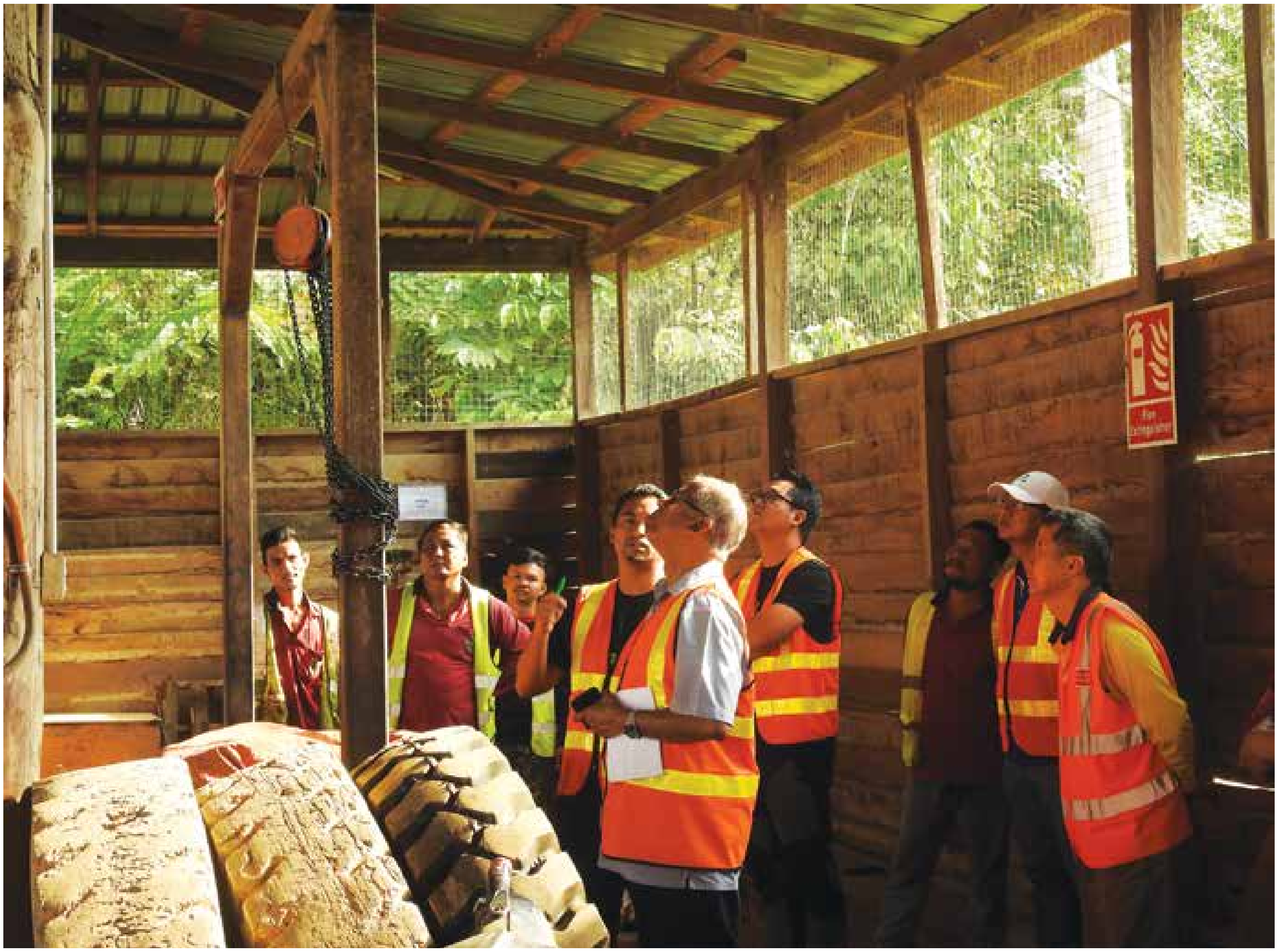


■ *Inspection of workplace safety and health measures (Pasin FMU Stage II Audit)*

Ta Ann Group manages our timber concessions in accordance with MTCS' Principles and Criteria, and this includes an annual audit conducted by SIRIM QAS International Sdn. Bhd., an accredited and independent certification body ("CB"). Due to the travel restrictions brought about by the COVID-19 pandemic, the CB carried out remote audits for Kapit and Raplex FMUs. We ensured continuous compliance with the principles of sustainable development by keeping the balance between the three main pillars of economic viability, social acceptance and environmentally-friendly forest operations.

The FMUs make sure that all the stakeholders, including local communities, forestry agencies, local governments and NGOs are consulted and informed on the latest operational updates. The FMUs conducted 5 meetings with the Community Representative Committee, 7 Social Awareness Programmes and Consultations at directly-affected community settlements, and 3 Forest Management Certification Liason Committee meetings with government agencies to create a platform for communication and benefical collaboration. The Social Awareness Programme included dissemination of up-to-date forest management information, covering results of Social and Environmental Impact Assessments, and consultations on identifying, managing and monitoring of High Conservation Value ("HCV") areas affecting local communities.

■ *Social Awareness Programme and community consultation at Rh Akang, Sg Bangkit, Song*

In safeguarding our environment, Ta Ann Group maintained its environmental compliance with the requirements set by the Natural Resources and Environmental Board ("NREB") through periodic monitoring by in-house and appointed environmental consultants against the Environmental Impact Assessment Approval Term and Conditions, which cover measures to protect the physico-chemical, biological and human environment.

Our FMUs actively collaborate with conservation organisations and regulatory authorities in ensuring that our forest management prescriptions are able to maintain the productive capacity and ecological integrity of the forests while ensuring economic viability. Our Group's Sustainable Forest Management Department is actively collaborating with Universiti Malaysia Sarawak in the identification and monitoring of endangered, rare and threatened species around salt licks for sustainable forestry and monitoring of HCV areas found in our FMUs.

This collaboration involved 11,516 camera trapping days, capturing over 95,000 independent records of 34 fauna species, which demonstrates the richness and diversity of species currently present within Ta Ann Group's FMUs.

■ *Sun bear (Helarctos Malayanus) in Pasin FMU*

■ *Bornean yellow muntjac (Muntiacus atherodes) near salt lick in Raplex FMU*

Ta Ann Group Honorary Wild Life Rangers appointed under Section 8 of the Wild Life Protection Ordinance, 1998 conducted three workplace inspections to detect illegal keeping and hunting of wildlife and thirteen sessions of wildlife protection awareness talks involving forest workers and outreach to local communities settlements.

■ *Ta Ann Group Honorary Wild Life Ranger conducting workplace inspections to prevent illegal hunting of wildlife within Group FMUs*

■ *Awareness briefing on the protection and conservation of HCV areas at Punan Sama, Belaga*

SUSTAINABILITY STATEMENT (cont'd)

Sustainable Palm Oil

Ta Ann Group is committed to establishing a transparent, traceable and sustainable palm oil supply chain. Through adopting sustainable practices in managing oil plam plantations and palm oil mills, we source and produce high-quality oil palm products. With this in mind, Malaysian Sustainable Palm Oil ("MSPO") certification is the primary sustainability standard in our operations. As part of our pledge to support sustainable growth, we believe that progressive communication with our external stakeholders would increase their engagement with and commitment to MSPO standards.

i) MSPO Certification

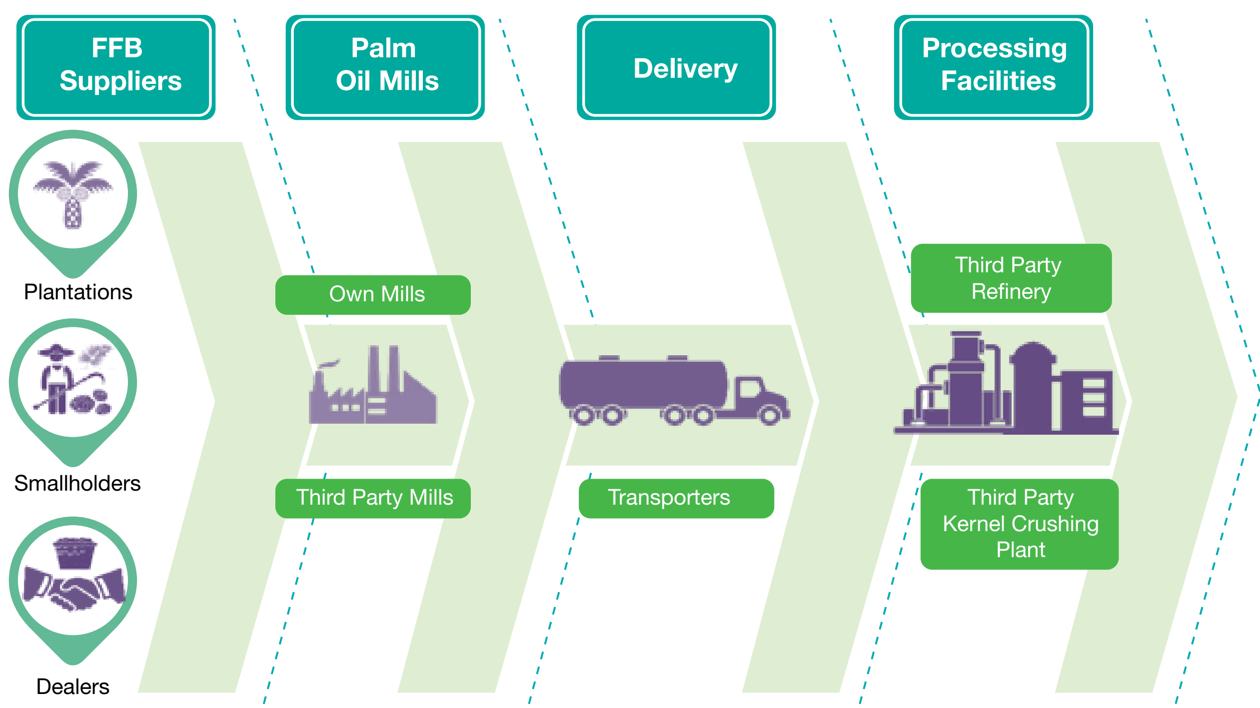
As at 31 December 2020, Ta Ann Group has achieved 100% MSPO Certification for our 13 oil palm plantations and 3 palm oil mills.

ii) MSPO Supply Chain Certification Standard ("MSPO-SCCS")

For palm oil mills, MSPO-SCCS addresses management requirements and traceability of production through the supply chain (from raw materials to production of palm oil products).

Currently, we apply the Mass Balance Supply Chain Model in obtaining our MSPO-SCCS certification. As at 31 December 2020, we have achieved MSPO-SCCS certification for all oil palm entities.

Overview of FFB, CPO & PK Supply Chain for Ta Ann Group



■ *On-site audits by external MSPO auditors (palm oil mill)*


■ *On-site audits by external MSPO auditors (oil palm plantation)*

SUSTAINABILITY STATEMENT (cont'd)

■ *Remote audits were conducted during the COVID-19 pandemic*

Ta Ann Group strives to ensure ecosystem stability at our oil palm plantations and palm oil mills, thus ensuring that the surrounding environment are not affected by our activities. In addition to continuously improving operational efficiency, Ta Ann Group is committed to incorporating genuine long-term sustainable practices with a strong emphasis on the measures stated below to mitigate any adverse impacts on the ecosystem.

- ***Integrated Pest Management*** – a sustainable and integrated system of managing pests involving a combination of cultural, biological and chemical measures. This provides the most cost effective, environmentally sound and socially acceptable method of managing diseases and insects in our oil palm plantations.

- ***Fire & Haze Commitmen***t – Enforcement of the zero burning policy at our operational sites. This complies with NREB and Department of Environment ("DOE") requirements, ensuring that our operations do not interfere with or reduce the quality of air for the communities surrounding us.

- ***Fertiliser Management*** – utilising cut palm fronds and empty fruit bunches for soil mulching and to contribute nutrients back into the soil, thus decreasing reliance on the use of inorganic fertilisers.

- ***Water Management*** – installed water gates at strategic locations along the drains to maintain optimum water table level for yield enhancement as well as to counter potential rain shortfalls and fire risks.

- ***Riparian Zone*** – a gazetted area whereby no activities shall be conducted or any flora and fauna disturbed. This zone also controls soil erosion and filters water flows from plantations to nearby waterways, ensuring that fertilisers and chemicals used in our operations do not pollute the environment.

- ***Peat Land Management*** – all plantations operating on peat land maintain a water level of 55cm to 75cm at all times to reduce carbon emissions.

- ***Waste Management*** – full compliance with our established Standard Operating Procedures ('SOP') for waste handling and disposal. To transport and dispose of Scheduled Waste ('SW') safely, our sites are equipped with SW storage facilities and we engage DOE-licensed contractors to transport SW from our sites.

- ***Environmental Monitoring Report*** – appointment of external consultants to monitor environmental impacts resulting from our oil palm plantations' activities on a quarterly basis.

■ *Cultivated antigonon leptotus by the roadside as part of Integrated Pest Management*

■ *Palm fronds for soil mulching*

■ *Water monitoring point*

■ *Riparian buffer zone*

■ *Provision of the iconic 3-coloured bins at all sites to encourage recycling amongst our employees*

■ *Posters of protected wildlife are posted in every oil palm plantation*

SUSTAINABILITY STATEMENT (cont'd)

Ta Ann's environmental management and protection efforts are empowered through the appointment of an Environmental Person-in-Charge at all sites to ensure standards are met and maintained. An Environmental Committee has also been established to conduct regular inspections, meetings and trainings to instill awareness in our employees. In our efforts to conserve biodiversity, we practise the highest level of compliance with all relevant laws pertaining to the protection, conservation and rehabilitation of the environment.

SOCIAL

The Group also believes in responsibly managing and growing our business. We strive to drive positive social change in the areas where we operate.

Community Contributions and Development

With operations spanning the whole of Sarawak, the needs of local communities are closely intertwined with that of the Group's. In addition to actively supporting and enriching the lives of the society around us, the year 2020 brought into stark focus the needs of the medical community and that of the less privileged too.

To help cope with the COVID-19 outbreak throughout 2020, Ta Ann continuously sponsored purchases of medical equipment that were in short supply, such as ventilators, patient beds etc., and also collaborated with the Ministry of Health to set up a test laboratory under the Pathology Department at Sibu General Hospital. With communities affected economically by the COVID-19 pandemic, Ta Ann also made emergency contributions to the Sarawak State Government to assist in taking care of the welfare of local citizens.

