Dividends paid to non-controlling interests		(81,411)	(91,861)	–	–
Finance expense paid		(142,730)	(175,980)	(90,035)	(55,678)
Purchase of treasury shares		–	(2,620)	–	(2,620)
Increase in restricted cash		(738)	(14,562)	–	–
Net cash used in financing activities		(1,087,941)	(1,289,600)	(616,003)	(208,243)
NET INCREASE IN CASH AND CASH EQUIVALENTS					
		284,682	104,223	318,602	10,886
Effect of foreign exchange rate changes		17,052	(7,100)	–	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR					
		1,665,457	1,568,447	20,073	9,187
Increase in assets held for sale		–	(113)	–	–
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR					
	36	1,967,191	1,665,457	338,675	20,073

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Cash flows and non-cash changes in liabilities arising from financing activities are as follows:

GROUP	At 1 January RM'000	Drawdown RM'000	Repayment [#] RM'000	Finance costs/ interest accretion RM'000	Non-cash changes				Fair value movement RM'000	At 31 December RM'000
					Interest/ transaction cost capitalisation RM'000	Lease additions/ termination (net) RM'000	Foreign exchange movement RM'000			
2021										
Liabilities										
Islamic short term trade financing	2,275,107	11,408,237	(11,781,713)	11,816	32,984	-	-	-	-	1,946,431
Short term trade financing	258,162	814,170	(839,648)	7,556	397	-	536	-	-	241,173
Islamic term loans	873,495	11,923	(257,222)	50,382	864	-	-	-	-	679,442
Sukuk	-	500,000	-	1,451	(5,000)	-	-	-	-	496,451
Total borrowings	3,406,764	12,734,330	(12,878,583)	71,205	29,245	-	536	-	-	3,363,497
Lease liabilities	385,826	-	(46,794)	14,969	-	(32,473)	571	-	-	322,099
LLA liability	4,213,824	-	(413,018)	-	-	-	-	3,984	3,984	3,804,790
Loans due to ultimate holding company	886,188	-	(292,282)	40,759	-	-	-	-	-	634,665
	8,892,602	12,734,330	(13,630,677)	126,933	29,245	(32,473)	1,107	3,984	3,984	8,125,051
Asset										
Restricted cash	(63,737)	-	(738)	-	-	-	-	-	-	(64,475)
2020										
Liabilities										
Islamic short term trade financing	2,775,418	7,922,199	(8,494,389)	40,897	30,982	-	-	-	-	2,275,107
Short term trade financing	299,338	891,446	(941,149)	9,101	-	-	(574)	-	-	258,162
Islamic term loans	873,893	159,604	(209,575)	47,780	1,793	-	-	-	-	873,495
Term loans	71,909	-	(75,001)	3,092	-	-	-	-	-	-
Total borrowings	4,020,558	8,973,249	(9,720,114)	100,870	32,775	v	(574)	-	-	3,406,764
Lease liabilities	300,795	-	(43,676)	18,667	-	110,346	(306)	-	-	385,826
LLA liability	4,316,146	-	(260,812)	-	-	-	-	158,490	158,490	4,213,824
Loans due to ultimate holding company	886,498	-	(42,645)	42,335	-	-	-	-	-	886,188
	9,523,997	8,973,249	(10,067,247)	161,872	32,775	110,346	(880)	158,490	158,490	8,892,602
Asset										
Restricted cash	(49,175)	-	(14,562)	-	-	-	-	-	-	(63,737)

[#] Included in the repayment are finance expense paid amounted to RM142,730,000 (2020: RM175,980,000).

^{*} Included in the previous financial year drawdown was acquisition of subsidiary amounted to RM13,596,000.

The cash flows and non-cash changes arising from LLA liability is disclosed in Note 47 to the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Cash flows and non-cash changes in liabilities arising from financing activities are as follows: (continued)

Company	At 1 January RM'000	Drawdown RM'000	Repayment # RM'000	Non-cash changes		At 31 December RM'000
				Finance costs/ interest accretion RM'000	Interest/ transaction cost capitalisation RM'000	
2021						
Loans due to subsidiaries	1,405,459	–	(633,194)	34,524	–	806,789
Loans due to ultimate holding company	886,188	–	(292,282)	40,759	–	634,665
Lease liabilities	32,065	–	(5,234)	1,487	–	28,318
Islamic short term trade financing	75,080	–	(75,848)	768	–	–
Sukuk	–	500,000	–	1,451	(5,000)	496,451
	2,398,792	500,000	(1,006,558)	78,989	(5,000)	1,966,223
2020						
Loans due to subsidiaries	1,477,112	–	(84,113)	12,460	–	1,405,459
Loans due to ultimate holding company	886,498	–	(42,645)	42,335	–	886,188
Lease liabilities	35,427	–	(5,019)	1,657	–	32,065
Borrowings	75,080	–	(883)	883	–	75,080
	2,474,117	–	(132,660)	57,335	–	2,398,792

* Included in the repayment are finance expense paid amounted to RM90,035,000 (2020: RM55,678,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

1 GENERAL INFORMATION

The Company is incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office and principal place of business of the Company is located at Level 21, Wisma FGV, Jalan Raja Laut, 50350 Kuala Lumpur.

The Company is principally an investment holding company with investments primarily in oil palm plantation and its related downstream activities, sugar refining, trading, logistics, marketing, rubber processing, research and development activities and related agribusiness activities. The principal activities of the subsidiaries are stated in Note 24 to the financial statements. There have been no significant changes in the nature of these activities of the Group and of the Company during the financial year.

2 BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia. The Group and the Company have taken into consideration COVID-19 pandemic impact and the current economic environment on the basis of preparation of the financial statements. The Directors of the Company continue to consider that it is appropriate to prepare the financial statements on the going concern basis.

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in the individual policy statements in Note 3 to the financial statements.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period.

It also requires Directors to exercise their judgement in the process of applying the Group and Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

(i) The Group has applied the following amendments for the first time for the financial year beginning on 1 January 2021:

- Amendments to MFRS 16 'COVID-19 - Related Rent Concessions'
- Amendments to MFRS 9, MFRS 139, MFRS 7 and MFRS 16 'Interest Rate Benchmark Reform - Phase 2'

The amendments listed above did not have significant impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

The Group's Islamic term loan is based on 1-month Kuala Lumpur Interbank Offered Rate ("KLIBOR"). The Group will closely monitor the regulators' announcement on the alternative benchmark rate or discontinuation of publication of the KLIBOR for the relevant tenor; and engage the counterparties to discuss necessary changes to the related contracts, including the Islamic profit rate swap the Group has entered into.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2 BASIS OF PREPARATION (CONTINUED)

- (ii) Accounting pronouncements that are not yet effective and have not been early adopted by the Group and Company:

Accounting pronouncements that are currently being assessed by the Group:

Effective for financial year beginning after 1 January 2022 with earlier application permitted

- Amendments to MFRS 3 'Reference to Conceptual Framework'
- Amendments to MFRS 116 'Proceeds before intended use'
- Amendments to MFRS 137 'Onerous Contracts - Cost of Fulfilling a Contract'
- Annual Improvements to MFRS 9 'Fees in the 10% test for derecognition of financial liabilities'
- Annual improvements to MFRS 141 'Taxation in Fair Value Measurements'
- Annual improvements to Illustrative Example Accompanying MFRS 16 Leases 'Lease Incentives'
- Annual improvements to MFRS 1 'Subsidiary as First-time Adopter'

Effective annual periods beginning on or after 1 January 2023

- Amendments to MFRS 101 'Classification of liabilities as current and non-current'
- Amendments to MFRS 112 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction'
- Amendments to MFRS 101 and MFRS Practice Statement 2 'Disclosure of Accounting Policies'
- Amendments to MFRS 108 'Definition of Accounting Estimates'

The accounting pronouncements that are not yet effective are not expected to have any significant impact on the financial statements of the Group and Company.

3 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

- (a) Basis of consolidation and investment in subsidiaries

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to the end of financial year. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Acquisition accounting

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group when the acquired sets of activities and assets meet the definition of a business. The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of the non-controlling interests. The Group recognises any non-current controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. At the end of reporting period, non-controlling interests consists of amount calculated on the date of combinations and its share of changes in the subsidiary's equity since the date of combination.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation and investment in subsidiaries (continued)

Acquisition accounting (continued)

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss (Note 3(d)).

Predecessor accounting

Acquisitions of subsidiaries and businesses under common control that meet the conditions of a merger are accounted for using the predecessor basis of accounting. The acquisitions of Felda Global Ventures Indonesia Sdn Bhd ("FGVI"), Felda Global Ventures North America Sdn Bhd ("FGVNA") and plantation estates owned by Federal Land Development Authority ("FELDA") in prior financial years, which met the conditions of a merger have been accounted for using that basis.

Under the predecessor basis of accounting, the results of subsidiaries and businesses under common control are presented as if the business combination had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the business combination is cancelled with the values of the shares received. Any resulting credit or debit difference is classified as reorganisation reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the combined entities, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated, unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency with the policies adopted by the Group.

Non-controlling interests is the equity in a subsidiary not attributable, directly or indirectly, to a parent. On an acquisition-by-acquisition basis, the Group measures any non-controlling interests in the acquiree at the non-controlling interests' proportionate share of the acquiree's identifiable net assets. At the end of reporting period, non-controlling interests consists of amount calculated on the date of combinations and its share of changes in the subsidiary's equity since the date of combination.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences or other reserves that relate to the subsidiary and is recognised in profit or loss.

All earnings and losses of the subsidiary are attributed to the parent and the non-controlling interests, even if the attribution of losses to the non-controlling interests results in a debit balance in the non-controlling interests.

In the Company's financial statements, investments in subsidiaries are shown at cost less accumulated impairment losses.

Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount (Note 3(h)).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

(c) Disposal of subsidiaries

When the Group ceases to consolidate because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Gains or losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.

(d) Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries, associates and joint ventures over the Group's share of the fair value of their identifiable net assets including contingent liabilities at the date of acquisition. Goodwill on acquisition in respect of a subsidiary is included in the consolidated statement of financial position as intangible assets, or if arising in respect of an associate or joint ventures, is included in investments in associates or joint ventures. Negative goodwill represents the total of consideration transferred, non-controlling interest recognised and previously held interest measured being less than where the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed. See significant accounting policies Note 3(o) on impairment of non-financial assets.

(e) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment in an associate is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the associate in profit or loss, and the Group's share of movements in other comprehensive income of the associate in other comprehensive income. Dividends received or receivable from an associate are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interests in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. The Group's investments in associates includes goodwill identified on acquisition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Associates (continued)

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. An impairment loss is recognised for the amount by which the carrying amount of the associate exceeds its recoverable amount.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Dilution gains and losses arising in investments in associates are recognised in profit or loss.

In the Company's financial statements, investments in associates are shown at cost less accumulated impairment losses.

Where an indication of impairment exists, the carrying amount of the investments in associates is assessed and written down immediately to its recoverable amount (Note 3(h)).

On disposal of the associates, the difference between net disposal proceeds and its carrying amount is charged/credited to profit or loss.

(f) Joint arrangements

A joint arrangement is an arrangement of which there is contractually agreed sharing of control by the Group with one or more parties, where decisions about the relevant activities relating to the joint arrangement require unanimous consent of the parties sharing control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities, relating to the arrangement.

Joint ventures

The Group's interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position. Under the equity method, the investment in a joint venture is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the joint venture in profit or loss, and the Group's share of movements in other comprehensive income of the joint venture in other comprehensive income. Dividends received or receivable from a joint venture are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, including any long-term interests that, in substance, form part of the Group's net investment in the joint ventures, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Joint arrangements (continued)

Joint operations

In relation to the Group's interest in joint operations, the Group recognises its assets (including its share of any assets held jointly), liabilities (including its share of any liabilities incurred jointly), revenue from the sale of its share of the output arising from the joint operation (including share of the revenue from the sale of the output by the joint operation) and expenses (including its share of any expenses incurred jointly).

Where necessary, appropriate adjustments are made to the joint arrangements' financial statements to ensure consistency with the Group's accounting policies.

In the Company's financial statements, investments in joint arrangements are shown at cost less accumulated impairment losses.

Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount (Note 3(h)).

On disposal of a joint arrangement, the difference between net disposal proceeds and its carrying amount is charged/credited to profit or loss.

(g) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated based on the consolidated profit after taxation attributable to equity shareholders of the Company and divided by the weighted number of ordinary shares in issue. Diluted EPS is calculated based on the consolidated profit after taxation attributable to equity shareholders of the Company and divided by the weighted number of ordinary shares in issue, assuming conversion of any outstanding RCPS and RCCPS into ordinary shares.

(h) Financial assets

Classification

The Group classifies its financial assets in the following categories:

- (i) those to be measured subsequently at fair value (either through profit or loss or other comprehensive income); and
- (ii) those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial assets (continued)

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(i) Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

a) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in profit or loss.

b) FVOCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are recognised in profit or loss and impairment expenses are presented as separate line item in profit or loss.

c) FVPL

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss in the period in which it arises.

(ii) Equity instruments

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial assets (continued)

Impairment

(i) Impairment for debt instruments and financial guarantee contracts

The Group assesses on a forward looking basis the expected credit loss ("ECL") associated with its debt instruments carried at amortised cost and at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group financial instruments that are subject to the ECL model are as follows:

- Receivables
- Loans and amounts due from intercompany
- Contract assets

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss is deemed immaterial.

ECL represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group and the Company expect to receive, over the remaining life of the financial instrument. For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Company expects to receive from the holder, the debtor or any other party.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

a) General 3-stage approach for other receivables, deposits, loans due from intercompany and non-trade amounts due from intercompany

At each reporting date, the Group measures ECL through loss allowance at an amount equal to 12 month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required.

The measurement details of ECL are disclosed in the relevant notes to the financial assets.

b) Simplified approach for trade receivables, lease receivables, trade amounts due from intercompany and contract assets

The Group applies the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables and contract assets.

The measurement details of ECL are disclosed in the relevant notes to the financial assets.