Keeping in mind the importance of educating future generations, we also made donations to state schools for them to purchase new furniture, and provided funds allowing schools to organise activities beneficial to the growth and development of their students.

■ *Donation to SMK Bawang Assan to improve school facilities*

■ *Donation to SJK (C) Taman Rajang to support needy students*

10 • TEMPATAN

RABU • 1 APRIL 2020 • 7 SYAABAN 1441H Utusan Sarawak

Kumpulan Ta Ann derma alat perubatan

SIBU: Sebagai menyahut seruan Hospital Sibu, Kumpulan Ta Ann menyumbang sejumlah RM164,300 kepada Hospital Sibu untuk membeli dua unit katil pesakit trauma hidraulik dan satu alat ventilator pengangkutan pintar mudah alih mewah bagi mengatasi masalah semasa keadaan kritikal kerana wabak Covid-19.

Ketua jabatan kecemasan dan trauma Hospital Sibu, Dr. Chan Swee Ping berkata, jabatan kecemasan sebagai barisan hadapan hospital itu memerlukan lebih banyak katil sebagai persediaan menampung jumlah pesakit susulan wabak Covid-19 sekarang.

"Pesakit Covid-19 akan menghadapi sesak nafas dan mereka yang mengalami masalah pernafasan teruk perlu menggunakan ventilator bagi membantu mereka bernafas secara normal.

"Ventilator mewah ini boleh digunakan oleh orang dewasa, kanak-kanak dan juga bayi baru lahir.

"Sekiranya diperlukan, ia dapat memberikan pengudaraan sehingga sembilan jam untuk membantu pesakit dengan pemindahan jarak jauh ke Hospital Umum Sarawak," katanya.

Dr. Chan menambah, ramai pesakit di kawasan tengah sedang dihantar ke Hospital Sibu untuk rawatan.

"Oleh itu, Hospital Sibu memerlukan peralatan perubatan tambahan yang berkaitan untuk memastikan pesakit boleh dirawat dengan baik.

"Derma ini sudah pasti memberi kita sokongan yang besar dalam tempoh kritikal ini.

"Bagi pihak Hospital Sibu, saya merakamkan penghargaan kepada Kumpulan Ta Ann atas sumbangan peralatan perubatan ini yang pasti memberi manfaat kepada masyarakat Sibu," katanya.

TA ANN

PENGURUS Tadbir Kumpulan Ta Ann, Wong Teck Sung (kanan) menyampaikan cek kepada Dr. Chan Swee Ping.

■ *Purchase of emergency medical equipment for Sibu General Hospital to cope with the COVID-19 outbreak*

■ *Collaboration with the Ministry of Health, Malaysia to set up a molecular laboratory at the Pathology Department in Sibu General Hospital.*

SUSTAINABILITY STATEMENT (cont'd)

■ *Donations to the Otorhinolaryngology Department of Sibu General Hospital*

■ *Meeting with internal and external stakeholders*

■ *Sponsored Raya hampers for Indonesian workers who celebrate it*

■ *Upgraded logging road for public use*

■ *Donated plywood to BOMBA Song, Kapit*

Workplace

Ta Ann has a workforce of over 5,000 employees. Employees being one of our greatest assets, their welfare remains our top priority. We value our people and reward their contribution with fair remuneration, career development opportunities, scholarships and further training prospects.

- Education – education is fundamental to human resource development and growth in Ta Ann. We also believe in the power of education in transforming the lives of the community and our people. It lays the foundation for sustained economic growth. We provide education sponsorships for less privileged yet performing students giving them the opportunities to realize their desires in pursuing higher education. Since 2010, we have set up a 'Ta Ann Education Fund' to assist young deserving Sarawakian students to pursue higher education. We hope that with proper education, these students may achieve a better prospect in life and become active participants in society.

- Leveraging sports to build future leadership – our group supports sports development activities intending to nurture young talent by providing opportunities and financial supports.

- Employee volunteerism – we continue to provide opportunities for and encourages our employees to volunteer their time and actively participate in various charitable and social activities.

- Boosting positivity through work-life balance – we also place a heavy emphasis on promoting work-life balance to increase employee morale and improve work quality to create a conducive working environment. We encourage employees to participate in various activities organised by our Ta Ann Recreational Club whose committee members comprise elected representatives from various departments.

- Helping employees in need – we make donations to employees when serious illnesses or personal tragedies befall them, so as to help them get back on their feet.

SUSTAINABILITY STATEMENT (cont'd)

- Employee Engagement - we promote a culture of openness and feedback between managers and employees, as well as across different divisions through management gatherings, annual dialogue sessions, monthly meetings, early bird breakfast sessions and periodic corporate luncheons. In 2020, the majority of these meetings were moved online to facilitate social distancing.

  These meetings foster closer interactions and strengthen synergies among the diverse business segments within the Group. Through these communication platforms, senior management and employees, colleagues and peers are able to interact, exchange ideas, share their experiences and bring out new innovative ideas. They are also provided with regular updates on the business direction and company performance as well as solutions to issues which affect their work. A review of broader human resource issues and policies is on the monthly management meeting's agenda. We continue to increase our efforts to ensure nothing is overlooked when it comes to means and measures that can enhance the capability and effectiveness of the Group's workforce.

- Whistleblowing policy - We have in place a whistleblowing policy to provide employees access to appropriate channels of communication to raise concerns without fear of reprisals. All concerns raised are treated fairly and properly.

Health & Safety

Ta Ann Group believes that our workers' safety and health are rights which need to be upheld and protected. We take the health and safety of our workers seriously, particularly at operational sites such as forests, plantations and mills. Besides complying with health and safety regulations and laws, we constantly raise awareness through programmes and workshops on safety precautions of safe practices at the workplace.

A Safety & Health Person-in-Charge is appointed at all sites to ensure standards of Occupational Safety & Health ("OSH") are met and maintained. Safety culture in Ta Ann Group is also strengthened by establishing a Safety & Health Committee to conduct regular workplace inspection, SHC meeting & trainings to instill awareness in our employees.

"Prevention is better than cure", and thus, our Group has undertaken actions to ensure that all our work operations and premises are duly assessed and corrective actions are taken towards a safe and healthy working environment. Our Hazard Identification, Risk Assessment and Risk Control ("HIRARC") measures are reviewed periodically. In addition, we also engage licensed safety practitioners to assess our workplace.

Workplace Assessment done by external licensed Department of Safety & Health ('DOSH') Assessor
- *Chemical Health Risk Assessment ('CHRA')*
- *Personal Chemical Exposure Monitoring ('PCEM')*
- *Medical Surveillance*
- *Noise Risk Assessment*

All the assessments conducted show no significant hazards present in our workplace.

■ *Frequent trainings with emphasis on OSH & environmental aspects*

■ *Fire-fighting training for workers*

■ *Protecting our people while maximising efficiency and productivity*

■ *DOSH officers inspecting our sites*

SUSTAINABILITY STATEMENT (cont'd)

To improve the OSH standards in our workplace, we receive visits from DOSH to conduct site audits and registration of our machineries as per stated the Factories & Machineries Act 1967. This ensures that we comply with legal requirements and also enable our workplace to be up to standard. As such, recommendations by DOSH officers will be acted upon immediately so as to ensure that our workplace is a safe and healthy workplace for our employees.

Curbing the Spread of COVID-19

SARS-CoV-2 or COVID-19 was declared a global pandemic on 11 March 2020, and we were not spared the fallout. Malaysia was put under the first movement control order on 18 March 2020, and to assist in the fight against the pandemic, our Group took proactive measures and actions in order to stop the spread of the pandemic in our workplace.

Measures taken to stop the spread of COVID-19 in Ta Ann Group

- *Reviewed and updated HIRARC*
- *Improved Accident & Emergency Procedures*
- *Conducted training and briefing on procedures*
- *Temperature monitoring for all employees*
- *Scheduled sanitisation activities*

Our Group also complies with current updates and instructions from Majlis Keselamatan Negara (MKN), DOSH and Sarawak Disaster Management Committee (SDMC) in the prevention of spreading COVID-19 in the workplace.

Moving Forward

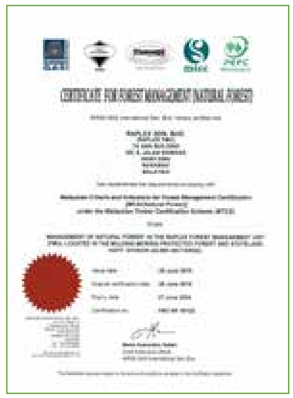
Sustainability remains a key consideration in our policy formulation and business practices as we regard this as a shared value for all of our stakeholders. As a responsible corporate citizen, Ta Ann shall continue to pursue growth while remaining in line with our EES objectives.

AWARDS & RECOGNITION

FOREST MANAGEMENT CERTIFICATION, LEGAL VERIFICATION AND TIMBER CHAIN-OF-CUSTODY

SUSTAINABLE FOREST MANAGEMENT CERTIFICATION

TANJONG MANIS HOLDINGS SDN. BHD.
RAPLEX SDN. BHD.
PASIN SDN. BHD.



Certificated for Forest Management (Natural Forest) under the Malaysian Timber Certification Scheme (MTCS), a scheme internationally endorsed by The Program for the Endorsement of Forest Certification (PEFC)

Sarawak Government Recognition of Achievement of Sustainable Forest Management Certification under MTCS

VERIFICATION OF LEGAL COMPLIANCE

SARAWAK TIMBER LEGALITY VERIFICATION SYSTEM (STLVS)
Principle 1-4: Forest Operation

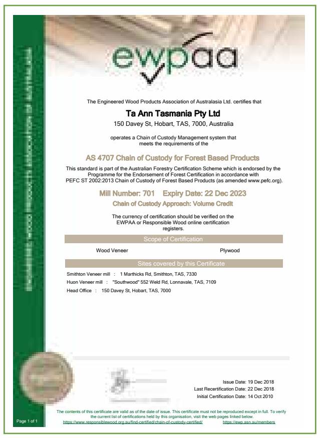
TA ANN PLYWOOD SDN. BHD.

AWARDS & RECOGNITION (cont'd)

CHAIN OF CUSTODY

PROGRAM FOR THE ENDORSEMENT OF FOREST CERTIFICATION (PEFC)
Chain-of-Custody (CoC)

TA ANN TASMANIA PTY. LTD.


ewpaa
The Engineered Wood Products Association of Australasia Ltd. certifies that
Ta Ann Tasmania Pty Ltd
150 Davey St, Hobart, TAS, 7000, Australia
AS 4707 Chain of Custody for Forest Based Products
Mill Number: 701 Expiry Date: 22 Dec 2023

EWPAA – PEFC Chain of Custody Certification

TA ANN PLYWOOD SDN. BHD.


TA ANN PLYWOOD SDN BHD
PEFC ST 2002:2013
Chain of Custody of Forest Based Products

LIK SHEN SAWMILL SDN. BHD.


LIK SHEN SAWMILL SDN BHD
PEFC ST 2002:2013
Chain of Custody of Forest Based Products

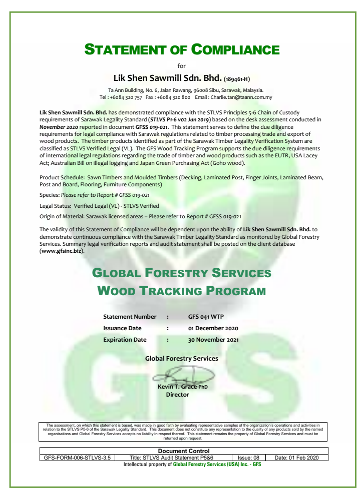
Bureau Veritas PEFC ST 2002:2013 - Chain of Custody of Forest Based Products Certification

SARAWAK TIMBER LEGALITY VERIFICATION SYSTEM (STLVS)
Principle 5-6: Downstream Operation

TA ANN PLYWOOD SDN. BHD.


Statement of Compliance
Global Forestry Services
Wood Tracking Program

LIK SHEN SAWMILL SDN. BHD.

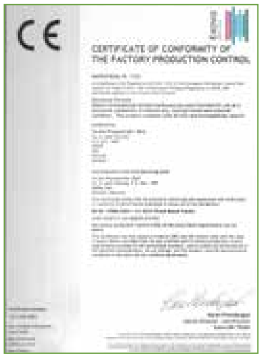

Statement of Compliance
for
Lik Shen Sawmill Sdn. Bhd.
Global Forestry Services
Wood Tracking Program
Statement Number : GFS 041 WTP
Issuance Date : 01 December 2020
Expiration Date : 30 November 2021

Global Forestry Services Inc. Wood Tracking Program for downstream processing

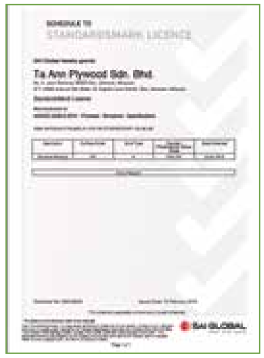
AWARDS & RECOGNITION (cont'd)

QUALITY ASSURANCE

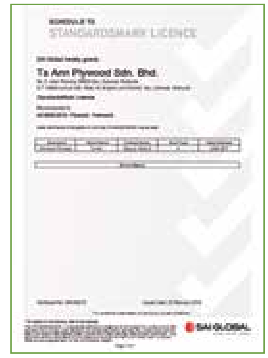
TA ANN PLYWOOD SDN. BHD.


CERTIFICATE OF CONFORMITY OF THE FACTORY PRODUCTION CONTROL


STANDARDSMARK LICENCE
Ta Ann Plywood Sdn. Bhd.


SCHEDULE TO STANDARDSMARK LICENCE
Ta Ann Plywood Sdn. Bhd.


STANDARDSMARK LICENCE
Ta Ann Plywood Sdn. Bhd.


SCHEDULE TO STANDARDSMARK LICENCE
Ta Ann Plywood Sdn. Bhd.