The credit risk assessment basis and credit risk rating of the debt instruments are disclosed in Note 4(a) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial assets (continued)

Impairment (continued)

(ii) Significant increase in credit risk

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are incorporated:

- internal credit rating;
- external credit rating (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements;
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the group and changes in the operating results of the debtor.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model as applicable.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

(iii) Definition of default and credit-impaired financial assets

The Group defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when the debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Group considers the following instances:

- the debtor is in breach of financial covenants
- concessions have been made by the lender relating to the debtor's financial difficulty
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- the debtor is insolvent

Financial instruments that are credit-impaired are assessed on individual basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial assets (continued)

Impairment (continued)

(iv) Groupings of instruments for ECL measurement

a) Collective assessment

To measure ECL, trade receivables and contract assets arising from the Group have been grouped based on the days past due and shared credit risk characteristics as follows:

- (i) Geographical region of customers
- (ii) Customer division
- (iii) Related company and external customers
- (iv) Other shared credit risks

The contract assets relate to amounts due from customers on contracts and unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

b) Individual assessment

Trade receivables and contract assets which are in default or credit-impaired are assessed individually.

Other receivables, loans and amounts due from intercompany and financial guarantee contracts are assessed on individual basis for ECL measurement, as credit risk information is obtained and monitored separately.

(v) Write-off

a) Trade receivables and contract assets

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on trade receivables and contract assets are presented as net impairment losses on the face of profit or loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

b) Other debt instruments

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

(vi) Subsidiaries, joint ventures and associates

An impairment loss is recognised for the amount by which the carrying amount of the subsidiary, joint venture or associate exceeds its recoverable amount. The recoverable amount is higher of an asset's fair value less costs of disposal and value-in-use. Any subsequent increase in recoverable amount is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial liabilities

Financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, net of, in the case of financial liabilities other than derivatives, directly attributable transactions costs.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective finance method except for the LLA liability and derivatives in a loss position which are measured at fair value through profit or loss.

For financial liabilities other than the LLA liability and derivatives, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Gains or losses arising from changes in fair value of the LLA liability and derivatives are recognised in profit or loss within other gains/losses, net. Net gains or losses on derivatives include exchange differences.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

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 added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Foreign exchange differences are capitalised to the extent of the capitalisation of the related borrowing costs.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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

When the basis to determine the future contractual cash flows of the borrowings are modified entirely as a result of Interbank Offered Rate ("IBOR") reform, the Group applied the reliefs provided in the Phase 2 amendments of IBOR reform with no modification gain or loss is recognised.

In situations where some or all of a change in the basis for determining the contractual cash flows of a borrowing does not meet the criteria of the Phase 2 amendments, the Group first applies the practical expedient to the changes required by IBOR reform, including updating the effective interest rate of the borrowings. Any additional changes are accounted for as modification of borrowings in accordance with the requirement in MFRS 9 (that is, assessed for modification or derecognition, with the resulting modification gain or loss recognised immediately in profit or loss where the borrowings is not derecognised).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Property, plant and equipment

Property, plant and equipment are initially stated at cost. All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. See significant accounting policies Note 3(i) on borrowing costs. To the extent a legal or constructive obligation to a third party exists, the acquisition cost includes estimated cost of dismantling and removing the assets and restoring the site.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Group and the costs of the item can be measured reliably. The carrying amount of replaced parts are derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Major spare parts, stand-by equipment and servicing equipment are classified as property, plant and equipment rather than inventory when they are expected to be used during more than one period.

A bearer plant is a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. The bearer plants of the Group are oil palm trees, rubber trees and mango trees. Immature bearer plants are measured at accumulated costs of planting of bearer plants, similar to accounting for a self-constructed item of property, plant and equipment. Bearer plants are classified as immature until the trees are available for harvest. At that point, bearer plants are measured at amortised cost and depreciated over their useful life.

Canine are bred and trained for security purposes. All direct costs for canine are accumulated until it matures. Subsequent to that, the costs that have been capitalised are amortised based on a straight line method over its expected useful productive life. The estimate maturity period for canine are 2 years old, having completed all required training and applying 8 years as the period of amortisation.

Freehold land is not depreciated as it has an infinite life. Spare parts or servicing equipment recognised as property, plant and equipment would be depreciated over a period that does not exceed the useful life of the assets to which they relate. All property, plant and equipment are depreciated on a straight line basis to write off the cost of each asset to their residual values over their estimated useful lives as follows:

<u>Property, plant and equipment</u>	<u>Estimated useful lives (years)</u>
Buildings, structures and renovations	3 to 60
Plant and machinery	3 to 30
Motor vehicles	3 to 30
Office equipment, tools and other equipment	2 to 33
Bearer plants and livestock	
– Oil palm	22, or the lease term if shorter
– Rubber trees	20, or the lease term if shorter
– Others	25, or the lease term if shorter
– Livestock	5 to 8

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. The effects of any revision of the residual values and useful lives are included in profit or loss for the financial year in which the changes arise.

Depreciation on property, plant and equipment ceases at the earlier of derecognition and classification as held for sale. Depreciation on assets under construction commences when the assets are ready for their intended use.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Property, plant and equipment (continued)

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in "other operating income" in profit or loss.

At each statement of financial position date, the Group assess whether there is any indication of impairment. If such an indication exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. See significant accounting policies Note 3(o) on impairment of non-financial assets.

(k) Investment properties

Investment properties are held for long-term rental yields or for capital appreciation or both, and are not occupied by the Group. Investment property is measured initially at its cost, including related transaction costs and borrowing costs if the investment property meets the definition of qualifying asset.

After initial recognition, investment property is stated at cost less any accumulated depreciation and impairment losses. Freehold land is not depreciated as it has an infinite life. All investment properties are depreciated on a straight line basis to allocate the cost of each asset to their residual values over their estimated useful lives as follows:

<u>Investment properties</u>	<u>Estimated useful lives (years)</u>
Leasehold land	50 to 99
Buildings	20 to 50

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment property is derecognised either when it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains and losses on disposals are determined by comparing net disposal proceeds with the carrying amount and are included in "other operating income" in profit or loss.

At each statement of financial position date, the Group assess whether there is any indication of impairment. If such an indication exists, an asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. See significant accounting policies Note 3(o) on impairment of non-financial assets.

(l) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. If such an indication exists, an asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. See significant accounting policies Note 3(o) on impairment of non-financial assets.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each statement of financial position date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Intangible assets (continued)

Intangible assets with indefinite useful lives and intangible assets under development are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

Intangible assets are amortised using the straight line basis over their estimated useful lives as follows:

<u>Intangible assets</u>	<u>Estimated useful lives (years)</u>
Brand	20 to 26
Software	3 to 5
Land use rights	35
Others	18

Amortisation on intangible assets under development commences when the assets are ready for their intended use.

The nature of the intangible assets are as follows:

- (i) Brand relates to sugar brand 'Prai' and consumer brands 'Saji', 'Seri Pelangi', 'SunFlower', 'SunBear', and 'Yangambi' acquired as part of the acquisition of the related business.
- (ii) Software relates to information technology ("IT") used within the Group.
- (iii) Land use rights relates to oil palm plantations in Indonesia.
- (iv) Intangible assets under development relates to IT system under development.

(m) Biological assets

Oil Palm

The Group attribute a fair value on the fresh fruit bunches ("FFB") at each statement of financial position date as required under MFRS 141 "Agriculture". FFB are produce of oil palm trees and are harvested continuously throughout the financial year to be used in the production of crude palm oil ("CPO"). Each FFB takes approximately 22 weeks from pollination to reach maximum oil content to be ready for harvesting. The value of each FFB at each point of the FFB production cycle will vary based on the cumulative oil content in each fruit.

In determining the fair values of FFB, management has considered the oil content of all unripe FFB from the week after pollination to the week prior to harvest. As the oil content accrues exponentially in the 15 days prior to harvest, the FFB prior to 15 days before harvesting are excluded in the valuation as the fair values are considered negligible.

The valuation model adopted by the Group is a discounted cash flows model which includes all cash inflows, cash outflows and imputed contributory asset charges where no actual cash flows associated with the use of assets essential to the agricultural activity are accounted for. The net present value of cash flows is then determined with reference to the market value of crude palm oil at the date of harvest, adjusted for freight, extraction rates, production, transportation, contributory asset charges and other cost to sell at the point of harvest.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Inventories

Inventories which consist of commodities based products and their related derivatives are stated at the lower of cost and net realisable value. Cost is determined using the weighted average and first-in first-out basis.

The cost of raw materials comprises direct costs of purchase. The costs of finished goods and work-in-progress comprise costs of raw materials, direct labour, other direct costs and appropriate proportions of manufacturing overheads based on normal operating capacity. It excludes borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

(o) Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill or intangible asset not ready to use, are not subject to amortisation and are tested annually for impairment, or when events or circumstances occur indicating that impairment may exist. Property, plant and equipment and other non-current non-financial assets, including intangible assets with definite useful lives, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The impairment loss is charged to profit or loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Impaired assets, except goodwill, are reviewed for possible reversal of impairment at each reporting date.

(p) Zakat

The Group recognises its obligations towards the payment of zakat on business. Zakat for the current period is recognised as and when the Group has a current zakat obligation as a result of a zakat assessment. The amount of zakat expense shall be assessed when a company within the Group has been in operation for at least 12 months, i.e. for the period known as "haul (eligible period)".

Zakat expense is determined based on the Group's financial results for the year. The amount of zakat paid is recognised as an expense in the financial year in which it is incurred.

(q) Current and deferred income tax

Tax expenses for the year comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current and deferred tax is measured using the tax rates that have been enacted or substantially enacted at the statement of financial position date in the countries where the Group's subsidiaries, joint ventures and associates operate generate taxable income.

Deferred tax is provided for on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised.

Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Current and deferred income tax (continued)

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Tax benefits arising from reinvestment allowance and investment tax allowance is recognised when the tax credit is utilised.

(r) Foreign currencies

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

Group companies

The results and financial position of all Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) income and expenses for each statement of comprehensive income are translated at average rate (unless this average is not reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in the foreign exchange reserve as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at closing rate. Exchange differences arising are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and long-term advances are taken to the foreign exchange reserve within equity. When a foreign operation is sold, such exchange differences are recognised in profit or loss as part of the gain or loss on disposal.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to income are recognised in profit or loss over the periods to match the related costs for which the grants are intended to compensate.

The benefit of a loan at a below-market rate of interest received from a government, if any, is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Government grants relating to the purchase of assets are presented as a reduction of the carrying amount of the related assets. The government grant is recognised in profit or loss over the life of the related property, plant and equipment as a reduced depreciation expense.

(t) Revenue recognition

(i) Revenue from contracts with customers

Group's revenue which represents income arising in the course of the Group's and the Company's ordinary activities is recognised by reference to each distinct performance obligation promised in the contract with customer when or as the Group and the Company transfer the control of the goods and services promised in a contract and the customer obtains control of the goods or services. Depending on the substance of the respective contract with customer, the control of the promised goods or services may transfer over time or at point in time.

A contract with customer exists when the contract has commercial substance, the Group, the Company and their customers have approved the contract and intend to perform their respective obligations, the Group's, the Company's and the customer's rights regarding the goods or services to be transferred and the payment terms can be identified, and it is probable that the Group and the Company will collect the consideration to which it will be entitled to in exchange of those goods or services.

Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties such as sales and service taxes or goods and service tax. If the amount of consideration varies due to discounts, rebates, penalties or other similar items, the Group and the Company estimate the amount of consideration that it expects to be entitled based on the expected value method or the most likely outcome but the estimation is constrained up to the amount that is highly probable of no significant reversal in the future. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or service promised in the contract.

The Group's revenue is categorised in three sectors:

(a) Plantation Sector comprising palm upstream, palm downstream, research, development and agri-services

In the palm upstream operations, the Group sells agricultural produce such as crude palm oil ("CPO"), fresh fruit bunches ("FFB"), palm kernel ("PK") and rubber products. In the palm downstream operations, the Group sells refined bleached deodorised oil (RBD), palm olein (PO) products, crude palm kernel oil (CPKO), packed product, fatty acids and glycerine, biodiesel and biomass generation (sale of electricity). In the research, development and agri-services operations, the Group sells fertilisers, seedlings, rat poison, agronomic services and others.

Revenue from sales of agriculture produce and goods from these operations is recognised net of discount and taxes at the point in time when control of the goods has transferred to the customer. Depending on the terms of the contract with the customer, control transfers either upon delivery or shipment of goods to the specific location agreed with the customers, the risks of obsolescence and loss have been transferred to the customers, and either the customers have accepted the goods in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Revenue recognition (continued)

(i) Revenue from contracts with customers (continued)

The Group's revenue is categorised in three sectors: (continued)

(a) Plantation Sector comprising palm upstream, palm downstream, research, development and agri-services (continued)

Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customers receive and use the benefits simultaneously. This is determined based on the actual labour hours spent relative to the total expected labour hours. If the contract includes an hourly fee, revenue is recognised in the amount to which the Group has a right to invoice. Customers are generally invoiced on a monthly basis and consideration is payable when invoiced.

Some contracts include multiple or bundled deliverables, such as the delivery of the goods on board vessels or tankers that are often bundled with freight services. In most cases, such delivery of goods is simple, does not include an integrated service, could be performed by another party and the customers can benefit from the sale of goods and freight services on its own or with the use of other resources. It is therefore accounted for as a separate performance obligation. There is no element of financing present as the sales is made with credit terms of up to 90 days. The transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. If contracts include delivery of goods, revenue for the goods are recognised at a point in time when the goods are delivered, the legal title has passed and the customers have accepted the goods.

(b) Sugar Sector

In the Sugar Sector, the Group sells refined sugar and molasses.

Revenue from sales of goods from the sugar operations is recognised net of discount and taxes at the point in time when control of the goods has transferred to the customer. Depending on the terms of the contract with the customer, control transfers either upon delivery or shipment of goods to the specific location agreed with the customer, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(c) Logistics and Others Sector

In the Logistics and Others Sector, the Group provides bulking, freight, transportation which covers International Freight Forwarding ("IFF")/Multi-Modal Transport Operator ("MTO"), forwarding, courier and jetty operation services, storage, trading, travel and tours, computer hardware and software solutions, project management consultancy, tolling and toll pack services.

Revenue from sales of goods from these operations is recognised net of discount and taxes at the point in time when control of the goods has transferred to the customer. Depending on the terms of the contract with the customer, control transfers either upon delivery or shipment of goods to the specific location agreed with the customer, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the actual labour hours spent relative to the total expected labour hours. If the contract includes an hourly fee, revenue is recognised in the amount to which the Group has a right to invoice.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Revenue recognition (continued)

(i) Revenue from contracts with customers (continued)

The Group's revenue is categorised in three sectors: (continued)

(c) Logistics and Others Sector (continued)

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increase or decrease in the estimated revenue or cost is reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

Customers are generally invoiced on a monthly basis and consideration is payable when invoiced.

Some contracts include multiple deliverables, such as the sale of hardware, software, maintenance, construction, training and related installation services. If these services require significant integration and highly interrelated to each other, there is no distinct separate performance obligation hence no allocation of transaction price is required. However, if each of these services is simple, does not include an integrated service and could be performed by another party, it is then accounted for as a separate performance obligations. Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. If contracts include the installation of hardware or software, revenue for the hardware or software is recognised at a point in time when the hardware or software is delivered, the legal title has passed and the customer has accepted the hardware.

Sales with a right of return

When the customer has a right to return the goods within a given period, the Group is obliged to refund the purchase price. Revenue is adjusted for the expected value of the returns and cost of sales were adjusted for the value of the corresponding goods expected to be returned.

A refund liability for the expected refunds to customers is recognised as adjustment to revenue and correspondingly in trade and other payables. At the same time, the Group has a right to recover the goods from the customer where the customer exercises his right of return and recognises a refund asset and a corresponding adjustment to cost of sales. The refund asset is measured by reference to the former carrying amount of the product.

Accumulated experience is used to estimate such returns at the time of sale at a portfolio level using the expected value method. Because the number of goods returned has been steady for years, management assessed that it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

Expected volume rebates/incentives

Certain goods may be sold with volume rebates/incentives comprising distribution incentive, insurance rebate, distribution rebate and special sales incentives. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume rebates/incentives.

Accumulated experience is used to estimate and provide for the rebates/incentives, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability for the expected volume rebates/incentives to customers in relation to sales made until the end of the reporting period is recognised as adjustment to revenue and correspondingly in trade and other payables.

Quality claims

The Group's obligation to provide quality claims against off-spec goods under the Group's standard contractual terms is recognised as a provision.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Revenue recognition (continued)

(i) Revenue from contracts with customers (continued)

Receivables, contract asset and contract liabilities

A receivable is recognised when the goods are delivered or services are rendered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Contract asset is the right to consideration in exchange for goods or services that the Group has transferred to the customers. A contract asset is recognised when the services rendered by the Group exceed the amount already billed.

Contract liability is the Group's obligation to transfer goods or services to customers. A contract liability is recognised when the Group has received the sales consideration in advance or billings or payments by the customers exceed the services rendered by the Group.

Contract cost

The Group has elected the practical expedient to recognise incremental cost incurred to obtain contract with period of less than one year as an expense when incurred.

(ii) Revenue from other sources

Specific revenue recognition criteria for other revenue and income earned by the Group and Company are as follows:

a) Rental income

Rental income is recognised on a straight-line basis over the lease terms.

b) Finance income

Finance income is recognised using effective interest method.

Finance income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

c) Dividend income

Dividend income from investments are recognised in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits.

Dividends that clearly represents a recovery of part of the cost of an investment is recognised in other comprehensive income if it relates to an investment in equity instruments measured at FVOCI.

d) Compensation receivable

Compensation is estimated based on areas reclaimed by FELDA, recognised when vacant possession of the land is transferred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Dividend distribution

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the statement of financial position date. A dividend proposed or declared after the statement of financial position date, but before the financial statements are authorised for issue, is not recognised as a liability at the statement of financial position date.

(v) Deposits, cash and bank balances

Deposits, cash and bank balances includes cash in hand, deposit held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(w) Leases

The Group as a lessee

Leases are recognised as a right-of-use ("ROU") asset and a corresponding liability at the date at which the leased asset is available for use by the Group and Company.

(a) ROU assets

ROU assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- decommissioning or restoration costs.

The ROU asset is depreciated over the shorter of the right-of-use asset's useful life and the lease term on a straight-line basis, as follows:

<u>ROU assets</u>	<u>Estimated useful lives (years)</u>
Leasehold land	50 to 933
Buildings, structures and renovations	3 to 60
Plant and machinery	3 to 30
Motor vehicles	3 to 30

The ROU assets are adjusted for any remeasurement of the lease liability.

At each statement of financial position date, the Group assess whether there is any indication of impairment. If such an indication exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. See significant accounting policies Note 3(o) on impairment of non-financial assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Leases (continued)

The Group as a lessee (continued)

(b) Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date, if any;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase and extension options if the group is reasonably certain to exercise that option, if any; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option, if any.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

The Group presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in the statement of profit or loss.

(c) Lease term

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The Group reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities (refer to (d) below).

(d) Reassessment of lease liabilities

The Group initially estimates and recognises amounts expected to be payable under residual value guarantees as part of the lease liability. The amounts are reviewed, and adjusted if appropriate, at the end of each reporting period.

A change in lease payments (including rent concession, except for COVID-19-related rent concessions), other than those arising from a change in amounts expected to be payable under residual value guarantees or in an index or rate used to determine lease payments, is accounted for as a lease modification if it is not part of the original terms and conditions of the lease. The lease modification is accounted for as either a new lease or as a remeasurement of an existing lease liability, depending on the criteria set in MFRS 16.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Leases (continued)

The Group as a lessee (continued)

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

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipments, office furnitures and water dispensers, which cost less than RM20,000 each if purchased new. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss (Note 21).

The Group and Company do not separate any non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group as a lessor

As a lessor, the Group 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 to the lessee. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(a) Finance leases

The Group classifies a lease as a finance lease if the lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group derecognises the underlying asset and recognises a receivable at an amount equal to the net investment in a finance lease. Net investment in a finance lease is measured at an amount equal to the sum of the present value of lease payments from lessee and the unguaranteed residual value of the underlying asset. Initial direct costs are also included in the initial measurement of the net investment. The net investments is subject to MFRS 9 impairment (refer to Note 8 on impairment of financial assets). In addition, the Group reviews regularly the estimated unguaranteed residual value.

Lease income is recognised over the term of the lease using the net investment method so as to reflect a constant periodic rate of return. The Group revises the lease income allocation if there is a reduction in the estimated unguaranteed residual value.

(b) Operating leases

The Group classifies a lease as an operating lease if the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

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

(c) Sublease classification

When the Group is an intermediate lessor, it assesses the lease classification of a sublease with reference to the ROU asset arising from the head lease, not with reference to the underlying asset. If a head lease is short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

(d) Separating lease and non-lease components

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Employee benefits

(i) Short-term employee benefits

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

(ii) Defined contribution plan

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in profit or loss as incurred.

(iii) Defined benefit plan

A defined benefit plan is a retirement plan that defines an amount of retirement benefits to be paid, usually as a function of one or more factors such as age, years of service or compensation.

Certain companies within the Group operate non-funded defined benefit retirement plans. Under the plan, retirement benefits are determinable by reference to employees' earnings, designation and years of service and payable upon attaining the normal retirement age.

The liabilities in respect of defined benefit plans are the present value of the defined benefit obligations at the statement of financial position date less adjustments for actuarial gains/losses and unrecognised past service costs. The Group determines the present value of the defined benefit obligations with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the statement of financial position date.

The defined benefit obligations, calculated using the projected unit credit method, are determined by independent actuaries, considering the estimated future cash outflows using market yields at statement of financial position date of government securities that are denominated in the currency in which the benefits will be paid and that have terms of maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Current service costs, past service costs and finance costs are recognised in immediately in profit or loss.

(iv) Termination benefits

The Group pays termination benefits in cases of termination of employment within the framework of a restructuring. Termination benefits are recognised as a liability and an expense when the Group has a detailed formal plan for the termination and is without realistic possibility of withdrawal.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Employee benefits (continued)

(v) Share-based compensation

The Company operates an equity-settled, share-based compensation plan for the Group's employees. Employee services received in exchange for the grant of the Company's shares are recognised as an expense in the profit or loss over the vesting period of the grant, with a corresponding increase in equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares granted.

Non-market vesting conditions are included in the assumptions to arrive at the number of shares that are expected to vest. At the end of the reporting period, the Group and the Company revise its estimates of the number of shares that are expected to vest. The impact of the revision of original estimates, if any, is recognised in the profit or loss, with a corresponding adjustment to equity.

The fair value of shares granted to employees of subsidiaries are recharged by the Company to the subsidiaries.

(y) Contingent liabilities

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence and non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However contingent liabilities do not include financial guarantee contracts.

(z) Equity instruments

Ordinary shares and special share are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

The transaction costs of an equity transactions are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

When treasury shares are vested to employees or employees of subsidiaries as part of equity settled share based compensation plan, the derecognition of treasury shares is adjusted against the reserve in respect of the plan within equity.

(aa) Segment reporting

Segment information is presented in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Management Committee.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ab) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 30 to the financial statements. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within 'finance income/(costs)' and 'foreign exchange losses'.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss and presented separately after net operating profit.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss within 'finance income/(costs)' and 'foreign exchange losses'.

The Group has applied the following Phase 1 reliefs provided by the Amendments to MFRS 9 and MFRS 7 'Interest Rate Benchmark Reform' until the uncertainty arising from IBOR reform no longer being present:

- When considering the 'highly probable' requirement, the Group has assumed that the IBOR interest rate on which the Group's hedged borrowings is based does not change as a result of IBOR reform.
- In assessing whether the hedge is expected to be highly effective on a forward-looking basis the Group has assumed that the IBOR interest rate on which the cash flows of the hedged borrowings and the interest rate swap that hedges it are based is not altered by IBOR reform.
- The Group has not recycled the cash flow hedge reserve for designated hedges that are subject to the IBOR reform.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ab) Derivative financial instruments and hedging activities (continued)

Cash flow hedge (continued)

The Group has applied the following reliefs provided by the Amendments to MFRS 9 and MFRS 7 'Interest Rate Benchmark Reform - Phase 2':

- Hedge designation: When the Phase 1 amendments cease to apply, the Group will amend its hedge designation to reflect changes which are required by IBOR reform, but only to make one or more of the following changes:
 - a) designating an alternative benchmark rate (contractually or non-contractually specified) as a hedged risk;
 - b) amending the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged; or
 - c) amending the description of the hedging instrument.

The Group amends its hedge documentation to reflect this change in designation by the end of the reporting period in which the changes are made. These amendments to the hedge documentation do not require the Group to discontinue its hedge relationships.

- Amounts accumulated in the cash flow hedge reserve: When the Group amends its hedge designation as described above, the accumulated amount outstanding in the cash flow hedge reserve is deemed to be based on the alternative benchmark rate. For discontinued hedging relationships, when the interest rate benchmark on which the hedged future cash flows were based has changed as required by IBOR reform, the amount accumulated in the cash flow hedge reserve is also deemed to be based on the alternative benchmark rate for the purpose of assessing whether the hedged future cash flows are still expected to occur.

(ac) Provisions

Provisions are recognised when:

- the Group has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- a reliable estimate of the amount can be made.

When it is probable that costs will exceed total contract revenue, a provision for onerous contract is recognised.

Where the Group expects a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ad) Non-current assets and disposal groups held for sale

Non-current assets and disposal groups (a group of assets to be disposed of in a single transaction and liabilities directly associated with those assets) are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for sale in its immediate condition. Management must be committed to the sale, which should be expected within one year from the date of classification as held for sale.

Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter, the assets (or disposal group) are recognised at the lower of their carrying amount and fair value less cost to sell. Assets classified as held for sale, or included within a disposal group that is classified as held for sale, are not depreciated. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are included in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. A disposal group that is to be abandoned may also qualify.

Results from operations qualifying as discontinued operations are presented separately as a single amount on profit or loss. Results from operations qualifying as discontinued operations as of the balance sheet date for the latest period presented, that have previously been presented as results from continuing operations, are represented as results from discontinued operations for all periods presented.

In case conditions for classification of non-current assets and disposal groups as held for sale are no longer met, classification as held for sale ceases. Accordingly, results of operations, previously presented in discontinued operations, are reclassified and included in result from continuing operations for all periods presented. Non-current assets that ceases to be classified as held for sale are remeasured at the lower of their carrying amount before classification as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset or disposal group not been classified as held for sale, and its recoverable amount at the date of the subsequent decision to sell.

(ae) Construction contracts

The Group provides various construction contract services, including construction of information technology and networking equipment and property and engineering services.

Revenue from construction contracts is recognised as and when the control of the asset is transferred to the customer and it is probable that the Group will collect the consideration to which it will be entitled in exchange for the asset that will be transferred to the customer. Control of the asset is transferred over time as the Group's performance create or enhance an asset that the customer controls as the asset is created or enhanced. Revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. The Group recognises revenue over time using the input method, which is based on the level the proportion that the construction costs incurred to date bear to the estimated total costs for the construction contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as recoverables, prepayments or other assets, depending on their nature.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

Irrespective of whether the outcome of a construction contract can be estimated reliably when it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Construction contracts with customers may include multiple promises to customers and therefore accounted for as separate performance obligations. In this case, the transaction price will be allocated to each performance obligation based on the standalone selling prices. When these are not directly observable, they are estimated based on expected cost plus margin.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ae) Construction contracts (continued)

The revenue from construction contracts is measured at the fixed transaction price agreed net of expected liquidated ascertained damages (LAD) payment, based on the expected value method.

Project management services

Revenue from project management fee is recognised upon performance of services.

(af) Fair value measurement

Fair value measurement prescribes that 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 assets, 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.