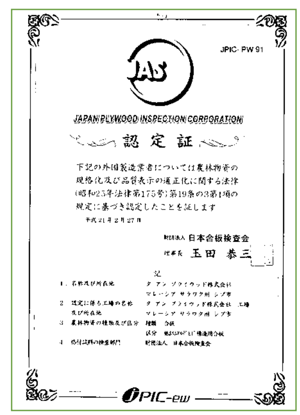
CE Certification of Conformity of the Factory Production Control by BM TRADA

Standards Mark Licence for Formwork (AS6669-2007) and Structural Bracing Plywood (AS/NZS 2269.0:2012) by SAI GLOBAL


JAPAN PLYWOOD INSPECTION CORPORATION
認定証


JAPAN PLYWOOD INSPECTION CORPORATION
認定証


JAPAN PLYWOOD INSPECTION CORPORATION
認定証


JAPAN PLYWOOD INSPECTION CORPORATION
認定証

Japanese Agricultural Standards (JAS) Certification


TA ANN PLYWOOD SDN BHD
ISO 14001:2015


ISO 14001:2015


REGISTRATION CERTIFICATE
CERTIFICATE OF CONFORMITY

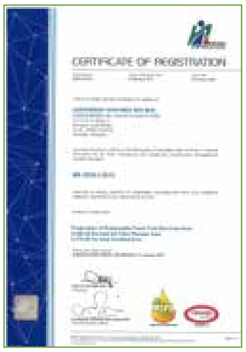
ISO 14001:2015 Environmental Management System by Bureau Veritas

Certificate of Conformity with the provision of California Code of Regulation concerning Airborne Toxic Control Measure by MUTU Certification International

AWARDS & RECOGNITION (cont'd)

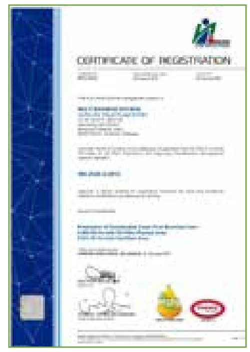
SUSTAINABLE PALM OIL

MALAYSIAN SUSTAINABLE PALM OIL (MSPO)



AGROGREEN VENTURES SDN. BHD. (Agrogreen Oil Palm Plantation)

MEGA BUMIMAS SDN. BHD. (Terus Oil Palm Plantation)



MULTI MAXIMUM SDN. BHD. (Daro Oil Palm Plantation)

PELITAMA SDN. BHD. (Seredeng Oil Palm Plantation)

TA ANN PELITA ASSAN PLANTATION SDN. BHD. (Assan Oil Palm Plantation)

TA ANN PELITA NGEMAH SDN. BHD. (Ngemah Oil Palm Plantation)

TA ANN PELITA DURIN PLANTATION SDN. BHD. (Durin Oil Palm Plantation)

TA ANN PELITA IGAN PLANTATION SDN. BHD. (Igan Oil Palm Plantation)

TA ANN PLYWOOD SDN. BHD. (Katibas Oil Palm Plantation)

TA ANN PELITA SILAS PLANTATION SDN. BHD. (Silas Oil Palm Plantation)

TA ANN PELITA BALEH SDN. BHD. (Baleh Oil Palm Plantation)

TA ANN PLYWOOD SDN. BHD. (Naman Oil Palm Plantation)

AWARDS & RECOGNITION (cont'd)

SUSTAINABLE PALM OIL

MALAYSIAN SUSTAINABLE PALM OIL (MSPO)


CERTIFICATE

TBS OIL MILL SDN. BHD.
(TBS Palm Oil Mill)

MS2530-4 : 2013
GENERAL PRINCIPLES FOR PALM OIL MILLS

DQS Certification (M) Sdn Bhd

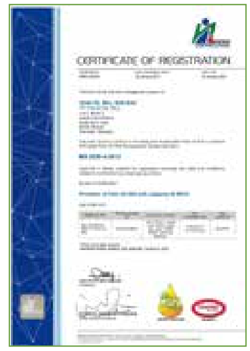
TBS OIL MILL
SDN. BHD.
(TBS Palm Oil Mill)


CERTIFICATE

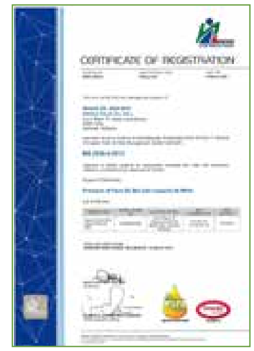
ZUMIDA OIL PALM SDN. BHD.
(Zumida Oil Palm Plantation)

MS2530-3 : 2013
GENERAL PRINCIPLES FOR OIL PALM PLANTATIONS AND ORGANISED SMALLHOLDERS

ZUMIDA OIL PALM
SDN. BHD.
(Zumida Oil Palm
Plantation)

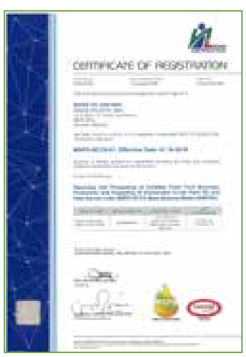

CERTIFICATE OF REGISTRATION

IGAN OIL MILL
SDN. BHD.
(TP Palm Oil Mill)

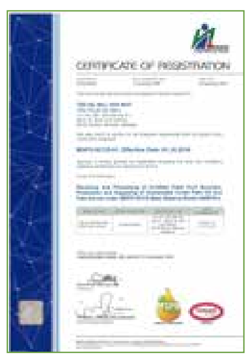

CERTIFICATE OF REGISTRATION

MANIS OIL
SDN. BHD.
(Manis Palm Oil Mill)

MALAYSIAN SUSTAINABLE PALM OIL SUPPLY CHAIN CERTIFICATION STANDARD (MSPO SCCS)


CERTIFICATE OF REGISTRATION

MANIS OIL
SDN. BHD.
(Manis Palm Oil Mill)


CERTIFICATE OF REGISTRATION

TBS OIL MILL
SDN. BHD.
(TBS Palm Oil Mill)


CERTIFICATE OF REGISTRATION

IGAN OIL MILL
SDN. BHD.
(TP Palm Oil Mill)

AWARDS & RECOGNITION (cont'd)

CORPORATE AWARDS

7TH SARAWAK CHIEF MINISTER'S ENVIRONMENTAL AWARD (CMEA) 2015/2016

TA ANN PLYWOOD SDN. BHD. (Plywood Division)	TA ANN PLYWOOD SDN. BHD. (Reforestation Division)
	
Gold Award for Large Enterprise (Manufacturing)	Winner of Large Enterprise (Plantation)

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("Board") of Ta Ann Holdings Berhad ("Ta Ann" or "the Company") is strongly committed to maintaining a high standard of corporate governance founded on core values such as ethical behavior, accountability, transparency, sustainability and integrity throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance long-term shareholder value and the financial performance of the Group.

This Statement provides an overview of the corporate governance practices adopted by the Company in respect of the financial year ended 31 December 2020 ("FY2020"). It outlines the manner in which the Company has applied the principles and practices set out in the Malaysian Code of Corporate Governance ("MCCG"), in accordance with paragraph 15.25(1) and Practice Note 9 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR"). The applications of the principles and practices of the MCCG have also been set out, in greater detail, in the Corporate Governance Report ("CG Report") which can be downloaded from the Company's website at www.taann.com.my.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

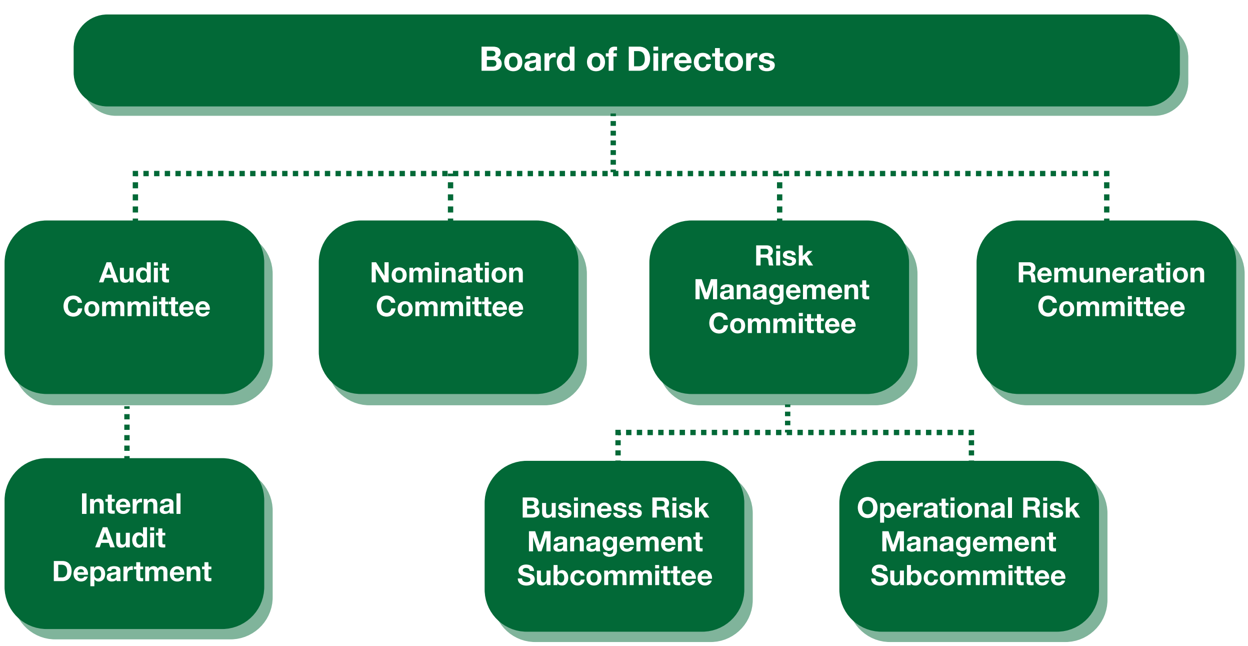
I. BOARD RESPONSIBILITIES

The Board is primarily responsible for fiduciary oversight, setting policies and acting in the best interest of the Company. The Board also plays a pivotal role in the stewardship of the Group's direction and operations, including enhancing long-term shareholder value.

The Board is guided by the Board Charter which sets out the governance structure, authority and terms of reference of the Board; the respective role and responsibilities of the Board, Board Committee and management, in accordance with the principles and practices of good corporate governance. The Board Charter is available on the company's website at www.taann.com.my.

The Board delegates certain of its governance responsibilities to Board Committees, i.e. the Audit Committee, Risk Management Committee, Nomination Committee and Remuneration Committee, which operate under their clearly defined terms of reference. The Chairmen of the respective Committees report to the Board the outcome of deliberations of the Committee meetings for final decisions.

The governance structure of the Board is illustrated below:



CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

I. BOARD RESPONSIBILITIES (cont'd)

The Board's principal responsibilities include the following:

- Reviewing and adopting a strategic plan for the Group;
- Providing the entrepreneurial leadership and overseeing the conduct of the Group's businesses to ensure it is properly managed;
- Identifying the principal risks and ascertaining adequate measures to manage the risks so identified;
- Overseeing the human resource development process including succession planning;
- Developing and implementing an investor relations programme/shareholders communication policy; and
- Reviewing the adequacy and the integrity of the Group's internal control system and management information of the Group.

POSITIONS OF CHAIRMAN AND CEO

There is a clear division of responsibility between the Executive Chairman and the Chief Executive Officer. The Executive Chairman, Datuk Amar Abdul Hamed Bin Haji Sepawi leads the Board by setting the tone at the top, and managing the Board effectiveness by focusing on strategy, governance and compliance. While the Chief Executive Officer, Dato Wong Kuo Hea is in charge of overall operations and the implementation of the Board's policies and decisions.

COMPANY SECRETARIES

All the Directors have unrestricted access to the advice and services of the company secretaries to enable them to discharge their duties effectively. The Board is regularly updated and advised by the Company Secretaries who are qualified, experienced and competent on corporate governance best practices, statutory and regulatory requirements, and the resultant implications of any changes therein to the Company and Directors in relation to their duties and responsibilities.

MEETINGS

The Board ordinarily meets at least five (5) times a year with additional meetings convened when urgent and important decisions need to be made between the scheduled meetings. Due notice is given of scheduled meetings and matters to be dealt with. All Board meeting proceedings are minuted, including the issues discussed and the conclusions made in discharging its duties and responsibilities.

All Directors are provided with an agenda and a set of Board papers a week prior to the Board meetings to enable the Directors to obtain further explanations, where necessary, in order to be properly briefed before the meeting.

During the FY2020, a total of three (3) Board meetings were held, where the Board deliberated upon and considered a variety of matters, including the Group's strategy and direction, approving the Group's financial results, performance review, annual operational, financial and capital budgets, investment and acquisition discussions and risk identification and mitigation. Because of the ban on physical meetings and movement controls necessitated by the COVID-19 pandemic, in-person meetings in April and May 2020 were cancelled, moved online and subsequently approved via circular resolutions of the Board.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

I. BOARD RESPONSIBILITIES (cont'd)

MEETINGS (cont'd)

Details of attendance of each Director are as follows:

Name of Directors	No. of Board Meeting Attended
Datuk Amar Abdul Hamed Bin Haji Sepawi	3/3
Dato Wong Kuo Hea	3/3
Sa'id Bin Hj Dolah	2/3
Wong Siik Onn	2/3
Datuk Abang Abdul Karim Bin Tun Abang Haji Openg	3/3
Dato' Awang Bemee Bin Awang Ali Basah (*Resigned on 3 May 2021)*	3/3
Chia Chu Fatt	3/3
Ting Lina @ Ding Lina	3/3
Dato Sri Ambrose Blikau Anak Enturan	2/3
Ali Bin Adai *(Appointed on 3 May 2021)*	Nil

CODE OF CONDUCT AND ETHICS AND WHISTLEBLOWING POLICY

The Board has formulated the Code of Conduct and Ethics, which is essential to set out the behavioural ethics and conducts expected of all Directors and employees of the Company in promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness within the Group's business landscape. The Company has formalised a Whistleblowing Policy, which serve as an avenue to raise genuine concerns about possible improprieties in matters of financial reporting, compliance and other malpractices covering fraud; corruption, bribery or blackmail; criminal offences; failure to comply with legal or regulatory obligations; endangerment of an individual's health and safety; and concealment of any or a combination of the above within the Company in confidence and without risk of reprisal.

The Board has also formulated an Anti-Fraud, Bribery & Corruption Policy for the Group, with the objective to manage risks related to fraud, bribery and corruption.

The Code of Ethics, Whistleblowing Policy and Anti-Fraud, Bribery & Corruption Policy are available on the company's website at www.taann.com.my.

II. BOARD COMPOSITION

BOARD BALANCE AND DIVERSITY

As at 31 December 2020, the Board has nine (9) members, comprising four (4) Executive Directors and five (5) Non-Executive Directors, four (4) of whom are independent. The Board complies with paragraph 15.02 of the MMLR which requires that at least two (2) Directors or one-third of the Board, whichever is higher, are Independent Directors.

The Board recognises the benefits of having a diverse Board to ensure that the mix and profiles of the Board members in terms of age, ethnicity and gender, provide the necessary range of perspectives, knowledge, experience and expertise required to achieve effective stewardship and management. The Board believes that a truly diverse and inclusive Board will leverage the differences in thought, perspective, knowledge, skill, industry experience, cultural and geographical background, age, ethnicity and gender, which will ensure that the Group achieves its strategic objectives.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

II. BOARD COMPOSITION (cont'd)

BOARD BALANCE AND DIVERSITY (cont'd)

On 26 April 2021, the Company announced changes to the composition of the Board and Board Committees whereby Wong Siik Onn was redesignated as Non-Executive Director and appointed as a member of the Audit Committee effective from 1 July 2021. On 3 May 2021, Encik Ali Bin Adai was appointed as an Independent Non-Executive Director of the Company, Chairman of the Remuneration Committee and a member of the Nomination Committee following the resignation of Dato' Awang Bemee Bin Awang Ali Basah from the Board and Board Committees.

The new composition of the Board continues to provide the Group with a wealth of knowledge and experience to draw from a comprehensive mix of skills which includes financial, accounting, management, technical and business expertise that is important for the continued successful operations of the Group.

INDEPENDENT DIRECTOR

The Board acknowledges the presence of Independent Non-Executive Directors ("INED"), who do not engage in the day-to-day management nor participate in any business dealings of the Group, provides an effective independent and balanced view onto the Board. Although all the Directors have an equal responsibility for the Group's operations, the role of the INED is particularly important in ensuring independence of judgment and objectivity are exercised in Board room deliberations, taking into account the long-term interest, not only of the Group but also of the shareholders, employees, buyers, suppliers and the communities in our areas of operation and business.

APPOINTMENT OF DIRECTORS AND SENIOR MANAGEMENT

The Nomination Committee, of which the majority are Independent Directors has been established and is empowered by the Board and its terms of reference to ensure that there are appropriate procedures in place for the nomination, selection, training and evaluation of Directors and that succession plans are in place.

The Nomination Committee assesses the effectiveness of the Board as a whole, the Board Committees and contribution of each individual Director, including the INED and the Group Managing Director on an annual basis to ensure the Board possesses the required mix of skills, experience and core competencies with independence of judgment and objectivity brought by INED to the Board. All assessments and evaluations carried out by the Nomination Committee in discharging its duties are documented in the minutes of meeting.

In accordance with the Company's Constitution, all Directors are required to submit themselves for re-election by rotation at least once in every three (3) years at each AGM. Newly appointed directors shall hold office until the AGM following their appointment, and shall then be eligible for re-election by shareholders. In this regard, the Nomination Committee has also evaluated the eligibility of the retiring Directors to stand for re-election and have nominated Dato Wong Kuo Hea, Mr. Chia Chu Fatt and Ms. Ting Lina @ Ding Lina for re-election in the forthcoming AGM.

The appointment of senior management is recommended by the Human Resource Department to the Chief Executive officer for approval, based on objective criteria, merit and with due regard for diversity in skills, relevant experience, character, qualification, regardless of age or ethnicity.

As part of the Company's succession and talent retention initiatives, the Company will first identify suitable appointees from within the Group, failing which external sourcing via open advertisement would be employed to source for candidates with the best match and fit for the vacancy.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

II. BOARD COMPOSITION (cont'd)

DIRECTORS' TRAINING

As an integral element of the process of appointing new Directors, there is an orientation and education programme for new Board members.

To keep abreast of new developments in the business environment and to effectively discharge their duties as Directors of the Board, the Directors are encouraged to attend seminars, workshops, conferences and training programmes organised by the regulatory authorities and professional bodies.

The Directors are notified of a series of seminars and training programmes conducted by the regulatory authorities and professional bodies for their consideration of participation and the Board receives updates on the MMLR from the Company Secretaries from time to time.

All the Directors have completed the Mandatory Accreditation Programme. Set out below are the training programmes attended by the Directors during the FY2020:

Training Attended	Organizer
Maximising Palm Oil Opportunity and Sustainability Amidst Challenges	Malaysia Palm Oil Board
Provision of Financial Assistance & RPT	CKM Advisory Sdn Bhd
What It Really Means To Be A Director	Institute of Corporate Directors Malaysia and ACCA
Corporate Governance Case Studies	MAICSA
Governance Symposium 2020	MIA
Fraud Risk Management	Bursa Malaysia Securities Berhad
Corporate Liabilities under the MACC Act Effective 1 June 2020 and Its Mitigations	MAICSA

REMUNERATION

The Board has established remuneration policies and procedures to govern the remuneration of Directors and senior management of calibre needed to run the Group successfully. The Remuneration Policy is available on the company's website at www.taann.com.my.

A Remuneration Committee is in place to execute the policies and procedures on remuneration of the Directors and senior management of the Company and ensure that it remains competitive and aligns with the prevalent market practice and condition.

The Remuneration Committee recommends to the Board the remuneration framework and remuneration packages of the Executive Directors. The remuneration of these Directors is determined by the Board as a whole, and Executive Directors abstain from participating and deliberating in their own remuneration.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

II. BOARD COMPOSITION (cont'd)

REMUNERATION (cont'd)

A summary of the remuneration of the Directors for the FY2020 distinguishing between Executive and Non-Executive Directors in aggregate, with categorisation into appropriate components are set out below:

FY2020	By Group Fee (RM'000)	By Group Salary (RM'000)	By Group Bonus (RM'000)	By Group Other Emoluments (RM'000)	By Group Total (RM'000)	By Company Fee (RM'000)	By Company Salary (RM'000)	By Company Bonus (RM'000)	By Company Other Emoluments (RM'000)	By Company Total (RM'000)
Executive Directors										
Datuk Amar Abdul Hamed Bin Haji Sepawi	259	1,360	340	166	2,125	84	1,360	341	167	1,952
Dato Wong Kuo Hea	259	2,007	502	8,242	11,010	84	1,285	321	177	1,867
Wong Siik Onn	143	630	189	104	1,066	84	630	189	104	1,007
Sa'id Bin Haji Dolah	151	268	69	55	543	84	268	69	55	476
Non-Executive Directors										
Datuk Abang Haji Abdul Karim Bin Tun Abang Haji Openg	180	-	-	62	242	180	-	-	62	242
Dato' Awang Bemee Bin Awang Ali Basah *(Resigned on 3 May 2021)*	214	-	-	52	266	168	-	-	52	220
Chia Chu Fatt	108	-	-	26	134	108	-	-	26	134
Ting Lina @ Ding Lina	117	-	-	18	135	108	-	-	18	126
Dato Sri Ambrose Blikau Anak Enturan	84	-	-	5	89	84	-	-	5	89
TOTAL	**1,515**	**4,265**	**1,100**	**8,730**	**15,610**	**984**	**3,543**	**920**	**666**	**6,113**

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT COMMITTEE

The Board has in place an Audit Committee ("AC") to oversee the financial reporting process. This includes assessing the suitability, objectivity and independence of the external auditor, reviewing of audit findings of the external and internal auditors together with the management's response thereon, deliberation on financial statements and reviews of accounting policies.

The AC has full access to both internal and external auditors and is empowered to conduct investigations of any activities within its terms of reference. A more detailed discussion of the Audit Committee's functions can be found in the Audit Committee Report on pages 85 to 88 of this annual report.

II. RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the overall responsibility of maintaining a sound system of risk management and internal control as an integral part of the Group's business operations. The AC supports the Board in overseeing and reviewing the adequacy of the internal control systems, risk management and governance matters. This is to safeguard shareholders' investments and the Group's assets apart from providing oversight of the financial reporting and audit processes.

Detailed information on internal control is set out in the Statement on Risk Management and Internal Control on pages 89 to 92 of this annual report.

INTERNAL AUDIT FUNCTION

The Company has in place an adequately resourced internal audit department ("IAD") which reports directly to the Audit Committee.

The primary function of IAD is to assist the AC in discharging its oversight role in assuring the adequacy and integrity of the Group's system of internal control. The AC approves the annual audit plan. The internal audit function adopts a risk-based approach in executing the internal audit plan that focuses on major business units and operations within the Group.

Details of the work of the Internal Audit Function are set out in the Audit Committee Report on page 88 of this annual report.

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

I. COMMUNICATION WITH STAKEHOLDERS

The Company values dialogue with stakeholders and ensures that its communication with the shareholders and various stakeholders is transparent, timely and with quality disclosure. The Company actively engages all its stakeholders through various platforms including periodic briefings between the Executive Chairman, Executive Directors and management personnel with research analysts, fund managers and investors to explain the Company's strategy, performance and major development, the announcements via Bursa LINK and disclosures on the Company's website. Whilst the Company endeavours to provide as much information as possible to its shareholders and stakeholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (cont'd)

II. CONDUCT OF GENERAL MEETINGS

At the 23rd AGM of the Company held on 30 July 2020, members of the Board were present at the meeting to respond to the questions raised by the shareholders or proxies. The Chairman of the Board chaired the 23rd AGM in an orderly manner and allowed the shareholders or proxies the opportunity to speak at the meeting. The members of Senior Management of the Company as well as the external auditors were also present to respond to any enquiries from the shareholders.

In line with good corporate governance practice, the notice of the 23rd AGM was issued more than 28 days before the AGM date. Each item of special business included in the notice of meeting is accompanied by a full explanation of the effect of a proposed resolution to facilitate a full understanding and evaluation of issues involved so as to make informed voting decisions at the meeting. The voting at the 23rd AGM was conducted through poll voting. The outcome of the AGM was announced to Bursa Malaysia Securities Berhad immediately and the proceedings of the AGM were subsequently uploaded to the Company's website.

This statement is made in accordance with a resolution of the Board of Directors dated 24 February 2021.

ADDITIONAL COMPLIANCE INFORMATION DISCLOSURES

The following information is presented in compliance with the Bursa Malaysia Securities Berhad Main Market Listing Requirements:

1. UTILISATION OF PROCEEDS

During the year, there were no proceeds raised from any corporate proposals.

2. MATERIAL CONTRACTS

There were no material contracts (not being contracts entered into during the ordinary course of business) entered into by the Company or its subsidiary companies involving directors' or major shareholders' interest, either subsisting at the end of the financial year ended 31 December 2020 or entered into since the end of the previous financial year.

3. RECURRENT RELATED PARTY TRANSACTIONS

The Company has in place processes and procedures to ensure all transactions including the transactions with related parties, are monitored and conducted in a manner that is fair and at arm's length basis, with the terms not more favourable to the related parties than to the public, nor to the detriment of minority shareholders and in the best interest of the Company.

A Director who has an interest in a transaction must abstain from deliberation and voting on the relevant resolution in respect of such transaction at Board meetings and/or other meetings of the Company.

Aggregate value of the recurrent transactions of a revenue or trading nature conducted for the financial year between the Company and/or its subsidiary companies with related parties is set out on pages 217 to 219 of this annual report.

At the forthcoming 24th Annual General Meeting to be held on 18 June 2021, the Company will propose a renewal of shareholders' mandate in respect of recurrent related party transactions of a revenue or trading nature.

STATEMENT ON DIRECTORS' RESPONSIBILITIES

The Directors are required by the Companies Act 2016 to prepare financial statements for each financial year which are made out in accordance with the applicable approved accounting standards of the Malaysian Accounting Standards Board (MASB) so as to give a true and fair view of the financial state of affairs of the Company and the Group at the end of the financial year, including the statements of comprehensive income, statements of cash flows and statements of financial position for the financial year.

In preparing the financial statements for the financial year ended 31 December 2020, the Directors have

(i) adopted and applied consistently appropriate accounting policies;

(ii) made judgments and estimates that are reasonable and prudent;

(iii) ensured that all applicable accounting standards are followed; and

(iv) prepared financial statements on a going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

The Directors are responsible for ensuring that the Company and the Group keep accounting records which disclose with reasonable accuracy the financial position of the Company and the Group which enable them to ensure that the financial statements comply with the Companies Act 2016.

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

This statement is made in accordance with a resolution of the Board of Directors dated 24 February 2021.

AUDIT COMMITTEE REPORT

The Audit Committee is established by the Board of Directors ("Board") of Ta Ann Holdings Berhad (the "Company") in compliance with Paragraph 15.15 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR"). During the financial year under review, the Audit Committee had performed its duties and responsibilities in accordance with its Terms of Reference which is available on the Company's website at www.taann.com.my.

COMPOSITION AND MEETINGS

As at 31 December 2020, the Audit Committee ("AC") consists of three (3) members, all of whom are independent non-executive directors. The Chairman of AC is appointed by the Board and is a senior independent non-executive director and not the Chairman of the Board.

During the financial year ended 31 December 2020 ("FY2020"), the AC held a total of three (3) meetings. Because of the ban of physical meetings and movement controls necessitated by the COVID-19 pandemic, meetings in April and May 2020 were cancelled, moved online and subsequently approved via circular resolutions of the AC.

Details of the members and their attendance at the meetings are as follows:

Name of AC Members	Attendance
Chairman	
Datuk Abang Haji Abdul Karim Bin Tun Abang Haji Openg *Senior Independent Non-Executive Director*	3/3
Members	
Dato' Awang Bemee Bin Awang Ali Basah *(Resigned on 3 May 2021)* *Independent Non-Executive Director*	3/3
Mr. Chia Chu Fatt *Independent Non-Executive Director*	3/3

Mr. Chia Chu Fatt is a Fellow of the Chartered Association of Certified Accountants (UK), a member of the Malaysian Institute of Accountants and a member of Chartered Tax Institute of Malaysia. The AC therefore complies with paragraph 15.09(1)(c) of the MMLR which stipulate that at least one (1) member of the AC must be a qualified accountant.

SUMMARY OF ACTIVITIES

The AC carried out the following activities for the FY2020 in the discharge of their duties:

1. Financial Reporting

The AC reviewed the Group's unaudited quarterly results and annual audited financial statements, and recommended the same for approval by the Board. In the review of the Group's unaudited quarterly results, the AC focused particularly on

a) consistent application of the appropriate accounting policies;
b) compliance with applicable approved accounting standards and other legal/regulatory requirements in Malaysia;
c) appropriateness of going concern assumptions; and
d) impact of any changes to the accounting policies and/or new accounting standards.

In the review of annual audited financial statements, the AC in addition, focused on

- significant matters highlighted by the external auditors, KPMG PLT ('KPMG'); and
- significant judgments made by the Management.