4 FINANCIAL RISK MANAGEMENT

(a) Financial risk management policies

The Group is exposed to market risk (including foreign currency risk, equity price risk, commodity price risk and finance rate risk), credit risk and liquidity risk arising from its business activities. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance. The Group uses relevant derivative financial instruments to hedge the risk of such commercial exposure. Such derivative financial instruments are generally not held for trade or speculative purposes.

The Board of Directors has overall responsibility for the oversight of financial risk management which include risk identification, operational or strategic, and the subsequent action plans to manage these risks. Management is responsible for identifying, monitoring and managing the Group's risk exposures.

Market risk

(i) Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollar ("USD") for the Group. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities but excludes interest in foreign joint ventures and associates. The Group generally manages its currency exposure through foreign currency forward contracts.

The Company is not materially exposed to foreign exchange risks as its balances are largely held in Malaysian Ringgit.

Group

A 10% strengthening/weakening of the USD against the Malaysian Ringgit ("RM") at the date of statement of financial position would have a lower/higher impact to Group's profit after tax of approximately of RM5,128,000 (2020: RM11,331,000).

The above exposure mainly as a result of foreign exchange gains/losses on translation of foreign currency denominated deposits, cash and bank balances, trade receivables and payables and foreign exchange losses/gains on translation of foreign currency denominated borrowings. The analysis assumes that all other variables remain constant.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management policies (continued)

Market risk (continued)

(ii) Price risk

Price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than finance or exchange rates).

Equity price risk

The Group is exposed to equity price risk arising from its investment in quoted and unquoted equity instruments. The quoted equity investments are listed on the Bursa Malaysia and foreign stock exchanges and classified as financial assets at fair value through other comprehensive income or financial asset at fair value through profit or loss based on the purpose for which the quoted equity investments were acquired. Unquoted investments are valued using the Price Earnings ("PE")/Price to Book ("PB") comparative method and classified as financial assets at fair value through other comprehensive income. The sensitivity analysis in relation to equity price risk is as follows:

Group

Financial assets	Sensitivity factor	2021		2020	
		Impact to profit after tax RM'000	Impact to equity RM'000	Impact to profit after tax RM'000	Impact to equity RM'000
Fair value through other comprehensive income:					
– unquoted	Comparable PE multiple and PB multiple variance by 5%	–	9,930	–	7,034
– quoted	Share price variance by 5%	–	148	–	178
Fair value through profit or loss					
– quoted	Share price variance by 5%	3,007	–	2,592	–
Total impact		3,007	10,078	2,592	7,212

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management policies (continued)

Market risk (continued)

(ii) Price risk (continued)

Commodity price risk

The Group is exposed to commodity price risk since the prices of crude palm oil ("CPO") and their derivatives are subject to fluctuations due to unpredictable factors such as weather, changes in global demand and production, crude oil prices and global production of similar and competing crops.

Revenue of the Group is therefore subject to price fluctuations in the commodity market. The Group uses derivative contracts to mitigate a portion of such risks.

As at 31 December 2021, sensitivity analysis had been performed based on the Group's exposure to commodity prices as at settlement date for the Group's LLA liability and commodity derivative portfolios.

A 10% increase in certain commodity price indexes or a RM200 increase in CPO prices assumed in calculating the LLA liability, with all other variables being held constant, would increase or decrease the Group's profit after tax, by type of significant commodity and financial liability, by approximately:

	2021 RM'000	2020 RM'000
– Palm oil	1,009	23,276
– LLA liability	(204,540)	(242,978)
Net decrease	(203,531)	(219,702)

A 10% decrease in certain commodity price indexes or a RM200 decrease in CPO prices assumed in calculating the LLA liability, with all other variables being held constant, would increase or decrease the Group's profit after tax, by type of significant commodity and financial liability, by approximately:

	2021 RM'000	2020 RM'000
– Palm oil	(1,009)	(23,276)
– LLA liability	217,259	262,404
Net increase	216,250	239,128

(iii) Finance rate risk

The Group's finance rate risk mainly arises from LLA liability and borrowings issued at variable rates which expose the Group to cash flow finance rate risk.

The Group has been in constant engagement with its lender to manage its finance rate risk and has been advised that the current KLIBOR is still being referenced for its borrowings. The Group has also been informed that currently, the lender shall be guided by further announcement by Bank Negara Malaysia ("BNM") on the timeline for the migration to the alternative reference rate ("ARR") upon the cessation of the current KLIBOR rate. Upon the issuance of the guidelines, the lenders will engage the Group on the transition plan.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management policies (continued)

Market risk (continued)

(iii) Finance rate risk (continued)

The finance rate profile of the Group's and Company's finance bearing financial assets, based on carrying amounts as at the end of the reporting period is as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<u>Financial assets</u>				
<u>At fixed rate</u>				
Fixed deposits	1,606,219	1,165,187	327,178	10,767
<u>At floating rate (exposed to cash flow finance rate risk)</u>				
Loans due from subsidiaries	–	–	216,830	368,886

The finance rate profile of the Group's and Company's finance bearing financial liabilities, based on carrying amounts as at the end of the reporting period is as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<u>Financial liabilities</u>				
<u>At fixed rate</u>				
Loans due to ultimate holding company	634,665	886,188	634,665	886,188
Loans due to subsidiaries	–	–	806,789	1,283,922
Sukuk	496,451	–	496,451	–
Islamic short term trade financing	1,946,431	2,275,107	–	75,080
Short term trade financing	241,173	258,162	–	–
Islamic term loans	12,732	–	–	–
	3,331,452	3,419,457	1,937,905	2,245,190
<u>At floating rate (exposed to cash flow finance rate risk)</u>				
LLA liability	3,804,790	4,213,824	–	–
Loans due to subsidiaries	–	–	–	121,537
Islamic term loans	666,710	873,495	–	–
	4,471,500	5,087,319	–	121,537
	7,802,952	8,506,776	1,937,905	2,366,727

If discount rate on LLA liability increased/decreased by 50 basis points and finance rate on borrowings decreased/increased by 100 basis points with all other variables held constant, the profit after tax of the Group will increase by RM188,579,000 (2020: RM183,915,000) and decrease by RM110,421,000 (2020: RM116,712,000) respectively.

Other financial assets and financial liabilities are non-interest bearing, and therefore are not affected by changes in finance rates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management policies (continued)

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost and at fair value through other comprehensive income ("FVOCI"), favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to from outstanding receivables.

The Group adopts the policy of dealing with customers with an appropriate credit history, and obtaining sufficient security where appropriate, including payments in advance, security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

Receivables and amounts due from intercompany exposure are closely monitored and continuously followed up.

The Group's and Company's deposits, cash and bank balances were largely placed with major financial institutions in Malaysia. The Directors are of the view that the possibility of non-performance by these financial institutions, including those non-rated financial institutions, is remote on the basis of their financial strength.

(i) Impairment of financial assets

The Group's financial assets that are subject to the expected credit loss (ECL) model include trade receivables, contract assets, other receivables, amounts due from intercompany, debt investments carried at amortised cost and FVOCI. While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the impairment loss is expected to be immaterial.

a) Trade receivables, trade amounts due from intercompany and contract assets using simplified approach

The Group applies the MFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, trade amounts due from intercompany and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to amounts due from customers on contracts and unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 24 months before reporting date and the corresponding historical credit losses experienced within the current financial year. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

During the current financial year, as a result of COVID-19 pandemic and the current economic condition, the Group and the Company have considered the relevant factors in assessing the expected credit loss.

Trade amounts due from intercompany and trade receivables that are credit impaired are assessed for ECL on individual basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management policies (continued)

Credit risk (continued)

(i) Impairment of financial assets (continued)

a) Trade receivables, trade amounts due from intercompany and contract assets using simplified approach (continued)

The trade amounts due from intercompany and trade receivables are categorised into the following categories for ECL purposes:

<u>Category</u>	<u>Group's definition of category</u>
Credit-impaired	Default amounts that meets the unlikelihood to pay criteria (Note 3(h)(iii))
Non-credit impaired	Amounts that are not credit-impaired, including amounts assessed based on collective assessments.

b) Other receivables, loans due from intercompany and non-trade amounts due from intercompany using general 3-stage approach

The Group uses three categories for other receivables which reflect their credit risk and how the loss allowance is determined for each of those categories (3 stage approach). These financial assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 365 days past due.

A summary of the assumptions underpinning the Group's ECL model is as follows:

<u>Category</u>	<u>Group's definition of category</u>	<u>Basis for recognising ECL</u>
Performing	Debtors have a low risk of default and a strong capacity to meet contractual cash flows	12 month ECL
Underperforming	Debtors for which there is a significant increase in credit risk or significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	Lifetime ECL
Non-performing	Interest and/or principal repayments where there is evidence indicating the asset is credit-impaired	Lifetime ECL (credit-impaired)
Write-off	There is evidence indicating that there is no reasonable expectation of recovery based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount	Asset is written off

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management policies (continued)

Credit risk (continued)

(i) Impairment of financial assets (continued)

- b) Other receivables, loans due from intercompany and non-trade amounts due from intercompany using general 3-stage approach (continued)

Based on the above, loss allowance is measured on either 12 month ECL or lifetime ECL incorporating the methodology below:

- PD ('probability of default') – the likelihood that the debtor would not be able to repay during the contractual period;
- LGD ('loss given default') – the percentage of contractual cash flows that will not be collected if default happens; and
- EAD ('exposure at default') – the outstanding amount that is exposed to default risk.

Loss allowance is measured at a probability-weighted amount that reflects the possibility that a credit loss occurs and the possibility that no credit loss occurs. No significant changes to estimation techniques or assumptions were made during the reporting period.

Impairment losses on financial assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off of financial assets are credited against the same line item.

(ii) Credit risk exposures

The maximum credit risk exposures for the financial assets equal to their respective carrying values after ECL. The details of ECL impact to the financial assets are disclosed in the respective financial assets' notes as applicable.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting obligations due to shortage of funds. The Group maintains a sufficient level of cash and cash equivalents to meet the Group's working capital requirements by closely monitoring its cash flows. Due to the nature of its business, the Group has adopted prudent liquidity risk management in maintaining and obtaining sufficient credit facilities from financial institutions.

Cash flow forecasting is performed in the operating entities of the Group and then aggregated by management. Management monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal statements of financial position ratio targets and, if applicable, external regulatory or legal requirements – for example, currency restrictions. As at 31 December 2021, the Group has undrawn committed borrowing facilities amounting to RM1,026 million (2020: RM911 million).

Surplus cash is invested in profit bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management policies (continued)

Liquidity risk (continued)

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining maturity periods at the reporting date to the contractual maturity dates. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The table below summaries the maturity profile of the Group's and Company's financial liabilities based on the remaining maturity periods at the statement of financial position date. The amounts disclosed in the table below are based on contractual undiscounted cash flows:

Group

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>At 31 December 2021</u>					
Loans due to ultimate holding company	31,227	662,218	–	–	693,445
LLA liability	511,618	333,247	906,610	33,357,278	35,108,753
Amount due to ultimate holding company	276,082	–	–	–	276,082
Amount due to an associate	351	–	–	–	351
Amounts due to other related companies	15,970	–	–	–	15,970
Borrowings	2,894,354	275,789	676,676	302,304	4,149,123
Lease liabilities	80,297	30,548	34,700	198,289	343,834
Payables	1,414,444	10,189	–	–	1,424,633
Total undiscounted financial liabilities	5,224,343	1,311,991	1,617,986	33,857,871	42,012,191
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000

At 31 December 2020

Loans due to ultimate holding company	42,646	42,646	924,311	–	1,009,603
LLA liability	321,173	302,779	922,704	42,872,198	44,418,854
Amount due to ultimate holding company	265,984	–	–	–	265,984
Amount due to an associate	494	–	–	–	494
Amounts due to joint ventures	1,374	–	–	–	1,374
Borrowings	2,897,976	70,346	253,014	278,014	3,499,350
Lease liabilities	76,395	43,330	77,937	251,200	448,862
Payables	1,049,465	–	15,196	–	1,064,661
Total undiscounted financial liabilities	4,655,507	459,101	2,193,162	43,401,412	50,709,182

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management policies (continued)

Liquidity risk (continued)

Company

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>At 31 December 2021</u>					
Loans due to ultimate holding company	31,227	662,218	–	–	693,445
Loans due to subsidiaries	42,051	115,810	325,092	632,245	1,115,198
Amounts due to subsidiaries	15,848	–	–	–	15,848
Amount due to ultimate holding company	1,179	–	–	–	1,179
Amounts due to other related companies	85	–	–	–	85
Borrowings	24,806	124,842	231,773	250,013	631,434
Lease liabilities	5,527	5,527	17,918	3,548	32,520
Payables	63,950	–	–	–	63,950
Total undiscounted financial liabilities	184,673	908,397	574,783	885,806	2,553,659

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>At 31 December 2020</u>					
Loans due to ultimate holding company	42,646	42,646	924,311	–	1,009,603
Loans due to subsidiaries	190,036	68,499	512,432	1,218,242	1,989,209
Amounts due to subsidiaries	14,289	–	–	–	14,289
Amount due to ultimate holding company	1,179	–	–	–	1,179
Amounts due to other related companies	69	–	–	–	69
Lease liabilities	5,234	5,527	17,365	9,627	37,753
Payables	50,976	–	–	–	50,976
Total undiscounted financial liabilities	304,429	116,672	1,454,108	1,227,869	3,103,078

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Capital risk management policies

The Group's primary objectives on capital management policies are to safeguard the Group's ability to maintain healthy capital ratios to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial year ended 31 December 2021 and 31 December 2020.

The Group considers its debts and total equity as capital and monitors capital using a gearing ratio, which is total debt divided by total equity. The Group includes borrowings, loans due to ultimate holding company and LLA liability within its total debt while loans due to subsidiaries are additionally included for the Company's total debt. Total equity includes share capital, treasury shares, reserves, retained earnings and non-controlling interests.