2. External Audit

a) Reviewed with KPMG their audit plan for FY2020, the scope of audit outlining the auditors' responsibilities, materiality, significant risks and areas of audit focus, consideration of fraud, internal control plan, involvement of internal auditors, involvement of component auditors, timing of audit, engagement quality control, independence policies and procedures, and any significant probable issues arising from new accounting standards or changes in law/regulatory requirements.

b) Reviewed with the external auditors the results of their audit on the financial statements for the FY2020, their reports on the relevant disclosures therein, the key audit issues raised in their management letter and responses of the Management thereto, and their review of the statement on risk management and internal control.

c) Held two (2) review meetings with the external auditors in the absence of the Management on assistance rendered by staff and management, as well as problems and reservations arising out of their audit of the Group. There were no major concerns raised by the external auditors at these meetings.

d) Obtained assurance from the external auditors to confirm their independence throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

2. External Audit (cont'd)

e) Assessed the performance and suitability of KPMG continuing as external auditors of the Company. The reasonableness of the proposed audit fee in relation to the industry and the level of non-audit services rendered to the Company/Group were reviewed at the same time.

Fees paid/payable to KPMG by the Company and on group basis for audit services in 2020 were RM100,000 and RM636,962 respectively while non-audit fees incurred were RM18,000 and RM86,980 respectively. Total non-audit fees represented 12% of the total remuneration paid to KPMG by the Group. Included in the non-audit fees for the Group were tax service fees amounting to Australian Dollars 19,570 (RM56,737), paid by our Australian subsidiary, Ta Ann Tasmania Pty Ltd to KPMG Australia.

Based on assessment, AC was satisfied with the independence and objectivity of KPMG, and of the technical competence and performance of the KPMG audit team and their ability to meet the agreed timeline.

The AC accordingly, recommended to the Board to propose to the shareholders to re-appoint KPMG as the external auditors for the year 2021 in the coming annual general meeting of the Company.

3. Internal Audit

a) Reviewed the risk-based annual internal audit plan to ensure the audit scope adequately covered the activities of the Group and the high-risk areas.

b) Key audit areas in 2020 were identified as:

- timber and oil palm plantations, processing and sales;
- plantation development and plantation development expenditure;
- crude palm oil mill operations;
- plywood mill operations;
- inventories, receivables and payables;
- crude palm oil transportation operations;
- purchasing procedures and controls;
- payroll procedures and controls;
- fire safety; and
- safeguard of assets.

c) Reviewed the internal audit reports tabled at each AC meeting and the Management's responses to audit findings/recommendations, made such rectification directives as deemed appropriate and monitored follow-up reporting on outstanding matters.

d) Assessed annually internal auditors' performance and technical competency/deficiency at arm's length to ensure that the internal audit function is effective and able to function independently.

e) Reviewed staffing, resource and training requirements of internal audit function.

4. Related Party Transactions ('RPT')

a) Reviewed the procedure and controls in place on

- Identification of related parties;
- Timely identification of RPTs and possible conflict of interests ('COI');
- Determination of price and terms and possible COI;
- RPTs approval process; and
- Resolving COI situation, where arising.

to ascertain whether related parties and RPTs were systematically identified and RPTs were made on normal commercial basis, properly approved and on terms fair to the Company.

b) Reviewed on quarterly basis the internal auditors' report on their audit of recurring RPTs to confirm that the RPTs had been conducted at arm's length, and in compliance with Company policy and shareholder mandate.

c) Reviewed the Circular to Shareholders in relation to the proposed shareholders' mandate for recurring RPTs.

5. Risk Management

AC members reviewed the adequacy and effectiveness of risk management, as members of the Risk Management Committee.

6. Other Duties

Reviewed the AC Report and Statement on Risk Management and Internal Control before submitting for the Board's approval and inclusion in the Company's annual report.

INTERNAL AUDIT FUNCTION

The internal audit function for the Group is carried out by the independent in-house Internal Audit Department. The Internal Audit Department reports functionally to the AC but administratively to the Chief Executive Officer.

Internal audit is responsible for

(a) Reviewing and appraising the soundness, adequacy and application of accounting, financial, operational and other controls, recommending improvements in control and promoting effective control in the Company and its subsidiaries at reasonable cost;
(b) Ascertaining the extent of compliance with established policies, procedures and statutory requirements;
(c) Ascertaining the extent to which the Company's and Group's assets are accounted for and safeguarded from losses;
(d) Appraising the reliability and usefulness of data and information generated for management;
(e) Reviewing the management of risks exposures over key business processes by the Company and its subsidiaries;
(f) Reviewing together with the Risk Management Division, the risk governance framework and the risk management and internal control processes within the Company and the Group; and
(g) Reviewing related party transactions carried out by the Company and its subsidiaries.

The total costs incurred for the Group internal audit function in respect of the FY2020 amounted to RM302,277.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors ("Board") of Ta Ann Holdings Berhad ("Ta Ann" or the "Company"), in compliance with Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, is pleased to provide the following statement on risk management and internal control, which outlines the nature and scope of risk management and internal control of the Group during the year. The Group's process of risk management and internal control cover the Company and its subsidiaries only and does not extend to its associate companies.

BOARD RESPONSIBILITY

The Board is responsible for and committed to maintaining a sound risk management and internal control system at Ta Ann which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity. The Board has established key policies on the Group's risk management and internal control system that covers, inter alia, financial, organisational, operational, sustainability and regulatory compliance controls and risk management procedures. Because of the limitations that are inherent in any system of risk management and internal control, this system is designed to manage, rather than eliminate risks that may impede the achievement of the Group's business objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement, loss or fraud.

The Board confirms that the Group has an on-going process for identifying, evaluating and managing significant risks faced by the Group. The Board through its Risk Management Committee, regularly reviews the results of this process. The Board confirms that this process is in place for the year under review and up to the date of approval of this statement for inclusion in the annual report and that it accords with the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers (the 'Internal Control Guidelines').

RISK MANAGEMENT FRAMEWORK

An enterprise-wide risk management framework has been established with the aim of setting clear guidelines in relation to the level of risks acceptable to the Group. The framework is also designed to ensure proper management of the risks that may impede the achievement of the Group's business objectives.

A Risk Management Committee, which comprises a majority of Independent Directors is established by the Board to enhance risk management capabilities by overseeing the principal risks faced by the Group and its overall management. The Risk Management Committee, with the assistance of the Business Risk Management Subcommittee and the Operational Risk Management Subcommittee identifies and assesses significant risks faced, and applies and monitors appropriate internal controls to mitigate and manage these risks, to be in line with the Board's risk and control policies and procedures. The Subcommittees are composed of the Group's management personnel.

Each operating unit in the Group is responsible for the identification and assessment of the significant risks applicable thereto. The risk management process includes identifying principal risks in key areas, assessing the likelihood and impact of material exposures, determining corresponding risk mitigation and handling measures, ensuring appropriate mitigating actions have been taken, and presenting key matters to the Board through the Risk Management Committee, for review and deliberation.

A business planning and budgeting exercise is undertaken each year to establish plan and budget against which performance is measured. Key risks to each business unit are identified during the business planning process and scored for likelihood of the risks occurring, the magnitude of impact, the control effectiveness and the action plans taken to mitigate those risks to the desired level.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

Emphasis is placed on reviewing and updating the significant risks affecting the business and business continuity including resource sustainability, and policies and procedures by which these risks are managed, and to determine whether these risks are within the Group's risk appetite.

The Board undertakes review of key commercial and financial risks in the Group's businesses as well as general risks such as those relating to compliance with laws and regulations and considers the recommendations made by the Audit Committee and the auditors. The monitoring arrangements in place give reasonable assurance that the structure of controls and operations is appropriate for the Group.

INTERNAL AUDIT FUNCTIONS

The Group has established an internal audit function, which provides the Board with much of the assurance it requires regarding the adequacy and effectiveness of risk management, internal control and governance processes. The internal audit function is in accordance with the Guidelines on Internal Audit Function.

Internal audit independently reviews the risk identification and control procedures implemented by the Management, and reports to the Audit Committee on a quarterly basis. Internal audit also reviews the internal controls on the key activities of the Group's businesses and presents an annual internal audit plan to the Audit Committee for prior approval before carrying out the review and audit. The internal audit function adopts a risk-based approach and prepares its audit strategy and plan based on the risk profiles of the major business units of the Group.

The Audit Committee reviews the results of the risk monitoring and compliance procedure, and ensures that an appropriate mix of techniques is used to obtain the level of assurance required by the Board. The audit reports that were tabled to the Audit Committee for their deliberation include management responses and corrective actions taken or to be taken in regards to the specific findings and recommendations. The Management as a whole is responsible for ensuring that the necessary corrective actions on reported weaknesses are taken to eliminate the cause of non-conformity. The Audit Committee presents its findings to the Board on a quarterly basis or earlier as appropriate.

OTHER RISK AND CONTROL PROCESSES

Apart from risk management and internal audit, the Board has put in place an organisational structure with formally defined lines of responsibility and delegation of authority.

Management and staff are properly evaluated for suitability before appointment to their positions. There are guidelines within the Group for hiring and termination of staff. Performance appraisal is done at least once a year to assess staff competency in carrying out their duties and responsibilities, while trainings are provided to enhance their capabilities and efficiency in work.

A process of hierarchical reporting has been established which provides for a documented and auditable trail of accountability. The procedures include the establishment of limits of authority and authorisation procedure. These procedures are applied across the Group's operations and provide for continuous assurance to be given at increasingly higher levels of management and, finally to the Board. The process is facilitated by internal audit, which also provides a degree of assurance as to the operations and validity of the systems of risk management and internal control. Planned corrective actions are independently monitored for timely completion.

Monthly financial and operational meetings are held by senior management to review Group operations which includes analysing monthly performance and variances, cost control effectiveness, operational efficiency; assessing the impact of any changes in operating and external environments, introducing such necessary revision to operational strategy and action plan and determining targets for the following month. Through such meetings, the Management continually monitors and measures the performance against budget to ensure that planned objectives are achieved.

Directors, in particular Executive Directors, make regular inspection visits to the operating units to obtain first-hand account of the efficiency and effectiveness of the Group's strategy, mode of operation, and control. Through direct contact and communication with the operational staff, a more effective control is implemented.

The Group Chief Executive Officer also reports to the Board on significant changes in the business and the external environment. The Group Chief Financial Officer provides the Board with quarterly financial information, which includes key financial and risk indicators. This also includes, among others, the monitoring of results against budget, with variances followed up on and management action taken, where necessary. Where areas for improvement in the system are identified, the Board considers the recommendations made by the Audit Committee and the Management before approving the same for implementation.

ADEQUACY AND EFFECTIVENESS OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board has reviewed the adequacy and effectiveness of the Group's risk management and internal control system during the financial year, and is of the view that the risk management and internal control system is operating satisfactorily and no material losses were incurred as a result of internal control weaknesses or adverse compliance events.

The Board has received reasonable assurance from the Chief Executive Officer and the Chief Financial Officer that, to the best of their knowledge and belief, the Group's risk management and internal control system is functioning adequately and effectively, in all material aspects. The Management will continue to review and take measures to ensure the on-going effectiveness and adequacy of the system of risk management and internal control, so as to safeguard shareholders' investments and the Group's assets.

SIGNIFICANT OR MAIN PRINCIPAL RISK RELATING TO GROUP'S BUSINESS

The Group has identified the following significant risks that have high likelihood of occurrence and potential impact on the Groups's overall operations and at the same time maintains the risk management system to ensure that the corporate objectives and strategies are achieved within the acceptable risk appetite of the Group.

1. Environmental Risk

Environmental risk, specifically the threat of pests and diseases to the Group's forest and oil palm plantations. The Group mitigates such risk through stringent monitoring of field conditions and appropriate follow-up actions including census and treatment have kept this risk under control.

2. Human Resource Risk

Human resource risk, particularly that of foreign workers whom the oil palm plantations rely heavily on. The COVID-19 pandemic has worsened the situation as it necessitated border closures by the Malaysian government, thereby preventing the inflow of foreign workers to Malaysia. However, the Group has mitigated such risk by implementing rescue plans amongst the oil palm estates whereby workforce who completed their tasks were deployed to other oil palm estates during peak crop season so as to ensure maximum harvests. In addition, special incentive plans through cash and non-cash rewards to motivate workers to increase productivity per person have proven to be successful.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

COVID-19 EVENT

The declaration of COVID-19 as a pandemic by the World Health Organisation on 11 March 2020, and the introduction of movement restrictions, have caused very little disruption to the Group's operations as a whole. This is due to the adoption of all the preventive measures, including but not limited to the workforce deployment among the Group's oil palm estates. The Group remains committed to ensuring that appropriate standard operating procedures related to COVID-19 health guidelines and requirements issued by relevant authorities concerning its timber, oil palm and manufacturing operations; buildings and offices are always adhered to by all its employees and associates so as to avoid any closure/stop work order due to COVID-19 infection.

REVIEW OF STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the annual report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2020, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

(a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or

(b) is factually inaccurate.

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

This statement is made in accordance with a resolution of the Board of Directors dated 24 February 2021.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding, letting of premises and provision of management services to its subsidiaries, whilst the principal activities of the subsidiaries are as stated in Note 7 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 7 to the financial statements.

RESULTS

	Group RM	Company RM
Profit for the year attributable to:		
Owners of the Company	47,216,365	89,030,718
Non-controlling interests	30,446,384	-
	77,662,749	89,030,718

RESERVES AND PROVISIONS

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

DIVIDENDS

Since the end of the previous financial year, the amount of dividends paid by the Company were as follows:

i) In respect of the financial year ended 31 December 2019 as reported in the Directors' Report of that year:

- a first interim ordinary dividend of 5 sen per ordinary share totaling RM22,023,095 declared on 28 February 2020 and paid on 13 April 2020; and

ii) In respect of the financial year ended 31 December 2020:

- a first interim ordinary dividend of 10 sen per ordinary share totaling RM44,046,190 declared on 30 November 2020 and paid on 12 January 2021.

After the end of the reporting period, in respect of the financial year ended 31 December 2020, a second interim ordinary dividend of 5 sen per ordinary share totaling RM22,023,095 declared on 22 March 2021 and paid on 23 April 2021. This dividend will be accounted for in the financial statements for the financial year ending 31 December 2021.

The Directors do not recommend any final dividend to be paid in respect of the financial year ended 31 December 2020.

DIRECTORS OF THE COMPANY

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

Datuk Amar Abdul Hamed Bin Haji Sepawi
Dato Wong Kuo Hea
Sa'id Bin Haji Dolah
Datuk Abang Haji Abdul Karim Bin Tun Abang Haji Openg
Dato' Awang Bemee Bin Awang Ali Basah
Chia Chu Fatt
Ting Lina @ Ding Lina
Datuk Ambrose Blikau Anak Enturan
Wong Siik Onn

DIRECTORS OF THE SUBSIDIARIES

The following is the list of directors of the subsidiaries (excluding those who are also directors of the Company as mentioned above) in office during the financial year until the date of this report:

Alli @ Ali Mat Bin Haji Dollah	
Betty Yii Pick Koung	
Chai Min Kian	
Danny Lim Choon Yee	
Datu Cheong Ek Choon	
Datu Haji Halmi Bin Ikhwan	
Dr. Paul Chai Piang Kong	
Kamil Bin Spi-ie	
Kuintan Binti Sepawi	
Lau Hie Ping	
Marianne Cheng Wei Wei	
Mohammed Kassim Bin Wasli	
Sii How Sing	
Simon Chung Min Kang	
Tan Sri Datuk Amar Hj Bujang Bin Mohammed Bujang Mohammed Nor	
Ting Moi Hie	
Tuan Haji Mohamad Sabry Bin Othman	
Tuan Haji Zolkipli Bin Mohamad Aton	
Yeen Siew Leng	
Bibi Umizah Biniti Osman	
Jafri Bin Lias	
Monaliza Binti Zaidel	(appointed on 1 January 2020)
Idris Bin Ibrahim	(appointed on 15 February 2020)
Ling Leh Ching	(appointed on 16 May 2020)
Pui Yuh Tzer	(appointed on 1 July 2020)
Lim Hong Hin	(resigned on 1 January 2020)
Siaw Meng Kun	(resigned on 1 January 2020)
Koichi Adachi	(resigned on 31 January 2020)
Wan Abu Bakar Bin Wan Hamid	(resigned on 15 February 2020)
Chiew Soon Fung	(resigned on 16 May 2020)
Chan Che Hong	(resigned on 18 May 2020)
Pui Chin Jang @ Pui Chin Yam	(resigned on 1 July 2020)

DIRECTORS' REPORT (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2020

DIRECTORS' INTERESTS IN SHARES

The interests of the Directors, including the interests of their spouses or children who themselves are not directors of the Company (referred to as "others" in the tabulation below), in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	At 1.1.2020	Bought	Sold	At 31.12.2020
Direct interests in the Company				
Datuk Amar Abdul Hamed Bin Haji Sepawi	32,441,813	-	-	32,441,813
Dato Wong Kuo Hea	13,106,663	-	-	13,106,663
Sa'id Bin Haji Dolah	247	-	-	247
Datuk Abang Haji Abdul Karim Bin Tun Abang Haji Openg	12,441	-	-	12,441
Dato' Awang Bemee Bin Awang Ali Basah	18,662	-	-	18,662
Chia Chu Fatt	50,000	20,000	-	70,000
Ting Lina @ Ding Lina	605,000	-	-	605,000
Datuk Ambrose Blikau Anak Enturan	54,400	-	-	54,400
Wong Siik Onn	1,122,000	-	-	1,122,000
Deemed interests in the Company				
Datuk Amar Abdul Hamed Bin Haji Sepawi	125,898,537	62,000	-	125,960,537
Dato Wong Kuo Hea				
- Own	135,010,097	1,366,800	-	136,376,897
- Others	5,100,000	-	-	5,100,000
Ting Lina @ Ding Lina	734,000	-	-	734,000
Deemed interests in Borneo Tree Seeds & Seedlings Supplies Sdn. Bhd.:				
Datuk Amar Abdul Hamed Bin Haji Sepawi) Dato Wong Kuo Hea)	1,220,000	-	-	1,220,000
Deemed interests in Multi Maximum Sdn. Bhd.:				
Datuk Amar Abdul Hamed Bin Haji Sepawi) Dato Wong Kuo Hea)	850,000	-	-	850,000
Deemed interests in Ta Ann Pelita Silas Plantation Sdn. Bhd.:				
Datuk Amar Abdul Hamed Bin Haji Sepawi) Dato Wong Kuo Hea)	9,077,821	-	-	9,077,821
Deemed interests in Ta Ann Pelita Igan Plantation Sdn. Bhd.:				
Datuk Amar Abdul Hamed Bin Haji Sepawi) Dato Wong Kuo Hea)	17,632,125	6,130,800	-	23,762,925
Deemed interests in Zumida Oil Palm Sdn. Bhd.:				
Datuk Amar Abdul Hamed Bin Haji Sepawi) Dato Wong Kuo Hea)	170,000	-	-	170,000

DIRECTORS' INTERESTS IN SHARES (cont'd)

The interests of the Directors, including the interests of their spouses or children who themselves are not directors of the Company (referred to as "others" in the tabulation below), in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries of the Company) as recorded in the Register of Directors' Shareholdings are as follows: (cont'd)

		Number of ordinary shares		
	At 1.1.2020	Bought	Sold	At 31.12.2020
Deemed interests in Ta Ann Pelita Durin Plantation Sdn. Bhd.:				
Datuk Amar Abdul Hamed Bin Haji Sepawi)				
Dato Wong Kuo Hea)	1,318,613	-	-	1,318,613
Deemed interests in Igan Oil Mill Sdn. Bhd.:				
Datuk Amar Abdul Hamed Bin Haji Sepawi)				
Dato Wong Kuo Hea)	5,000,000	-	-	5,000,000
Deemed interests in Daro Oil Mill Sdn. Bhd.:				
Datuk Amar Abdul Hamed Bin Haji Sepawi)				
Dato Wong Kuo Hea)	2	-	-	2
Deemed interests in Europalm Sdn. Bhd.:				
Datuk Amar Abdul Hamed Bin Haji Sepawi)				
Dato Wong Kuo Hea)	2,000,000	-	-	2,000,000
Deemed interests in Eagle Forest Sdn. Bhd.:				
Datuk Amar Abdul Hamed Bin Haji Sepawi)				
Dato Wong Kuo Hea)	300,000	-	-	300,000
Deemed interests in Ta Ann Pelita Assan Plantation Sdn. Bhd.:				
Datuk Amar Abdul Hamed Bin Haji Sepawi)				
Dato Wong Kuo Hea)	5,254,392	-	-	5,254,392
Deemed interests in Ta Ann Pelita Baleh Sdn. Bhd.:				
Datuk Amar Abdul Hamed Bin Haji Sepawi)				
Dato Wong Kuo Hea)	1,500,000	3,058,350	-	4,558,350
Deemed interests in Pelitama Sdn. Bhd.:				
Datuk Amar Abdul Hamed Bin Haji Sepawi)				
Dato Wong Kuo Hea)	100,000	-	-	100,000

DIRECTORS' REPORT (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2020

DIRECTORS' INTERESTS IN SHARES (cont'd)

The interests of the Directors, including the interests of their spouses or children who themselves are not directors of the Company (referred to as "others" in the tabulation below), in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries of the Company) as recorded in the Register of Directors' Shareholdings are as follows: (cont'd)

	Number of ordinary shares			
	At 1.1.2020	Bought	Sold	At 31.12.2020
Deemed interests in Plantabeef Sdn. Bhd.:				
Datuk Amar Abdul Hamed Bin Haji Sepawi)				
Dato Wong Kuo Hea)	400,000	2,000,000	-	2,400,000
Deemed interests in Ta Ann Pelita Sebuyau Sdn. Bhd.:				
Datuk Amar Abdul Hamed Bin Haji Sepawi)				
Dato Wong Kuo Hea)	55	45	-	100
Deemed interests in Ta Ann Pelita Ngemah Sdn. Bhd.:				
Datuk Amar Abdul Hamed Bin Haji Sepawi)				
Dato Wong Kuo Hea)	1,500,000	3,832,830	-	5,332,830
Deemed interests in Ta Ann Tasmania Pty Ltd:				
Datuk Amar Abdul Hamed Bin Haji Sepawi)				
Dato Wong Kuo Hea)	59,112,210	6,187,790	-	65,300,000
Deemed interests in TBS Oil Mill Sdn. Bhd.:				
Datuk Amar Abdul Hamed Bin Haji Sepawi)				
Dato Wong Kuo Hea)	9,350,000	1,650,000	-	11,000,000

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in Note 24 to the financial statements or the fixed salary of full time employees of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who may be deemed to derive a benefit by virtue of those transactions, contracts and agreements for the provision of services, tenancy of premises, and the conduct of normal trading and other businesses between the Company as well as its subsidiaries and companies in which the Directors have or are deemed to have significant financial interests (see Note 34 to the financial statements).

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

ISSUE OF SHARES AND DEBENTURES

There were no other changes in the issued and paid-up capital of the Company, nor issuance of debentures by the Company, during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

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

INDEMNITY AND INSURANCE COSTS

During the financial year, the Company took up Directors' and Officers' Liability insurance with Tokio Marine Insurans (Malaysia) Bhd for an indemnity limit of RM20,000,000 at a cost of RM27,000, of which RM1,350 was borne by the Directors.

OTHER STATUTORY INFORMATION

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

i) there are no bad debts to be written off and no provision needs to be made for doubtful debts, and

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

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

i) that would render it necessary to write off any bad debts or provide for any doubtful debts, or

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

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

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

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

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

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

DIRECTORS' REPORT (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2020

OTHER STATUTORY INFORMATION (cont'd)

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2020 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

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

The auditors' remuneration is disclosed in Note 23 to the financial statements.

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

....

Datuk Amar Abdul Hamed Bin Haji Sepawi
Director

....

Dato Wong Kuo Hea
Director

Date: 26 April 2021

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

		Group		Company	
		2020	2019	2020	2019
	Note	RM	RM	RM	RM
Assets					
Property, plant and equipment	3	757,105,242	815,370,815	21,658,299	18,709,850
Right-of-use assets	4	214,077,281	218,907,180	2,278,785	2,455,996
Bearer plants	5	520,226,532	514,573,274	-	-
Biological assets	6	121,691,048	115,305,586	-	-
Investments in subsidiaries	7	-	-	549,260,289	549,260,287
Investments in associates	8	225,232,020	214,283,819	171,490,023	171,490,023
Deferred tax assets	9	29,700,355	25,166,597	1,801,461	-
Goodwill	10	79,664,465	79,664,465	-	-
Other intangible assets	11	10,809,949	14,934,081	-	-
Total non-current assets		1,958,506,892	1,998,205,817	746,488,857	741,916,156
Biological assets	6	94,099,313	67,264,147	-	-
Inventories	12	154,792,389	225,412,281	-	-
Trade and other receivables	13	51,091,319	85,716,606	229,647,224	235,288,362
Prepayments and other assets	14	14,548,620	17,752,024	1,810,706	2,132,163
Current tax assets		727,762	599,092	-	-
Other investment	15.1	1,027,824	-	-	-
Cash and cash equivalents	15	271,358,218	109,979,181	52,994,138	10,662,331
Total current assets		587,645,445	506,723,331	284,452,068	248,082,856
Total assets		2,546,152,337	2,504,929,148	1,030,940,925	989,999,012

STATEMENTS OF FINANCIAL POSITION (cont'd)

AS AT 31 DECEMBER 2020

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Equity					
Share capital	16.1	444,843,900	444,843,900	444,843,900	444,843,900
Reserves	16.2	1,001,715,820	1,004,135,791	340,720,123	317,758,690
Total equity attributable to owners of the Company		1,446,559,720	1,448,979,691	785,564,023	762,602,590
Non-controlling interests	7	117,998,443	99,933,262	-	-
Total equity		1,564,558,163	1,548,912,953	785,564,023	762,602,590
Liabilities					
Borrowings	17	223,539,634	270,507,829	52,021,535	78,276,148
Lease liabilities		9,535,075	16,124,981	-	111,639
Employee benefits	18	37,283,145	38,139,531	7,456,296	9,076,901
Deferred income	19	29,154,098	29,347,826	-	-
Deferred tax liabilities	9	200,066,333	179,959,706	-	-
Total non-current liabilities		499,578,285	534,079,873	59,477,831	87,464,688
Borrowings	17	272,922,537	271,636,317	101,254,613	104,243,597
Lease liabilities		5,419,716	7,582,075	113,396	188,651
Employee benefits	18	7,936,439	3,565,561	2,718,535	209,309
Deferred income	19	2,502,285	2,317,149	-	-
Current tax liabilities		14,826,260	10,387,178	1,134,801	1,177,126
Trade and other payables	20	178,408,652	126,448,042	80,677,726	34,113,051
Total current liabilities		482,015,889	421,936,322	185,899,071	139,931,734
Total liabilities		981,594,174	956,016,195	245,376,902	227,396,422
Total equity and liabilities		2,546,152,337	2,504,929,148	1,030,940,925	989,999,012

The notes on pages 114 to 210 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
Revenue	21	1,217,998,028	945,691,641	106,587,511	80,150,973
Cost of sales/Other direct operation costs		(967,234,087)	(732,319,756)	(12,277,238)	(10,743,821)
Gross profit		250,763,941	213,371,885	94,310,273	69,407,152
Other operating income	22	11,484,807	49,836,746	63,963	4,995
Distribution expenses		(71,184,822)	(56,955,318)	-	-
Administrative expenses		(50,353,117)	(53,386,918)	(6,496,639)	(6,573,122)
Other operating expenses		(47,899,881)	(52,877,686)	-	(5,978,456)
Results from operating activities	23	92,810,928	99,988,709	87,877,597	56,860,569
Change in fair value less costs to sell of biological assets		27,826,791	14,245,686	-	-
Finance income	25	2,645,379	2,813,724	9,353,848	10,201,506
Finance costs	25	(19,717,275)	(22,317,223)	(8,107,917)	(10,399,320)
Net finance (costs)/income		(17,071,896)	(19,503,499)	1,245,931	(197,814)
Share of profit of equity-accounted associates, net of tax		22,726,000	7,724,000	-	-
Profit before taxation		126,291,823	102,454,896	89,123,528	56,662,755
Taxation	26	(48,629,074)	(32,194,235)	(92,810)	(1,724,305)
Profit for the year		77,662,749	70,260,661	89,030,718	54,938,450

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2020

		Group		Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
Other comprehensive income, net of tax					
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of defined benefit liability	18	-	3,066,454	-	349,859
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		8,552,515	(2,883,298)	-	-
Other comprehensive income for the year, net of tax		8,552,515	183,156	-	349,859
Total comprehensive income for the year		86,215,264	70,443,817	89,030,718	55,288,309
Profit attributable to:					
Owners of the Company		47,216,365	53,838,147	89,030,718	54,938,450
Non-controlling interests	7	30,446,384	16,422,514	-	-
Profit for the year		77,662,749	70,260,661	89,030,718	54,938,450
Total comprehensive income attributable to:					
Owners of the Company		55,768,880	54,021,303	89,030,718	55,288,309
Non-controlling interests	7	30,446,384	16,422,514	-	-
Total comprehensive income for the year		86,215,264	70,443,817	89,030,718	55,288,309
Basic/Diluted earnings per ordinary share (sen)	27	10.72	12.21		