The gearing ratio analysis for the Group and the Company are as disclosed below:

Group

With LLA liability

	2021 RM'000	2020 RM'000
Borrowings	3,363,497	3,406,764
Loans due to ultimate holding company	634,665	886,188
LLA liability	3,804,790	4,213,824
Total debt	7,802,952	8,506,776
Total equity	7,186,518	6,100,207
Total capital with LLA liability	14,989,470	14,606,983
Gearing ratio	109%	139%

Without LLA liability

	2021 RM'000	2020 RM'000
Borrowings	3,363,497	3,406,764
Loans due to ultimate holding company	634,665	886,188
Total debt	3,998,162	4,292,952
Total equity	7,186,518	6,100,207
Total capital without LLA liability	11,184,680	10,393,159
Gearing ratio	56%	70%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Capital risk management policies (continued)

The Group is required to comply with certain financial covenants for its major debts facilities, including:

- (i) consolidated net tangible position;
- (ii) consolidated net debt and financing to equity ratio;
- (iii) consolidated net debt and financing to earnings before interest, tax, depreciation and amortisation ("EBITDA") ratio; and
- (iv) consolidated finance payment cover ratio.

As at 31 December 2021, the Group had complied with all external financial covenants. The Group will continue to monitor and assess the compliance with the financial covenants for all borrowings on a regular basis.

Company

	2021 RM'000	2020 RM'000
Loans due to ultimate holding company	634,665	886,188
Loans due to subsidiaries	806,789	1,405,459
Borrowings	496,451	75,080
Total debt	1,937,905	2,366,727
Total equity	7,429,561	7,268,826
Total capital	9,367,466	9,635,553
Gearing ratio	26%	33%

There is no financial covenants imposed for the Company.

(c) Fair value estimation

Amounts that are measured in the statement of financial position at fair value are disclosed by the following fair value measurement hierarchy:

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation (continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2021 and 31 December 2020:

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2021				
<u>Assets</u>				
Financial assets at fair value through profit or loss:				
(i) Derivatives				
– Foreign currency forward contracts	–	1,978	–	1,978
– Commodities futures contracts	1,561	–	–	1,561
(ii) Trading securities	79,136	–	–	79,136
Financial assets at fair value through other comprehensive income	2,975	–	198,594	201,569
Total assets	83,672	1,978	198,594	284,244
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss:				
(i) LLA liability	–	–	3,804,790	3,804,790
(ii) Derivatives				
– Foreign currency forward contracts	–	653	–	653
– Islamic profit rate swap	–	3,571	–	3,571
– Commodities futures contracts	3,096	–	–	3,096
Total liabilities	3,096	4,224	3,804,790	3,812,110
2020				
<u>Assets</u>				
Financial assets at fair value through profit or loss:				
(i) Derivatives				
– Foreign currency forward contracts	–	9,561	–	9,561
– Commodities futures contracts	4,500	–	–	4,500
(ii) Trading securities	68,201	–	–	68,201
Financial assets at fair value through other comprehensive income	3,566	–	140,685	144,251
Total assets	76,267	9,561	140,685	226,513
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss:				
(i) LLA liability	–	–	4,213,824	4,213,824
(ii) Derivatives				
– Foreign currency forward contracts	–	929	–	929
– Islamic profit rate swap	–	10,163	–	10,163
Total liabilities	–	11,092	4,213,824	4,224,916

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation (continued)

The Company has no financial assets and liabilities that are measured at fair value at 31 December 2021 and 31 December 2020.

There were no transfers between Levels 1 and 2 during the financial year.

(i) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily equity investments listed in Bursa Malaysia Securities Berhad or foreign stock exchanges classified as trading securities or financial assets at fair value through other comprehensive income and commodity derivatives quoted on Malaysia Derivatives Exchange ("MDEX") for palm oil, sugar commodity futures contracts, Brent crude oil option contracts and other foreign commodity exchanges.

(ii) Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. Instruments included in Level 2 comprise foreign currency forward contracts and Islamic profit rate swap.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

(iii) Financial instruments in Level 3

The following table presents the changes in recurring Level 3 financial instruments during the financial year:

	Group	
	2021 RM'000	2020 RM'000
<u>LLA liability</u>		
At 1 January	4,213,824	4,316,146
Fair value changes charged to profit or loss	3,984	158,490
Repayment during the financial year	(413,018)	(260,812)
At 31 December	3,804,790	4,213,824
<u>Financial assets at fair value through other comprehensive income</u>		
At 1 January	140,685	103,686
Additions	3,541	3,521
Disposal	–	(14,007)
Fair value changes	54,499	47,588
Currency translation differences	(131)	(103)
At 31 December	198,594	140,685

(d) Offsetting financial assets and financial liabilities

There are no offsetting of financial assets and financial liabilities during the financial year for the Group and Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgements are continually evaluated by Directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) LLA liability

The fair value of the LLA liability is measured using a discounted cash flow projections based on financial budgets approved by the Directors covering a 90 year period. As a result of the fair value assessment, the Group has recognised a LLA liability of RM3,804,790,000 (2020: RM4,213,824,000). Fair value changes for the LLA liability has been measured based on assumptions made on discount rate, crude palm oil prices, fresh fruit bunches prices, palm kernel prices, average yield of fresh fruit bunches, inflation rate, total average of planted oil palm and rubber, estate replanting fixed costs and capital expenditure. As at 31 December 2021, the Group adopted the most recent estimated changes in arriving at the fair value. The key assumptions incorporating the most recent developments in respect of yield and costs due to labour shortage issues and risks associated with the environmental, social and governance ("ESG") factors and other parameters such as commodity prices have been considered. The key assumptions and the sensitivity analysis are as disclosed in Note 47 to the financial statements.

(ii) Goodwill relating to sugar business and palm upstream operations in Malaysia

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units ("CGU") to which the goodwill is allocated. Estimating the recoverable amount requires management to make an estimate of the expected future cash flows from the CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The recoverable amounts of CGUs were determined based on the higher of fair value less cost to sell or value in use ("VIU") calculations. The fair value less cost to sell or VIU is the net present value of the projected future cash flows derived from the CGU discounted at an appropriate discount rate. Projected cash flows are estimates made based on historical and industry trends, general market and economic conditions and other available information.

As a result of the impairment assessment, the Group did not recognise any impairment loss (2020: Nil) for goodwill relating to sugar business and palm upstream operations in Malaysia during the financial year. The key assumptions and the sensitivity analysis are as disclosed in Note 23(a) to the financial statements.

(iii) Impairment of non-financial assets

The Group tests its non-financial assets for impairment if there is any objective evidence of impairment. Management have assessed that certain non-financial assets may be potentially impaired or the existing impairment may be reversed. The recoverable amounts of these assets were determined based on the higher of fair value less cost to sell or VIU calculations. The fair value less cost to sell or VIU is the net present value of the projected future cash flows derived from the CGU discounted at an appropriate discount rate. Projected cash flows are estimates made based on historical and industry trends, general market and economic conditions and other available information.

As a result of the assessment, the Group has recognised a net impairment of RM59,595,000 (2020: RM242,074,000) on certain property, plant and equipment and right-of-use assets. The key assumptions and the sensitivity analysis are as disclosed in Note 20 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

6 REVENUE

The Group and Company derive the following types of revenue:

Group

	2021 RM'000	2020 RM'000
Revenue from contracts with customers	19,341,185	13,998,928
Revenue from other sources	224,706	76,784
	19,565,891	14,075,712

(a) Disaggregation of revenue from contracts with customers:

	Plantation RM'000	Sugar RM'000	Logistics and Others RM'000	Corporate HQ and Others RM'000	Total RM'000
2021					
Major goods and services:					
Sales of crude palm oil ("CPO")	7,726,030	—	—	—	7,726,030
Sales of palm processed oil ("PPO")	2,300,810	—	—	—	2,300,810
Sales of refined sugar and molasses	—	2,253,538	—	—	2,253,538
Sales of palm kernel ("PK")	606,221	—	—	—	606,221
Sales of fertiliser, packed products and others	2,259,473	—	—	—	2,259,473
Sales of fatty acids	1,159,050	—	—	—	1,159,050
Sales of rubber products	811,742	—	—	—	811,742
Sales of crude palm kernel oil ("CPKO")	1,378,362	—	—	—	1,378,362
Sales of biodiesel products	327,350	—	—	—	327,350
Services rendered	37,487	6,067	334,417	—	377,971
Sales of fresh fruit bunches ("FFB")	53,801	—	—	—	53,801
Freight income	31,929	—	—	—	31,929
Others	24,868	—	9,663	20,377	54,908
	16,717,123	2,259,605	344,080	20,377	19,341,185
Timing of revenue recognition					
– at a point in time	16,647,655	2,253,538	282,301	20,377	19,203,871
– overtime	69,468	6,067	61,779	—	137,314
	16,717,123	2,259,605	344,080	20,377	19,341,185

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

6 REVENUE (CONTINUED)

Group (continued)

(a) Disaggregation of revenue from contracts with customers: (continued)

	Plantation RM'000	Sugar RM'000	Logistics and Others RM'000	Corporate HQ and Others RM'000	Total RM'000
2020					
<u>Major goods and services:</u>					
Sales of CPO	5,476,835	—	—	—	5,476,835
Sales of PPO	1,922,484	—	—	—	1,922,484
Sales of refined sugar and molasses	—	2,185,235	—	—	2,185,235
Sales of PK	313,565	—	—	—	313,565
Sales of fertiliser, packed products and others	1,463,546	—	—	—	1,463,546
Sales of fatty acids	861,156	—	—	—	861,156
Sales of rubber products	756,013	—	—	—	756,013
Sales of CPKO	341,988	—	—	—	341,988
Sales of biodiesel products	213,562	—	—	—	213,562
Services rendered	33,181	—	269,957	—	303,138
Sales of FFB	55,119	—	—	—	55,119
Freight income	40,784	—	—	—	40,784
Gain from commodity trading activities	32,333	—	—	—	32,333
Others	10,961	—	11,330	10,879	33,170
	11,521,527	2,185,235	281,287	10,879	13,998,928
<u>Timing of revenue recognition</u>					
– at a point in time	11,470,916	2,185,235	231,521	10,879	13,898,551
– overtime	50,611	—	49,766	—	100,377
	11,521,527	2,185,235	281,287	10,879	13,998,928

(b) Revenue from other sources

	2021 RM'000	2020 RM'000
Subsidy from Kementerian Perdagangan Dalam Negeri, Koperasi dan Kepenggunaan from sales of packed products	202,519	51,778
Rental income	19,615	21,781
Finance income	2,572	3,225
	224,706	76,784

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

6 REVENUE (CONTINUED)

Company

	2021 RM'000	2020 RM'000
Revenue from contracts with customers	116,241	114,180
Revenue from other sources	383,046	244,524
	499,287	358,704
<u>Revenue from contracts with customers</u>		
Management fees	116,241	114,180
Timing of revenue recognition – over time	116,241	114,180
<u>Revenue from other sources</u>		
Dividend from subsidiaries: – unquoted	374,547	239,899
Finance income from financial institutions	31	44
Others	8,468	4,581
	383,046	244,524

7 OTHER OPERATING INCOME

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Rental income	6,455	4,990	235	207
Gain on disposal of property, plant and equipment, (net)	803	4,119	–	–
Compensation on reclamation of LLA	15,343	–	–	–
Gain on disposal of assets held for sale	927	33,762	–	–
Realisation of foreign exchange reserve upon disposal of assets held for sale	–	4,342	–	–
Dividend income from financial assets at fair value through other comprehensive income	2,572	2,814	–	–
Income from sale of scrap	10,104	11,200	–	–
Income from sludge oil	8,276	3,413	–	–
Income from penalty charges	3,724	912	–	–
Insurance reimbursement	10,895	4,003	–	–
Roundtable Sustainable Palm Oil (“RSPO”) premium income	1,222	3,058	–	–
Foreign currency exchange gains	9,040	15,210	–	–
Income from electricity supply in relation to biomass project	11,142	10,554	–	–
Reversal of impairment in subsidiaries	–	–	–	59,700
Other operating income	14,610	34,122	2,871	5,457
	95,113	132,499	3,112	65,364

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

8 REVERSAL OF IMPAIRMENT OF FINANCIAL ASSETS (NET)

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Impairment loss of receivables (net)	2,942	1,572	–	195
Impairment loss on amounts due from joint ventures	–	4,000	–	–
Reversal of impairment on amount due from ultimate holding company (net)	(3,801)	(13,341)	–	–
Impairment loss/(reversal of impairment) on amounts due from other related companies	137	(24)	–	–
Reversal of impairment on other receivables	–	–	(195)	–
Receivables written off	–	–	195	–
Reversal of impairment of amounts due from subsidiaries	–	–	(96)	(813)
	(722)	(7,793)	(96)	(618)

9 IMPAIRMENT OF NON-FINANCIAL ASSETS (NET)

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Impairment loss on property, plant and equipment (net)	59,914	221,769	–	–
(Reversal of impairment)/impairment loss on right-of-use assets (net)	(319)	20,305	–	–
	59,595	242,074	–	–

10 OTHER OPERATING EXPENSES

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Impairment loss on investment in subsidiaries	–	–	–	5,500
Provision for litigation loss	–	19,802	–	–
Impairment loss on contract assets	292	1,551	–	–
Provision for asset retirement	8,245	–	–	–
Other operating expenses	1,561	1,344	862	1,081
	10,098	22,697	862	6,581

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

11 OTHER GAINS/(LOSSES), NET

	Group	
	2021 RM'000	2020 RM'000
Land Lease Agreement ("LLA"):		
– Fair value charges (Note 47)	(3,984)	(158,490)
Fair value changes in biological assets (net)	56,780	11,246
Financial assets at fair value through profit or loss		
– Fair value gains/(losses) (Note 35)	794	(1,618)
– Gain on disposal	40	–
Foreign currency forward contracts:		
– Losses from mark-to-market and settlement (net)	(6,182)	(200)
Oil palm futures contracts:		
– (Losses)/gains from mark-to-market and settlement (net)	(4,344)	35,169
Sugar futures contracts:		
– Gains/(losses) from mark-to-market and settlement (net)	12,042	(2,141)
Brent crude oil forward option		
– Losses from mark-to-market and settlement (net)	(2,133)	–
Gain on liquidation of excess raw sugar hedges	30,962	–
	83,975	(116,034)