The notes on pages 114 to 210 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Attributable to owners of the Company — Non-distributable: Share capital RM	Non-distributable: Foreign exchange translation reserve RM	Non-distributable: Treasury shares RM	Distributable: Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
Group							
At 1 January 2019	444,843,900	8,429,320	(8,449,924)	952,102,562	1,396,925,858	85,950,703	1,482,876,561
Remeasurement of defined benefit liability (Note 18)	-	-	-	3,066,454	3,066,454	-	3,066,454
Foreign currency exchange translation differences	-	(2,883,298)	-	-	(2,883,298)	-	(2,883,298)
Total other comprehensive income for the year	-	(2,883,298)	-	3,066,454	183,156	-	183,156
Profit for the year	-	-	-	53,838,147	53,838,147	16,422,514	70,260,661
Total comprehensive income for the year	-	(2,883,298)	-	56,904,601	54,021,303	16,422,514	70,443,817
Distribution to owners of the Company							
- Dividends to non-controlling interests	-	-	-	-	-	(2,440,000)	(2,440,000)
Total transactions with owners of the Company	-	-	-	-	-	(2,440,000)	(2,440,000)
Subscription of shares by non-controlling interests	-	-	-	-	-	45	45
Treasury shares purchased	-	-	(1,967,470)	-	(1,967,470)	-	(1,967,470)
At 31 December 2019	444,843,900	5,546,022	(10,417,394)	1,009,007,163	1,448,979,691	99,933,262	1,548,912,953
	(Note 16.1)	(Note 16.3)	(Note 16.4)	(Note 16.2)		(Note 7)	

CONSOLIDATED STATEMENT OF CHANGES IN EQUIT (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2020

	Attributable to owners of the Company						
	Non-distributable			Distributable			
	Share capital RM	Foreign exchange translation reserve RM	Treasury shares RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
<u>Group</u>							
At 1 January 2020	444,843,900	5,546,022	(10,417,394)	1,009,007,163	1,448,979,691	99,933,262	1,548,912,953
Foreign currency exchange translation differences	-	8,552,515	-	-	8,552,515	-	8,552,515
Total other comprehensive income for the year	-	8,552,515	-	-	8,552,515	-	8,552,515
Profit for the year	-	-	-	47,216,365	47,216,365	30,446,384	77,662,749
Total comprehensive income for the year	-	8,552,515	-	47,216,365	55,768,880	30,446,384	86,215,264
Distribution to owners of the Company							
- Dividends to owners of the Company (Note 28)	-	-	-	(66,069,285)	(66,069,285)	-	(66,069,285)
- Dividends to non-controlling interests	-	-	-	-	-	(10,300,000)	(10,300,000)
Total transactions with owners of the Company	-	-	-	(66,069,285)	(66,069,285)	(10,300,000)	(76,369,285)
Subscription of shares by non-controlling interests	-	-	-	-	-	10,031,325	10,031,325
Changes in ownership of interests in subsidiaries	-	-	-	7,880,434	7,880,434	(12,112,528)	(4,232,094)
At 31 December 2020	444,843,900	14,098,537	(10,417,394)	998,034,677	1,446,559,720	117,998,443	1,564,558,163
	(Note 16.1)	(Note 16.3)	(Note 16.4)	(Note 16.2)		(Note 7)	

The notes on pages 114 to 210 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Attributable to owners of the Company			
	Non-distributable		*Distributable*	
	Share capital RM	**Treasury shares RM**	**Retained earnings RM**	**Total equity RM**
Company				
At 1 January 2019	444,843,900	(8,449,924)	272,887,775	709,281,751
Profit for the year	-	-	54,938,450	54,938,450
Remeasurement of defined benefit liability (Note 18)	-	-	349,859	349,859
Total comprehensive income for the year	-	-	55,288,309	55,288,309
Treasury shares purchased	-	(1,967,470)	-	(1,967,470)
At 31 December 2019/1 January 2020	444,843,900	(10,417,394)	328,176,084	762,602,590
Profit for the year	-	-	89,030,718	89,030,718
Total comprehensive income for the year	-	-	89,030,718	89,030,718
Dividends to owners of the Company (Note 28)	-	-	(66,069,285)	(66,069,285)
At 31 December 2020	444,843,900	(10,417,394)	351,137,517	785,564,023
	(Note 16.1)	(Note 16.4)	(Note 16.2)	

The notes on pages 114 to 210 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Cash flows from operating activities					
Profit before taxation		126,291,823	102,454,896	89,123,528	56,662,755
Adjustments for non-cash and non-operating items:					
Amortisation of bearer plants	5	24,676,793	25,109,134	-	-
Amortisation of other intangible assets	11	4,124,681	9,471,616	-	-
Amortisation of deferred income	19	(2,350,871)	(3,709,498)	-	-
Bearer plants written off	5	203,228	402,970	-	-
Biological assets written off	6	176,283	53,916	-	-
Depletion and sale of biological assets	6	2,461,440	1,116,127	-	-
Depreciation of property, plant and equipment	3.2	53,399,291	58,332,201	1,283,588	855,270
Depreciation of right-of-use assets	4.2	9,079,077	11,892,463	179,043	187,416
Dividend income	21	-	-	(92,036,802)	(67,793,401)
Employee benefits	18.4	5,322,417	4,994,068	1,011,391	1,085,838
Finance income	25	(2,645,379)	(2,813,724)	(9,353,848)	(10,201,506)
Finance costs	25	19,717,275	22,317,223	8,107,917	10,399,320
Gain on disposal of property, plant and equipment and right-of-use assets	23	(2,175,109)	(896,279)	(44,541)	(999)
Impairment losses on property, plant and equipment	23	10,871,841	-	-	-
Impairment losses on investments in subsidiaries	23	-	-	-	5,978,456
Net changes in fair value of biological assets		(27,826,791)	(14,245,686)	-	-
Property, plant and equipment written off	23	28,595,045	22,782,665	773	-
Property, plant and equipment expensed off	23	205,783	567,467	-	-
Share of profit of equity-accounted associate, net of tax		(22,726,000)	(7,724,000)	-	-
Unrealised foreign exchange loss (net)		135,907	465,021	-	-
Operating profit/(loss) before changes in working capital		227,536,734	230,570,580	(1,728,951)	(2,826,851)
Changes in working capital:					
Inventories		73,119,944	(55,314,522)	-	-
Trade and other receivables, prepayments and other assets		44,683,724	(25,426,967)	952,380	(57,110)
Amount due from subsidiaries		-	-	10,629,007	(6,309,830)
Amount due from associate		-	-	(11,710)	(14,612)
Trade and other payables		2,837,332	19,874,256	1,159,804	(180,277)
Provision for leave pay		(685,213)	(1,322,431)	-	-
Cash generated from/(used in) operations		347,492,521	168,380,916	11,000,530	(9,388,680)

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Cash flows from operating activities (cont'd)					
Interest paid		(9,882,822)	(13,449,336)	(10,419)	(20,029)
Tax paid		(28,082,280)	(25,495,621)	(1,936,596)	(1,377,202)
Employee benefits paid	18.2	(1,836,086)	(1,034,309)	(122,770)	(416,900)
Net cash generated from/(used in) operating activities		307,691,333	128,401,650	8,930,745	(11,202,811)
Cash flows from investing activities					
Acquisition of property, plant and equipment	(ii)	(18,488,717)	(67,072,210)	(4,232,819)	(3,564,480)
Acquisition of new associate		-	(12,925,124)	-	-
Recovery of cost of investment in associate	8	3,280,997	-	-	-
Subscription of shares in subsidiaries		(4,232,094)	-	(2)	(1,000,000)
Additions to biological assets	(iii)	(7,023,493)	(4,797,563)	-	-
Additions to bearer plants	(iv)	(25,413,535)	(23,270,028)	-	-
Proceeds from disposal of property, plant and equipment and right-of-use assets		5,712,556	4,749,282	44,550	4,163
Proceeds from shares issued to non-controlling interests		1,448,535	45	-	-
Interest received		2,645,379	2,813,724	296,700	153,103
Dividends received from subsidiaries		-	-	83,540,000	62,785,000
Dividends received from associate		4,248,401	4,248,401	4,248,401	4,248,401
Increase in other investment		(1,027,824)	-	-	-
Purchase of treasury shares		-	(1,967,470)	-	(1,967,470)
Repayment from/(Advances to) subsidiaries		-	-	7,594,161	(45,546,260)
Net cash (used in)/generated from investing activities		(38,849,795)	(98,220,943)	91,490,991	15,112,457

STATEMENTS OF CASH FLOWS (cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Cash flows from financing activities					
Payment of lease liabilities	(i)	(13,563,240)	(14,044,113)	(188,726)	(187,900)
Net repayment of borrowings		(50,174,360)	(17,913,584)	(29,243,597)	(23,288,722)
Advances from subsidiaries		-	-	-	30,000,000
Dividends to owners of the Company	28	(22,023,095)	-	(22,023,095)	-
Dividends to non-controlling interests		(10,300,000)	(2,440,000)	-	-
Hire purchase financing interest paid		(261,352)	(62,274)	(17,931)	(26,113)
Term loan interest/profit paid		(10,963,890)	(14,149,220)	(6,616,580)	(9,314,867)
Interest paid		-	-	-	(296,322)
Upliftment of pledged deposits		-	932,375	-	392,375
Net cash used in financing activities		(107,285,937)	(47,676,816)	(58,089,929)	(2,721,549)
Net increase/(decrease) in cash and cash equivalents		161,555,601	(17,496,109)	42,331,807	1,188,097
Effect of exchange rate fluctuations on cash held		(176,564)	(21,208)	-	-
Cash and cash equivalents at 1 January		109,979,181	127,496,498	10,662,331	9,474,234
Cash and cash equivalents at 31 December	(v)	271,358,218	109,979,181	52,994,138	10,662,331

Notes

(i) Cash outflows for leases as a lessee

	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Included in net cash from operating activities				
Interest paid in relation to lease liabilities	799,359	973,067	10,419	20,029
Included in net cash from financing activities				
Payment of lease liabilities	13,563,240	14,044,113	188,726	187,900
Total cash outflows for leases	14,362,599	15,017,180	199,145	207,929

Notes (cont'd)

(ii) Acquisition of property, plant and equipment

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Amount paid using internal funds		18,488,717	67,072,210	4,232,819	3,564,480
Acquired using hire purchase financing		4,492,385	4,743,442	-	808,467
Acquired via shares issued to non-controlling interests		7,532,790	-	-	-
Aggregate cost of property, plant and equipment acquired during the year		30,513,892	71,815,652	4,232,819	4,372,947
Depreciation capitalised	3.2	348,052	-	-	-
Finance costs capitalised	25	-	1,032,326	-	-
		30,861,944	72,847,978	4,232,819	4,372,947

(iii) Additions to biological assets – Group

	Note	2020 RM	2019 RM
Additions to biological assets	6	7,677,971	5,199,839
Depreciation capitalised	6	(357,605)	(12,328)
Employee benefits capitalised	6	-	(373,921)
Interest expenses capitalised	6	(296,873)	(16,027)
		7,023,493	4,797,563

(iv) Additions to bearer plants – Group

	Note	2020 RM	2019 RM
Additions to bearer plants	5	30,062,835	29,724,452
Amortisation capitalised	5	(8,621)	(8,621)
Depreciation capitalised	5	(3,533,789)	(2,133,093)
Interest expenses capitalised	5	(1,093,916)	(4,295,254)
Employee benefits capitalised	5	(12,974)	(17,456)
		25,413,535	23,270,028

STATEMENTS OF CASH FLOWS (cont'd)

Notes (cont'd)

(v) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following amounts in the statements of financial position:

	Note	2020 RM	2019 RM
Group			
Cash on hand	15	123,361	58,174
Cash at banks	15	263,740,830	109,831,007
Fixed deposits with original maturities not exceeding three months	15	7,494,027	90,000
		271,358,218	109,979,181
Company			
Cash on hand	15	9,555	10,087
Cash at banks	15	52,894,583	10,562,244
Fixed deposits with original maturities not exceeding three months	15	90,000	90,000
		52,994,138	10,662,331

Notes (cont'd)

(vi) Reconciliation of movements of liabilities to cash flows arising from financing activities

	At 1.1.2019 RM	Net changes from financing cash flows RM	Acquisition of new purchase/ lease RM	At 31.12.2019/ 1.1.2020 RM	Net changes from financing cash flows RM	Acquisition of new purchase/ lease RM	Derecognition of right-of-use assets RM	At 31.12.2020 RM
Group								
Hire purchase financing	-	(308,429)	4,743,442	4,435,013	(1,986,396)	4,492,385	-	6,941,002
Term loans	313,888,288	(62,304,155)	-	251,584,133	(8,321,964)	-	-	243,262,169
Revolving credits	220,000,000	34,000,000	-	254,000,000	(31,000,000)	-	-	223,000,000
Export credit refinancing	20,879,000	4,746,000	-	25,625,000	(25,625,000)	-	-	-
Bankers' acceptances	547,000	5,953,000	-	6,500,000	16,759,000	-	-	23,259,000
Lease liabilities	34,481,934	(14,044,113)	3,269,235	23,707,056	(13,563,240)	8,606,163	(3,795,188)	14,954,791
Total liabilities from financing activities	589,796,222	(31,957,697)	8,012,677	565,851,202	(63,737,600)	13,098,548	(3,795,188)	511,416,962
Company								
Hire purchase financing	-	(288,722)	808,467	519,745	(243,597)	-	-	276,148
Revolving credits	205,000,000	(23,000,000)	-	182,000,000	(29,000,000)	-	-	153,000,000
Amount due to subsidiaries	-	30,000,000	-	30,000,000	-	-	-	30,000,000
Lease liabilities	488,190	(187,900)	-	300,290	(188,726)	1,832	-	113,396
Total liabilities from financing activities	205,488,190	6,523,378	808,467	212,820,035	(29,432,323)	1,832	-	183,389,544

The notes on pages 114 to 210 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Ta Ann Holdings Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of the principal place of business and registered office of the Company is No. 6, Jalan Rawang, 96000 Sibu, Sarawak.

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interests in associates.