12 FINANCE INCOME AND COSTS

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Finance income:				
– finance income from financial institutions	22,728	39,612	–	–
Total finance income	22,728	39,612	–	–
Finance costs:				
– loans from ultimate holding company	(40,759)	(42,335)	(40,759)	(42,335)
– loans from subsidiaries	–	–	(34,524)	(12,460)
– Islamic short term trade financing	(44,800)	(71,879)	(768)	(883)
– short term trade financing	(7,953)	(9,101)	–	–
– Islamic term loans	(51,246)	(49,573)	–	–
– term loans	–	(3,092)	–	–
– interest on lease liabilities	(14,969)	(18,667)	(1,487)	(1,657)
– sukuk	(1,451)	–	(1,451)	–
Less: amount capitalised in additions of property, plant and equipment	34,245	32,775	–	–
Total finance costs	(126,933)	(161,872)	(78,989)	(57,335)
Net finance costs	(104,205)	(122,260)	(78,989)	(57,335)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

13 PROFIT FOR THE FINANCIAL YEAR

Profit for the financial year is stated after charging/(crediting):

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Matured estates operating expenses (collection, upkeep, cultivation and general charges)	309,779	344,788	—	—
Cost of raw materials and chemicals for production and manufacturing	13,055,808	9,015,536	—	—
Cost of purchasing CPO	596,675	69,161	—	—
Cost of petrol, diesel and natural gas	250,225	215,186	—	—
Service charge on CPO trading	1,608	7,252	—	—
Property, plant and equipment (Note 20):				
– Depreciation	663,619	662,510	2,403	1,808
– Write offs	9,135	34,332	—	—
– Gain on disposal (net)	(803)	(4,119)	—	—
Right-of-use assets (Note 21):				
– Depreciation	68,825	84,334	4,361	4,361
– Write offs	185	—	—	—
Investment properties (Note 22):				
– Depreciation	12,258	12,260	882	882
Intangible assets (Note 23):				
– Amortisation	20,568	23,655	9,490	8,510
Written off of inventories	9,157	3,589	—	—
Termination of lease contracts (net)	(12)	496	—	—
Short-term lease payments	4,798	3,922	23	60
Rental of low value assets	4,743	5,180	—	—
Rental of other equipment (service contracts)	67	68	—	—
Repairs and maintenance of refining plants and mills	211,031	226,747	—	—
Repairs and maintenance of motor vehicles	27,122	25,968	—	—
Transportation, loading and handling	251,940	261,251	—	—
Principal auditors' remuneration:				
– Audit fee	3,941	4,106	595	595
– Other assurance services	1,484	1,484	1,187	1,187
– Non-audit fee	157	602	—	565
Member firms of principal auditors' remuneration:				
– Audit fee	1,222	1,449	—	—
Other firms of auditors' remuneration:				
– Audit fee	168	132	—	—
Staff costs*	1,720,201	1,586,655	96,186	92,587
Professional and technical fees	26,727	24,396	15,848	6,866
Contributions to Yayasan Felda	5,000	5,000	—	—
Net realised foreign exchange loss/(gain)	7,100	(5,946)	(13)	190
Net unrealised foreign exchange loss	5,133	7,326	875	59
Research and non-capitalised development costs	6,070	6,421	—	—
Construction cost recognised as an expense	1,724	2,155	—	—
Unwinding of discount for provision for asset retirement	447	437	—	—
Provision for litigation loss	—	19,802	—	—

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

13 PROFIT FOR THE FINANCIAL YEAR (CONTINUED)

* Staff costs (excluding Directors' remuneration) are analysed as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Wages, salaries and bonuses	1,366,071	1,284,655	73,041	70,005
Defined contribution plan	143,668	127,619	12,344	11,883
Defined benefit plan	7,345	(22,189)	83	(864)
Employee share grant	–	2,404	–	672
Other employee benefits	203,117	194,166	10,718	10,891
	1,720,201	1,586,655	96,186	92,587

Staff cost included in costs of sales amounted to RM1,210,911,000 (2020: RM1,108,304,000) and RM72,813,000 (2020: RM61,848,000) for the Group and Company respectively.

14 DIRECTORS' REMUNERATION

	Receivable from the Company RM'000	Receivable from subsidiaries RM'000	Group RM'000
2021			
Fees:			
– Independent Non-Executive	865	29	894
– Non-Independent Non-Executive	765	–	765
	1,630	29	1,659
Benefit in kind:			
– Independent Non-Executive	12	–	12
– Non-Independent Non-Executive	79	–	79
	91	–	91
Other benefits:			
– Independent Non-Executive	348	10	358
– Non-Independent Non-Executive	335	–	335
	683	10	693
Total	2,404	39	2,443

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

14 DIRECTORS' REMUNERATION (CONTINUED)

	Receivable from the Company RM'000	Receivable from subsidiaries RM'000	Group RM'000
2020			
Fees:			
– Independent Non-Executive	925	–	925
– Non-Independent Non-Executive	696	131	827
	1,621	131	1,752
Benefit in kind:			
– Independent Non-Executive	6	–	6
– Non-Independent Non-Executive	80	–	80
	86	–	86
Other benefits:			
– Independent Non-Executive	209	–	209
– Non-Independent Non-Executive	268	6	274
	477	6	483
Total	2,184	137	2,321

15 ZAKAT

	Group	
	2021 RM'000	2020 RM'000
Movement of zakat liability:		
At beginning of financial year	–	–
Current financial year's zakat expense	17,406	16,300
Zakat paid	(17,406)	(16,300)
At end of financial year	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

16 TAXATION

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Malaysian income tax:				
– In respect of current financial year	328,152	120,050	9,380	9,339
– In respect of prior financial year	9,337	(22,378)	(189)	(291)
Foreign income tax:				
– In respect of current financial year	11,614	8,983	–	–
Deferred tax (Note 50)	171,893	88,916	(6,527)	–
Tax expense	520,996	195,571	2,664	9,048

A reconciliation of income tax expense applicable to profit before taxation after zakat at the Malaysian statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit before taxation after zakat	1,696,574	329,764	272,582	221,134
Malaysian corporate tax rate of 24% (2020: 24%)	407,178	79,143	65,420	53,072
Tax effect of:				
– different tax rates in other countries	1,087	(393)	–	–
– expenses not deductible for tax purposes	95,177	133,938	24,990	16,358
– income not subject to tax	(13,061)	(30,718)	(83,643)	(64,726)
– under/(over) provision of income tax in prior financial year	9,337	(22,378)	(189)	(291)
– temporary differences not recognised as deferred tax	34,650	39,017	–	4,635
– temporary differences previously not recognised as deferred tax	(3,914)	2,675	(3,914)	–
– others	(9,458)	(5,713)	–	–
Tax expense	520,996	195,571	2,664	9,048

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

17 DIVIDEND

Dividends declared and paid are as follows:

	Group and Company			
	2021		2020	
	Dividend per share RM'000	Amount of dividend RM'000	Dividend per share RM'000	Amount of dividend RM'000
Final single-tier dividend for the financial year ended 31 December 2020, paid on 31 March 2021 (2020: Final single-tier dividend for the financial year ended 31 December 2019, paid on 15 June 2020)	3.0	109,445	2.0	72,963

On 28 February 2022, the Board of Directors agreed to declare the payment of a final single tier dividend of 8.0 sen per ordinary share amounting to RM291.85 million, which is not taxable in the hands of the shareholders pursuant to paragraph 12B of Schedule 6 of the Income Tax Act, 1967.

18 EARNINGS PER SHARE

	Group	
	2021 RM'000	2020 RM'000
Basic and diluted EPS (sen)	32.0	4.0

The basic earnings per share ("EPS") has been calculated based on the consolidated profit after taxation attributable to equity shareholders of the Company and divided by the weighted number of ordinary shares in issue during the financial year. There are no potential ordinary shares as at 31 December 2021 and 31 December 2020.

	Group	
	2021 RM'000	2020 RM'000
Profit for the financial year attributable to equity shareholders (RM'000)	1,167,874	146,156
Weighted average number of ordinary shares in issue (thousands)	3,648,152	3,648,152

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

19 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal management reporting provided to the chief operating decision maker ("CODM"), which is the Group Management Committee ("GMC").

The GMC considers the business by product related activities. The reportable segments for the financial year ended 31 December 2021 have been identified as follows:

- Plantation Sector - Plantation estates activities including cultivation, harvesting and production of fresh fruit bunches ("FFB") and processing of FFB into crude palm oil ("CPO") and palm kernel ("PK"), refining of CPO, fractionation of refined bleached deodorised palm oil ("RBDPO") and Palm Olein ("PO"), crushing of PK, production of oleochemicals namely fatty acid and glycerine, processing and sales of biodiesel products, production of consumer bulk and packed products, trading of CPO, research and development activities, fertilisers processing, rubber processing and production, sale of planting materials and security.
- Sugar Sector - Sugar refining, sales and marketing of refined sugar and molasses.
- Logistics and Others Sector - Bulking and transportation facilities and services, engineering services, information technology and travel.

Corporate HQ, Others and Elimination mainly relates to the inclusion of investment holding companies within the Group and Group consolidation adjustments, which are not part of the operating segments.

The GMC assesses the performance of the operating segments based on profit before zakat and taxation.

The segment information provided to the GMC for the reportable segments for the financial year reported is as follows:

	Plantation RM'000	Sugar RM'000	Logistics and Others RM'000	Corporate HQ, Others and Elimination RM'000	Total RM'000
2021					
Total segment revenue	25,129,982	2,364,403	667,627	272,704	28,434,716
Less: Inter-segment revenue	(8,210,159)	(104,796)	(304,458)	(249,412)	(8,868,825)
Revenue from external customers	16,919,823	2,259,607	363,169	23,292	19,565,891
Profit/(loss) before zakat and taxation for the financial year	1,602,090	85,677	90,351	(64,138)	1,713,980
Zakat					(17,406)
Taxation					(520,996)
Profit after taxation for the financial year					1,175,578

Other information:

Finance income	11,785	2,492	4,224	4,227	22,728
Finance costs	(34,467)	(47,348)	(3,680)	(41,438)	(126,933)
Depreciation and amortisation	(579,739)	(82,844)	(83,685)	(19,002)	(765,270)
Write-offs/write-down	(9,221)	(8,738)	(463)	(55)	(18,477)
(Impairment)/reversal of impairment loss (net)					
– financial assets	(6,728)	(4,141)	11,389	202	722
– non-financial assets	(76,022)	16,427	–	–	(59,595)
Fair value changes in LLA liability	(3,984)	–	–	–	(3,984)
Share of results of joint ventures	17,260	–	–	18,598	35,858
Share of results of associates	3,320	–	–	231	3,551
Capital expenditure	488,217	42,775	73,199	10,562	614,753

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

19 SEGMENT REPORTING (CONTINUED)

The segment information provided to the GMC for the reportable segments for the financial year reported is as follows:
(continued)

	Plantation RM'000	Sugar RM'000	Logistics and Others RM'000	Corporate HQ, Others and Elimination RM'000	Total RM'000
2020					
Total segment revenue	17,110,796	2,361,340	590,350	300,317	20,362,803
Less: Inter-segment revenue	(5,537,323)	(176,105)	(287,731)	(285,932)	(6,287,091)
Revenue from external customers	11,573,473	2,185,235	302,619	14,385	14,075,712
Profit/(loss) before zakat and taxation for the financial year	401,990	(34,549)	50,488	(71,865)	346,064
Zakat					(16,300)
Taxation					(195,571)
Profit after taxation for the financial year					134,193

Other information:

Finance income	15,458	17,295	6,257	602	39,612
Finance costs	(84,535)	(48,085)	(4,403)	(24,849)	(161,872)
Depreciation and amortisation	(568,263)	(92,943)	(97,670)	(23,883)	(782,759)
Write-offs/write-down	(4,953)	(31,407)	(162)	(1,399)	(37,921)
(Impairment)/reversal of impairment loss (net)					
– financial assets	(7,075)	(4,095)	18,963	–	7,793
– non-financial assets	(208,757)	(35,801)	(9,100)	11,584	(242,074)
Fair value changes in LLA liability	(158,490)	–	–	–	(158,490)
Share of results of joint ventures	17,310	–	–	6,131	23,441
Share of results of associates	1,193	–	–	(827)	366
Capital expenditure	383,781	26,202	55,030	6,635	471,648

The revenue from external parties reported to the GMC is measured in a manner consistent with that in the statement of comprehensive income.

Revenues from external customers are derived from sales of goods and provisions of services as disclosed in Note 6.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

19 SEGMENT REPORTING (CONTINUED)

The analysis of external revenue by end customer geographical location is as follows:

	2021 RM'000	2020 RM'000
Malaysia	13,265,855	9,443,413
Overseas:		
– India	1,297,389	761,222
– China	587,449	335,322
– Pakistan	992,160	1,005,209
– Asia (excluding Malaysia, China, Pakistan and Indonesia)	1,025,474	1,140,777
– United States and Canada	1,106,856	762,726
– Europe	677,100	287,613
– Africa	458,090	253,404
– New Zealand	22,729	24,946
– Indonesia	21,886	14,050
– Others	110,903	47,030
	19,565,891	14,075,712

Segment assets and segment liabilities are not disclosed as these are not reported to the CODM.

The analysis of non-current assets (excluding financial assets and deferred tax assets) by geographical location is as follows:

	2021 RM'000	2020 RM'000
Malaysia	10,961,890	11,197,080
Overseas:		
– United States and Canada	241,592	241,477
– Indonesia	185,982	167,380
– Pakistan	28,752	32,524
– Others	4,189	3,263
	11,422,405	11,641,724

In the current financial year, one (2020: two) major customer in the Plantation Sector contributed RM855,528,000 (4%) (2020: collectively RM1,440,061,000 (10%)) to the Group's total revenues.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

20 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Buildings, structures and renovations RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Office equipment, tools and other equipment RM'000	Assets under construction RM'000	Bearer plants and livestock RM'000	Total RM'000
2021								
Cost								
At 1 January 2021	50,433	3,125,450	3,844,207	413,519	289,595	187,746	5,372,899	13,283,849
Additions	-	30,908	53,447	53,311	38,541	170,247	253,928	600,382
Disposals	-	-	-	(13)	(634)	-	-	(647)
Write offs	-	(2,215)	(31,357)	(6,622)	(4,140)	(914)	(8,059)	(53,307)
Reclassification	-	83,989	65,574	3,048	5,502	(158,113)	-	-
Transfer to biological assets (Note 33)	-	-	-	-	-	-	(2,248)	(2,248)
Exchange differences	680	1,434	15,414	19	658	(119)	2,910	20,996
At 31 December 2021	51,113	3,239,566	3,947,285	463,262	329,522	198,847	5,619,430	13,849,025
Accumulated depreciation/impairment								
At 1 January 2021	184	1,000,328	1,612,460	245,729	185,451	104,461	2,324,773	5,473,386
Charge for the financial year	-	141,408	252,802	26,869	37,882	-	204,658	663,619
Impairment loss/(reversal of impairment)	-	23,416	(2,259)	-	147	-	38,610	59,914
Disposals	-	-	-	(13)	(634)	-	-	(647)
Write offs	-	(1,648)	(27,162)	(3,656)	(3,735)	-	(7,971)	(44,172)
Reclassification	-	(8,201)	6,938	(11)	1,274	-	-	-
Transfer to biological assets (Note 33)	-	-	-	-	-	-	(20)	(20)
Transfer to assets held for sale (Note 37)	-	-	11,300	-	-	-	-	11,300
Exchange differences	-	28	10,350	20	583	-	272	11,253
At 31 December 2021	184	1,155,331	1,864,429	268,938	220,968	104,461	2,560,322	6,174,633
Net book value at 31 December 2021	50,929	2,084,235	2,082,856	194,324	108,554	94,386	3,059,108	7,674,392

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

20 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land RM'000	Buildings, structures and renovations RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Office equipment, tools and other equipment RM'000	Assets under construction RM'000	Bearer plants and livestock RM'000	Total RM'000
2020								
Cost								
At 1 January 2020	49,364	2,847,391	3,770,755	383,660	275,736	467,375	5,063,366	12,857,647
Acquisition of subsidiary (Note 24(c))	1,450	4,676	656	386	3,266	—	87	10,521
Additions	—	6,970	36,712	42,561	19,843	83,673	278,552	468,311
Disposals	—	(32)	(12,596)	(589)	(2,316)	—	(689)	(16,222)
Write offs	—	(2,102)	(18,783)	(18,001)	(13,208)	(2,058)	(38,050)	(92,202)
Reclassification	—	265,593	76,793	5,753	6,765	(354,904)	—	—
Transfer from/to assets held for sale (Note 37)	—	7,530	—	—	—	(2,400)	73,572	78,702
Transfer to intangible asset (Note 23)	—	—	—	—	—	(3,786)	—	(3,786)
Exchange differences	(381)	(4,576)	(9,330)	(251)	(491)	(154)	(3,939)	(19,122)
At 31 December 2020	50,433	3,125,450	3,844,207	413,519	289,595	187,746	5,372,899	13,283,849
Accumulated depreciation/impairment								
At 1 January 2020	184	850,666	1,392,241	229,186	169,548	104,461	1,921,243	4,667,529
Charge for the financial year	—	131,647	245,262	35,006	29,355	—	221,240	662,510
Impairment loss	—	17,340	10,322	110	2,008	—	191,989	221,769
Disposals	—	(27)	(12,594)	(544)	(2,277)	—	(69)	(15,511)
Write offs	—	(1,474)	(15,345)	(17,813)	(12,635)	—	(10,603)	(57,870)
Reclassification	—	136	(5)	—	(131)	—	—	—
Transfer from assets held for sale (Note 37)	—	4,278	—	—	—	—	1,111	5,389
Exchange differences	—	(2,238)	(7,421)	(216)	(417)	—	(138)	(10,430)
At 31 December 2020	184	1,000,328	1,612,460	245,729	185,451	104,461	2,324,773	5,473,386
Net book value at 31 December 2020	50,249	2,125,122	2,231,747	167,790	104,144	83,285	3,048,126	7,810,463

Included in the additions of property, plant and equipment were RM33,365,000 (2020: RM31,680,000) in relation to capitalised finance cost for bearer plants at average finance rate of 3.42% (2020: 3.82%) per annum and RM880,000 (2020: RM1,095,000) in relation to capitalised borrowing costs for other qualifying assets at average finance rate of 2.82% (2020: 3.36%) per annum.

Net book value of the property, plant and equipment pledged as security to borrowings amounted to RM265,173,000 (2020: RM272,969,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

20 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Bearer plants and livestock (continued)

Bearer plants comprise oil palm, rubber trees and mango trees. Immature bearer plants are capitalised as capital work in progress. (continued)

Group	Mature				Immature				Total bearer plants and livestock RM'000
	Oil palm RM'000	Rubber trees RM'000	Others RM'000	Total RM'000	Oil palm RM'000	Rubber trees RM'000	Others RM'000	Total RM'000	
2020									
Cost									
At 1 January 2020	3,947,887	55,735	—	4,003,622	925,103	116,389	—	1,041,492	5,063,366
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	87
Additions	5,235	—	—	5,235	225,519	17,433	—	242,952	278,552
Disposal	(355)	—	—	(355)	—	—	—	—	(334)
Write offs	(10,277)	—	—	(10,277)	—	(27,243)	—	(27,243)	(530)
Reclassification from:									
– immature	262,887	20,579	—	283,466	(262,887)	(20,579)	—	(283,466)	—
– planting	—	—	—	—	15,954	—	—	15,954	—
Transfer from asset held for sale	1,608	22,220	676	24,504	—	48,870	198	49,068	73,572
Exchange differences	(437)	—	—	(437)	(3,496)	—	—	(3,496)	(3,939)
At 31 December 2020	4,206,548	98,534	676	4,305,758	900,193	134,870	198	1,035,261	5,372,899
Accumulated depreciation/impairment									
At 1 January 2020	1,906,982	13,892	—	1,920,874	—	—	—	—	1,921,243
Charge for the financial year	216,742	4,387	34	221,163	—	—	—	—	221,240
Impairment loss	108,717	60,342	585	169,644	—	21,627	198	21,825	191,989
Disposal	(43)	—	—	(43)	—	—	—	—	(69)
Write offs	(10,229)	—	—	(10,229)	—	—	—	—	(374)
Transfer from asset held for sale	329	725	57	1,111	—	—	—	—	1,111
Exchange differences	(138)	—	—	(138)	—	—	—	—	(138)
At 31 December 2020	2,222,360	79,346	676	2,302,382	—	21,627	198	21,825	2,324,773
Net book value at 31 December 2020	1,984,188	19,188	—	2,003,376	900,193	113,243	—	1,013,436	3,048,126

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

20 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Office equipment RM'000	Motor vehicle RM'000	Building, structure and renovation RM'000	Work in progress RM'000	Total RM'000
2021					
<u>Cost</u>					
At 1 January 2021	15,280	547	2,184	2,798	20,809
Addition	126	–	–	62	188
Reclassification	22	–	2,808	(2,830)	–
At 31 December 2021	15,428	547	4,992	30	20,997
<u>Accumulated depreciation</u>					
At 1 January 2021	10,089	532	781	–	11,402
Charge for the financial year	1,626	15	762	–	2,403
At 31 December 2021	11,715	547	1,543	–	13,805
Net book value at 31 December 2021	3,713	–	3,449	30	7,192
2020					
<u>Cost</u>					
At 1 January 2020	14,685	547	2,184	2,798	20,214
Addition	615	–	–	–	615
Write offs	(20)	–	–	–	(20)
At 31 December 2020	15,280	547	2,184	2,798	20,809
<u>Accumulated depreciation</u>					
At 1 January 2020	8,492	497	625	–	9,614
Charge for the financial year	1,617	35	156	–	1,808
Write offs	(20)	–	–	–	(20)
At 31 December 2020	10,089	532	781	–	11,402
Net book value at 31 December 2020	5,191	15	1,403	2,798	9,407

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

20 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Significant impairment and write off of property, plant and equipment

Financial year ended 31 December 2021

(a) FGV Refineries Sdn Bhd ("FGV Refineries")

The continuing loss position in a refinery in FGV Refineries since previous financial year has been identified as indicator for impairment for the assets. Based on the impairment assessment, the recoverable amount of the said refinery was RM8,554,000, which resulted the impairment loss of RM21,000,000 for property, plant and equipment. The impairment loss had been recognised as the Group's impairment of non-financial assets and had been included as impairment loss within the Plantation Sector in the Group's segment reporting (Note 19).

The recoverable amount was determined using value-in-use calculation based on cash flow projections with the following key assumptions:

Key assumptions	FY2022	FY2023	FY2024	FY2025 to perpetuity
Tolling processed (MT)	240,000 per annum			
Tolling rate (RM/MT)	Variable fee – RM53/MT (based on CPO received and processed)			
	Fixed fee – RM20/MT on available capacity			
Processing cost (RM/MT)	72.8	74.06	75.32	75.32
Capital expenditure (RM'000)	6,452	2,185	1,500	1,500
Discount rate (post tax)	8.5%			
Terminal growth rate				2%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

20 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Significant impairment and write off of property, plant and equipment (continued)

Financial year ended 31 December 2021 (continued)

(b) Asian Plantation Limited ("APL")

During the financial year, impairment indicator exists for APL's bearer plant arising from shortages of labour from the movement restriction of foreign labour as a result of the COVID-19 pandemic resulting in the forecasted yield of FFB for the certain estates expected to be affected until 2024.

The recoverable amount of the assets was determined using value-in-use calculation based on updated cash flow projections in regards to bearer plans for affected estates with the following key assumptions:

Item	Key assumptions
Crude palm oil prices	FY2022: RM3,430/MT FY2023 to FY2024: RM2,830/MT FY2025: RM2,430/MT FY2026 onwards: RM2,380/MT
Crude palm kernel process	FY2022: RM2,066/MT FY2023 to FY2024: RM1,586/MT FY2025 onwards: RM1,346/MT
FFB price	FY2022: RM688/MT FY2023 to FY2024: RM596/MT FY2025 onwards: RM504/MT
Yield	6.1 MT/ha to 18.08 MT/ha - projected yield varies depending on the age profile and field conditions.
Discount rate	9.47%

Based on the changes in assumptions above, the recoverable amount of APL's bearer plants for the affected estates was RM4,224,000, which resulted in the recognition of impairment losses of RM15,526,000 for property, plant and equipment. The impairment loss has been recognised as the Group's impairment of non-financial assets and has been included as impairment loss within the Plantation Sector in the Group's segment reporting (Note 19).

(c) Pontian United Plantation Berhad ("PUP")

Prolonged delay to rebuild a collapsed bridge during the COVID-19 pandemic and higher cost in relation to rehabilitation work has led to a drop in value of the bearer plant in PUP. The recoverable amount of the affected estate was determined using fair value less cost to sell (Level 3 fair value calculation), based on the valuation report obtained from an external valuer. Based on the valuation, the recoverable amount of the affected estate was RM39,640,000, which resulted in the recognition of impairment losses of RM13,118,000 for property, plant and equipment. The impairment loss has been recognised as the Group's impairment of non-financial assets and has been included as impairment loss within the Plantation Sector in the Group's segment reporting (Note 19).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

20 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Significant impairment and write off of property, plant and equipment (continued)

Financial year ended 31 December 2021 (continued)

(d) FGV Plantations (Malaysia) Sdn Bhd ("FGVPM")

In the previous financial year, the change in replanting plan and the deterioration in the rubber operations' result in FGVPM had resulted in the impairment loss of RM40,755,000. Refer Note 20(i).

During the financial year, an impairment assessment was performed due to delay in maturity of the rubber trees as well as deterioration of results being compounded by workers shortages at the estates level. Based on the impairment assessment, the recoverable amount of the rubber plantation in FGVPM was RM124,200,000, which resulted in the impairment loss of RM11,385,000 for property, plant and equipment. The impairment loss has been recognised as the Group's impairment of non-financial assets and has been included as impairment loss within the Plantation Sector in the Group's segment reporting (Note 19).

The recoverable amount was determined using value-in-use calculation based on cash flow projections. The key assumptions used in the valuation were as follows:

- (i) Rubber price RM5.80 per kg
- (ii) Rubber yield 1,000 kg/ha to 1,550 kg/ha per annum
- (iii) Mature cost per kg RM5.00 per kg to RM6.20 per kg
- (iv) Final replanting year 2027

(e) FGV Palm Industries Sdn Bhd ("FGVPI")

As at 31 December 2021, certain FGVPI mills had been in continuing loss position for three consecutive years which had been identified as indicator for impairment of the assets. Based on the impairment assessment, one of the mill's recoverable amount of RM28,200,000 resulted in a shortfall of RM9,100,000 and this has been recognised as part of the Group's impairment of non-financial assets and included as impairment loss within the Plantation Sector in the Group's segment reporting (Note 19).

The recoverable amount was determined using value-in-use calculation based on cash flow projections.

(f) MSM Malaysia Holdings Berhad ("MSMH")

During the financial year, MSMH, a subsidiary of the Group had received an offer to purchase certain plant and machinery from a scrap metal purchaser. These plant and machinery were part of assets impaired in financial year ended 31 December 2019 following cessation of refinery operations in its previous subsidiary, MSM Perlis Sdn Bhd. Following this offer, the Group has reversed the impairment made of RM11,300,000 based on the recoverable amount of the assets which is equivalent to the offer price. Subsequently, the assets have been reclassified to assets held for sale from plant, property and equipment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

20 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Significant impairment and write off of property, plant and equipment (continued)

Financial year ended 31 December 2021 (continued)

(g) MSM Sugar Refinery (Johor) Sdn. Bhd. ("MSM Johor")

MSM Johor has recorded continuous losses due to its low utilisation capacity since previous financial years, and this has been identified as indicator for impairment for the assets.

The recoverable amount was determined using value in use calculation based on cash flow projections for a finite projection period of 20 years, based on the weighted average remaining useful life of property, plant and equipment.

The recoverable amount of MSM Johor's assets calculated based on value in use calculation was RM1,428 million exceed the carrying value by RM195 million.

The key assumptions used for the value in use calculation are:

<u>Key assumptions</u>	<u>2021</u>
Selling price, RM/MT	2,690 – 2,800
Raw sugar price, US cents/lbs	15.0 – 20.3
Sales volume, MT'000	381 – 655
Freight charges, USD/MT	30.0 – 35.0
Natural gas price, RM/MMBtu	30.0 – 33.1
Discount rate %	10%
Exchange rate (RM – USD)	RM4.25/USD

The sensitivity on the MSM Johor's assets recoverable amount to key assumptions are as follows:

<u>Key assumptions</u>	<u>Sensitivity</u>	<u>VIU Higher/(Lower) by</u> <u>RM'000</u>
Sales volume	30% reduction in FY22 and FY23	(43,000)
Capital expenditure	Increase by RM50 million	(42,100)
Freight charges	Increase to USD60/MT in FY22 (USD 30/MT FY23 onwards)	(32,400)
Natural gas price	Increase to RM40/MMBtu in FY22	(21,100)
Fine syrup sales volume	Reduce by 12KMT – 16KMT	(8,800)

The above sensitivity analysis is based on the movement of individual key assumptions while holding all other assumptions constant.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

20 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Significant impairment and write off of property, plant and equipment (continued)

Financial year ended 31 December 2021 (continued)

(h) Asian Plantation Limited ("APL")

The loss of APL's productive planted area in the previous financial year had been identified as indicator for impairment for the assets. The recoverable amount of the carrying value of APL's assets was determined using fair value less cost to sell (Level 3 fair value calculation), based on the valuation report obtained from an external valuer. Based on the valuation, the recoverable amount of APL's assets was RM306,000,000, which resulted in the recognition of impairment losses of RM112,339,000 for property, plant and equipment and RM25,090,000 for right-of-use assets. The impairment loss totalling RM137,429,000 had been recognised as the Group's impairment of non-financial assets and had been included as impairment loss within the Plantation Sector in the Group's segment reporting (Note 19).

(i) FGV Plantations (Malaysia) Sdn Bhd ("FGVPM")

In the previous financial year, FGVPM had revised its rubber replanting plans, where the final rubber replanting activities is planned in 2022. The change in the replanting plan and the deterioration in the rubber operations' results have been identified as indicators for impairment for the rubber plantation's assets. Based on the impairment assessment, the recoverable amount of the rubber plantation in FGVPM was RM132,500,000, which resulted the impairment loss of RM40,755,000 for property, plant and equipment. The impairment loss had been recognised as the Group's impairment of non-financial assets and had been included as impairment loss within the Plantation Sector in the Group's segment reporting (Note 19).

The recoverable amount was determined using fair value less cost to sell calculation (Level 3 fair value calculation) based on cash flow projections covering a 20 year period. The key assumptions used in the valuation were as follows:

- (i) Rubber price RM5.40 per kg to RM6.48 per kg
- (ii) Rubber yield 1,250 kg/ha to 1,275 kg/ha per annum
- (iii) Mature cost per kg RM3.9 per kg to RM4.0 per kg
- (iv) Final replanting year 2022

The sensitivity of the rubber plantation recoverable amount to changes in key assumptions is as follows:

<u>Key assumptions</u>	<u>Sensitivity</u>	<u>Recoverable amount lower by</u> RM'000
Rubber price	Reduce by RM0.25 cents per kg	15,092
Rubber yield	Reduce by 100 kg/ha per annum	29,323
Mature cost per kg	Increase by 5%	12,025

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

20 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Significant impairment and write off of property, plant and equipment (continued)

Financial year ended 31 December 2021 (continued)

j) MSM Perlis Sdn Bhd ("MSMP")

The rationalisation plan, which was embarked in financial year 2019 to address losses incurred in Sugar business did not materialise following the recission of sale and purchase agreement. The recoverable amount of plantation assets in MSMP was determined based on the valuation report obtained from the external valuer. Based on the valuation, the recoverable amount for the land was RM173,000,000 and nil for plantation assets after considering that the rubber trees were not viable due to low price and high production costs while the recoverable amount for the industrial leasehold land and building was RM22,300,000. Hence, impairment loss of RM43,705,000 was recognised for property, plant and equipment and reversal of impairment loss of RM7,968,000 was recognised in right-of-use assets and included as the impairment loss within the Sugar Sector in the Group's segment reporting (Note 19).

In addition, there were a series of fire incidents in the Chuping plantation in MSMP occurred during the financial year. Based on the fire incident report prepared by the plantation operations team in Chuping, an assessment had been performed and an amount of RM27,243,000 of bearer plants had been written off in the previous financial year.

k) FGV-CVC (Cambodia) Co. Ltd. ("FGV-CVC")

FGV-CVC incurred losses in the previous financial year, which had been identified as indicator for impairment for the entity's non current assets. The Board of Directors of the Company has decided to dissolve FGV-CVC as there has been no firm offer due to the unfavourable local duty structure in Cambodia. Based on the impairment assessment, due to the lack of disposal alternatives, the Group had recognised the full impairment of RM16,007,000 for carrying value of the property, plant and equipment and RM3,650,000 for carrying value of the right-of-use assets, which had been recorded as impairment of non-financial assets of the Group and had been included as impairment loss within the Plantation Sector in the Group's segment reporting (Note 19).

Leasing arrangements – Group as a lessor

The Group leases out certain of its buildings and structures, mainly relating to tanks, pipelines and installations and warehouses, to tenants under operating leases. The Group is not exposed to any material impact of lease payments subject to variable lease considerations.

Operating lease receipts represent rentals receivable by the Group for natural oil tanks and oil pipeline system rented out.

The future aggregate minimum lease receivables under non-cancellable operating lease are as follows:

	Group	
	2021 RM'000	2020 RM'000
Within 1 year	2,149	2,073
Between 1 and 2 years	2,149	2,073
Between 2 and 3 years	2,149	2,073
Between 3 and 4 years	2,149	2,073
Between 4 and 5 years	2,149	2,073
	10,745	10,365

Rental income recognised in profit or loss during the financial year amounted to RM1,811,000 (2020: RM1,932,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

21 RIGHT-OF-USE ASSETS

Group	Leasehold land RM'000	Buildings, structures and renovations RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Office equipment, tools and other equipment RM'000	Total RM'000
2021						
<u>Cost</u>						
At 1 January 2021	2,574,881	265,804	50,192	3,489	–	2,894,366
Additions	4,752	3,620	4,200	5,156	–	17,728
Remeasurement of lease contracts	(45,772)	–	–	–	–	(45,772)
Write offs	(250)	–	–	–	–	(250)
Reclassification	20,803	(27,396)	–	–	6,593	–
Transfer to asset held for sale (Note 37)	(10,573)	–	–	–	–	(10,573)
Currency translation differences	322	–	1,872	–	–	2,194
At 31 December 2021	2,544,163	242,028	56,264	8,645	6,593	2,857,693
<u>Accumulated depreciation/ impairment</u>						
At 1 January 2021	397,719	167,482	29,553	33	–	594,787
Charge for the financial year	43,872	17,321	6,323	1,309	–	68,825
Write offs	(65)	–	–	–	–	(65)
Reversal of impairment	(319)	–	–	–	–	(319)
Reclassification	3,980	(7,984)	–	–	4,004	–
Transfer to asset held for sale (Note 37)	(2,891)	–	–	–	–	(2,891)
Currency translation differences	148	–	1,124	–	–	1,272
At 31 December 2021	442,444	176,819	37,000	1,342	4,004	661,609
Net book value at 31 December 2021	2,101,719	65,209	19,264	7,303	2,589	2,196,084

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

21 RIGHT-OF-USE ASSETS (CONTINUED)

Group	Leasehold land RM'000	Buildings, structures and renovations RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Total RM'000
2020					
<u>Cost</u>					
At 1 January 2020	2,397,438	248,395	47,510	21	2,693,364
Additions	91,468	21,483	3,725	3,468	120,144
Termination of lease contracts	(12,938)	(4,074)	–	–	(17,012)
Transfer from asset held for sale (Note 37)	99,225	–	–	–	99,225
Currency translation differences	(312)	–	(1,043)	–	(1,355)
At 31 December 2020	2,574,881	265,804	50,192	3,489	2,894,366
<u>Accumulated depreciation/ impairment</u>					
At 1 January 2020	299,513	157,637	22,432	21	479,603
Charge for the financial year	63,945	12,846	7,531	12	84,334
Termination of lease contracts	(3,717)	(3,001)	–	–	(6,718)
Impairment loss (net)	20,305	–	–	–	20,305
Transfer from asset held for sale (Note 37)	17,687	–	–	–	17,687
Currency translation differences	(14)	–	(410)	–	(424)
At 31 December 2020	397,719	167,482	29,553	33	594,787
Net book value at 31 December 2020	2,177,162	98,322	20,639	3,456	2,299,579

As at 31 December 2021, the carrying amount of right-of-use assets under land arrangements with FELDA amounted to RM175,298,000 (2020: RM182,689,000). FELDA is in the midst of applying the land titles from respective state authorities.

Company	Buildings RM'000
2021	
<u>Cost</u>	
At 1 January 2021/31 December 2021	39,251
<u>Accumulated depreciation</u>	
At 1 January 2021	10,176
Charge for the financial year	4,361
At 31 December 2021	14,537
Net book value at 31 December 2021	24,714

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

21 RIGHT-OF-USE ASSETS (CONTINUED)

Company	Buildings RM'000
2020	
<u>Cost</u>	
At 1 January 2020/31 December 2020	39,251
<u>Accumulated depreciation</u>	
At 1 January 2020	5,815
Charge for the financial year	4,361
At 31 December 2020	10,176
Net book value at 31 December 2020	29,075

Total cash outflow for leases of the Group and the Company are as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Short term lease payments	4,798	3,922	23	60
Rental of low value assets	4,743	5,180	–	–
Payments of lease liabilities	46,794	43,676	5,234	5,019
	56,335	52,778	5,257	5,079

22 INVESTMENT PROPERTIES

Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Total RM'000
2021				
<u>Cost</u>				
At 1 January/31 December 2021	32,006	21,591	127,145	180,742
<u>Accumulated depreciation/impairment</u>				
At 1 January 2021	–	2,938	84,015	86,953
Charge for the financial year	–	310	11,948	12,258
At 31 December 2021	–	3,248	95,963	99,211
Net book value at 31 December 2021	32,006	18,343	31,182	81,531

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

22 INVESTMENT PROPERTIES (CONTINUED)

Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Total RM'000
2020				
<u>Cost</u>				
At 1 January/31 December 2020	32,006	21,591	127,145	180,742
<u>Accumulated depreciation/impairment</u>				
At 1 January 2020	–	2,635	72,058	74,693
Charge for the financial year	–	303	11,957	12,260
At 31 December 2020	–	2,938	84,015	86,953
Net book value at 31 December 2020	32,006	18,653	43,130	93,789

Company	Buildings	
	2021 RM'000	2020 RM'000
<u>Cost</u>		
At 1 January/31 December 2021	17,627	17,627
<u>Accumulated depreciation/impairment</u>		
At 1 January	5,444	4,562
Charge for the financial year	882	882
At 31 December	6,326	5,444
Net book value at 31 December	11,301	12,183

The following amounts have been recognised in profit or loss:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Rental income from investment properties	4,733	4,712	235	201
Direct operating expenses arising from investment properties that generate rental income	(1,101)	(1,959)	(32)	(35)
Direct operating expenses arising from investment properties that did not generate rental income	–	–	(32)	(35)

The fair value of the investment properties above as at 31 December 2021 is estimated at RM249,647,000 (2020: RM257,282,000) for the Group and RM19,006,485 (2020: RM19,044,500) for the Company based on independent valuations carried out by registered professional valuers using the comparison method by reference to recent transactions involving other similar properties in the vicinity. The valuation is a Level 2 fair value estimation.

Leasing arrangements – Group and Company as a lessor

The investment properties are leased to tenants under operating leases. The Group and the Company are not exposed to any variable lease considerations under the arrangements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

23 INTANGIBLE ASSETS

Group	Goodwill RM'000	Brand RM'000	Software RM'000	Land use rights RM'000	Others RM'000	Intangible assets under development RM'000	Total RM'000
<u>Net book value</u>							
2021							
At 1 January 2021	809,072	75,987	21,535	42,401	1,132	8,162	958,289
Additions	–	–	4,337	3,021	–	2,596	9,954
Reclassification	–	–	8,162	–	–	(8,162)	–
Amortisation charge	–	(4,650)	(14,933)	(741)	(244)	–	(20,568)
Exchange differences	–	–	–	667	40	–	707
At 31 December 2021	809,072	71,337	19,101	45,348	928	2,596	948,382
Expected remaining useful lives (years)							
– 31 December 2021		9 – 16	1 – 5	29	5		
2020							
At 1 January 2020	803,035	80,637	31,472	43,891	1,395	9,324	969,754
Acquisition of a subsidiary (Note 24(c))	6,037	–	–	–	–	–	6,037
Additions	–	–	2,526	202	–	609	3,337
Reclassification	–	–	1,771	–	–	(1,771)	–
Amortisation charge	–	(4,650)	(18,020)	(741)	(244)	–	(23,655)
Transfer from property, plant and equipment (Note 20)	–	–	3,786	–	–	–	3,786
Exchange differences	–	–	–	(951)	(19)	–	(970)
At 31 December 2020	809,072	75,987	21,535	42,401	1,132	8,162	958,289
Expected remaining useful lives (years)							
– 31 December 2020		10 – 17	1 – 3	30	6		