The Company is principally engaged in investment holding, letting of premises and provision of management services to its subsidiaries, whilst the principal activities of the subsidiaries are as stated in Note 7 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 26 April 2021.

1. BASIS OF PREPARATION

(a) Statement of compliance

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

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

MFRS/Amendment/Interpretation	Effective Date
Amendments to MFRS 16, *Leases – Covid-19-Related Rent Concessions*	1 June 2020
Amendments to MFRS 9, *Financial Instruments,* MFRS 139, *Financial Instruments: Recognition and Measurement,* MFRS 7, *Financial Instruments: Disclosures,* MFRS 4, *Insurance Contract and* MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*	1 January 2021
Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions beyond 30 June 2021*	1 April 2021
Amendments to MFRS 1, *First-time Adoption of Malaysia Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*	1 January 2022
Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*	1 January 2022
Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018 – 2020)*	1 January 2022
Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018 – 2020)*	1 January 2022
Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*	1 January 2022
Amendments to MFRS 137, *Provisions, Contingents Liabilities and Contingents Assets – Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018 – 2020)*	1 January 2022
MFRS 17, *Insurance Contracts*	1 January 2023
Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*	1 January 2023

1. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

MFRS/Amendment/Interpretation (cont'd)	Effective Date
Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*	1 January 2023
Amendments to MFRS 10, *Consolidated Financial Statements and* MFRS 128, *Investments in Associates and Joint Ventures – Sales or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

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

- from the annual period beginning on 1 January 2021 for those amendments that are effective for annual periods beginning on or after 1 June 2020 and 1 January 2021.

- from the annual period beginning on 1 January 2022 for those amendments that are effective for annual periods beginning on or after 1 April 2021 and 1 January 2022, except for Amendments to MFRS 1, which is assessed as presently not applicable to the Group and the Company.

- from the annual period beginning on 1 January 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023, except for MFRS 17, which is assessed as presently not applicable to the Group and the Company.

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

(b) Basis of measurement

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

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency.

(d) Use of estimates and judgements

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

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

1. BASIS OF PREPARATION (cont'd)

(d) Use of estimates and judgements (cont'd)

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

- Note 3 - Impairment assessment of property, plant and equipment;
- Note 6 - Measurement of biological assets;
- Note 7 - Impairment assessment of investments in subsidiaries;
- Note 9 - Recognition of deferred tax assets; and
- Note 10 - Impairment assessment of goodwill.

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) Subsidiaries

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

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

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

(ii) Business combinations

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

(ii) Business combinations (cont'd)

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

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

(iii) Acquisitions of non-controlling interests

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

(iv) Loss of control

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

(v) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

(v) Associates (cont'd)

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

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

(vi) Non-controlling interests

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

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

(vii) Transactions eliminated on consolidation

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

Unrealised gains arising from transactions with equity-accounted associates are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Foreign currency (cont'd)

(i) Foreign currency transactions (cont'd)

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

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

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

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

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

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Financial instruments

(i) Recognition and initial measurement

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement

Financial assets

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

Amortised cost

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

Interest income is recognised by applying effective interest to the gross carrying amount except for credit impaired financial assets [see Note 2(k)(i)] where the effective interest rate is applied to the amortised cost.

Financial assets categorised as amortised cost are subject to impairment assessment [see Note 2(k)(i)].

Financial liabilities

Amortised cost

Financial liabilities of the Group and of the Company are subsequently measured at amortised cost using effective interest method.

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

(iii) Derecognition

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Financial instruments (cont'd)

(iv) Offsetting

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Freehold land is not depreciated.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Property, plant and equipment (cont'd)

(iii) Depreciation (cont'd)

Infrastructure and logging roads are amortised on a straight-line basis over the lease terms of the land, except for infrastructure costs incurred on land licensed from the State Government of Sarawak for planted forest purposes which is amortised over the terms of the licences.

Plantation land improvement expenditure on land planted with oil palms is amortised on a straight-line basis over 25 years, the expected useful life of the oil palms whereas plantation land improvement expenditure on land planted with trees (reforestation land) is not amortised but will be charged to profit or loss at the time of harvest of the trees based, *inter alia*, on the area harvested and the estimated number of cycles of planting and harvesting on the reforestation land before the licences expire.

Assets under construction are not depreciated until the assets are ready for their intended use.

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

Factories, buildings and quarters	10, 14, 25, 50 years
Furniture, fittings and equipment	2½, 10, 14, 20 years
Wharf, jetty and ferry	10, 50 years
Plant and machinery	5, 10, 14, 20, 25 years
Motor vehicles	4½, 5 years

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

(e) Bearer plants

Bearer plants comprise oil palm plantations, measured at cost less any accumulated amortisation and any accumulated impairment losses.

New planting expenditure incurred on planting, upkeep of immature oil palms and interest incurred during the pre-maturity period (pre-cropping costs) are capitalised as "oil palm plantation development expenditure".

Upon maturity, all subsequent maintenance expenditure is charged to profit or loss and the capitalised pre-cropping costs is amortised on a straight-line basis over 25 years, the expected useful lives of the oil palm trees. Replanting expenditure is similarly capitalised and amortised using the above-mentioned basis.

(f) Biological assets

Biological assets comprise fresh fruit bunches growing on oil palms, standing timbers - plantation and cattles.

Biological assets are measured at fair value less costs to sell, with any changes thereon recognised in profit or loss as "change in fair value less costs to sell of biological assets".

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Leases

(i) Definition of a lease

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

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

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

(ii) Recognition and initial measurement

(a) As a lessee

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Leases (cont'd)

(ii) Recognition and initial measurement (cont'd)

(a) As a lessee (cont'd)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group or Company is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group or Company is reasonably certain not to terminate early.

The Group or the Company excluded variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

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

(b) As a lessor

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

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

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

The Group or the Company recognises assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Group or the Company uses the interest rate implicit in the lease to measure the net investment in the lease.

When the Group or the Company is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group or the Company applies the exemption described above, then it classifies the sublease as an operating lease.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Leases (cont'd)

(iii) Subsequent measurement

(a) As a lessee

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

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

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

(b) As a lessor

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

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

(h) Intangible assets

(i) Goodwill

Goodwill arises on business combinations and is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill that forms part of the carrying amount of the equity-accounted associates.

(ii) Other intangible assets

Intangible assets, other than goodwill, that are acquired by the Group, which have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Intangible assets (cont'd)

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

(iv) Amortisation

Intangible assets with finite useful lives are amortised to profit or loss from the date that they are available for use on a straight-line basis over their estimated useful lives, as follows:

• timber concessions	13 and 14 years
• licence for planted forest	60 years
• land purchase option	10 years
• wood purchase option	20 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

(i) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the weighted average method, except for consumables which are calculated using on the first-in first-out method. Cost includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. For agriculture produce, cost represents its fair value less costs to sell at the point of harvest. In the case of work-in-progress, manufactured inventories and nursery inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

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

(j) Cash and cash equivalents

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Impairment

(i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

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

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

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

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

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Impairment (cont'd)

(ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Equity instruments

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

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Repurchase, disposal and reissue of share capital (treasury shares)

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.

(m) Employee benefits

(i) Short-term employee benefits

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

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

(ii) State plans

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

(iii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) Employee benefits (cont'd)

(iii) Defined benefit plans (cont'd)

The calculation of defined benefit obligations is performed once every two years by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

Net interest expense and other expenses relating to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(n) Revenue and other income

(i) Revenue

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

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

(a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;

(b) the Group's or the Company's performance created or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Revenue and other income (cont'd)

(ii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(iii) Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from sub-leased property is recognised as "other operating income".

(iv) Interest income

Interest income is recognised in profit or loss as it accrues using the effective interest method except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(o) Government grants

Government grants, for the purchase or construction of property, plant and equipment, are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grants; they are then recognised in profit or loss as other income on a systematic basis over the useful lives of the assets.

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

(p) Borrowing costs

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) Taxation

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

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

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

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

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

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

Unutilised reinvestment allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against which the unutilised tax incentive can be utilised.

(r) Earnings per ordinary share

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(s) Operating segments

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

(t) Contingent liabilities

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

(u) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market, or in the absence of a principal market in the most advantageous market.

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

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the assets or liability.

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. PROPERTY, PLANT AND EQUIPMENT

Group	Land RM	Factories, buildings and quarters RM	Infrastructure and logging roads RM	Plantation land improvement expenditure RM	Furniture, fittings and equipment RM
Cost					
At 1 January 2019	7,620,305	266,077,693	268,728,901	153,057,789	73,541,191
Additions	-	500,518	5,671,925	7,626,927	2,870,608
Disposals	-	(26,339)	(10,557,736)	-	(654,657)
Write-offs	-	(3,085,497)	(8,154)	-	(522,932)
Transfers	-	20,068,401	4,760,766	-	985,745
Reclassification	-	377,872	4,426,795	(2,335,829)	485,971
Expensed off	-	-	-	-	-
Reclassification to biological assets (Note 6)	-	-	-	-	-
Effect of movements in exchange rate	-	(1,202,387)	(357,122)	-	(72,730)
At 31 December 2019/ 1 January 2020	7,620,305	282,710,261	272,665,375	158,348,887	76,633,196
Additions	-	980,268	4,440,336	728,242	2,286,278
Disposals	-	(1,380,000)	(2,619)	-	(1,074,331)
Write-offs	-	(18,923,636)	(10,694,258)	-	(1,348,446)
Transfers	-	13,484,007	1,439,563	-	7,257,118
Reclassification	-	-	-	-	264,693
Expensed off	-	-	-	-	-
Reclassification to bearer plants (Note 5)	-	19,600	-	(373,612)	-
Effect of movements in exchange rate	199,399	4,626,571	1,443,414	-	75,852
At 31 December 2020	7,819,704	281,517,071	269,291,811	158,703,517	84,094,360

Group (cont'd)	Wharf, jetty and ferry RM	Plant and machinery RM	Motor vehicles RM	Assets under construction RM	Total RM
Cost					
At 1 January 2019	12,025,620	590,471,343	167,627,281	45,320,311	1,584,470,434
Additions	-	1,231,964	5,370,355	49,575,681	72,847,978
Disposals	-	(562,869)	(4,035,106)	(427,694)	(16,264,401)
Write-offs	-	(44,255,620)	(5,482,537)	-	(53,354,740)
Transfers	-	42,861,668	324,159	(69,001,717)	(978)
Reclassification	(4,238,335)	(796,255)	364,534	1,715,247	-
Expensed off	-	-	-	(567,467)	(567,467)
Reclassification to biological assets (Note 6)	-	-	-	(3,569)	(3,569)
Effect of movements in exchange rate	-	(3,684,982)	(26,329)	-	(5,343,550)
At 31 December 2019/ 1 January 2020	7,787,285	585,265,249	164,142,357	26,610,792	1,581,783,707
Additions	-	3,715,559	6,424,619	12,286,642	30,861,944
Disposals	-	(2,616,005)	(3,439,194)	(1,789)	(8,513,938)
Write-offs	-	(74,537,489)	(7,577,309)	(185,514)	(113,266,652)
Transfers	-	988,506	138,054	(23,307,248)	-
Reclassification	-	(264,693)	-	-	-
Expensed off	-	-	-	(205,783)	(205,783)
Reclassification to bearer plants (Note 5)	-	-	-	(2,094)	(356,106)
Effect of movements in exchange rate	-	12,119,598	81,849	-	18,546,683
At 31 December 2020	7,787,285	524,670,725	159,770,376	15,195,006	1,508,849,855

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group (cont'd)	Land RM	Factories, buildings and quarters RM	Infrastructure and logging roads RM	Plantation land improvement expenditure RM	Furniture, fittings and equipment RM
Depreciation and impairment loss					
At 1 January 2019					
Accumulated depreciation	341,591	105,335,700	48,550,790	23,557,215	57,083,474
Accumulated impairment loss	659,150	-	-	-	-
	1,000,741	105,335,700	48,550,790	23,557,215	57,083,474
Charge for the year	16,799	8,572,047	5,820,245	3,059,631	4,304,344
Disposals	-	(26,339)	(8,321,240)	-	(654,657)
Write-offs	-	(1,606,866)	(3,530)	-	(367,882)
Reclassification	-	-	-	-	245,329
Effect of movements in exchange rate	38,823	(460,781)	(161,231)	-	(63,597)
At 31 December 2019					
Accumulated depreciation	397,213	111,813,761	45,885,034	26,616,846	60,547,011
Accumulated impairment loss	659,150	-	-	-	-
	1,056,363	111,813,761	45,885,034	26,616,846	60,547,011

Group (cont'd)	Wharf, jetty and ferry RM	Plant and machinery RM	Motor vehicles RM	Assets under construction RM	Total RM
Depreciation and impairment loss					
At 1 January 2019					
Accumulated depreciation	2,635,996	371,240,479	142,016,776	-	750,762,021
Accumulated impairment loss	-	-	-	-	659,150
	2,635,996	371,240,479	142,016,776	-	751,421,171
Charge for the year	232,146	26,881,376	11,577,255	-	60,463,843
Disposals	-	(562,869)	(2,975,893)	-	(12,540,998)
Write-offs	-	(23,295,787)	(5,298,010)	-	(30,572,075)
Reclassification	-	333,377	(578,706)	-	-
Effect of movements in exchange rates	-	(1,751,134)	38,871	-	(2,359,049)
At 31 December 2019					
Accumulated depreciation	2,868,142	372,845,442	144,780,293	-	765,753,742
Accumulated impairment loss	-	-	-	-	659,150
	2,868,142	372,845,442	144,780,293	-	766,412,892

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group (cont'd)	Land RM	Factories, buildings and quarters RM	Infrastructure and logging roads RM	Plantation land improvement expenditure RM	Furniture, fittings and equipment RM
Depreciation and impairment loss (cont'd)					
At 1 January 2020					
Accumulated depreciation	397,213	111,813,761	45,885,034	26,616,846	60,547,011
Accumulated impairment loss	659,150	-	-	-	-
	1,056,363	111,813,761	45,885,034	26,616,846	60,547,011
Charge for the year	107,968	8,997,836	5,986,485	3,193,030	4,846,572
Disposals	-	(236,900)	-	-	(1,067,631)
Write-offs	-	(9,773,280)	(5,185,694)	-	(1,077,639)
Reclassification	-	8,313	(26,705)	-	176,865
Impairment	157,189	2,576,977	514,119	-	51,089
Reclassification from right-of-use assets (Note 4)	-	-	-	-	-
Reclassification from bearer plants (Note 5)	-	449,612	-	-	-
Effect of movements in exchange rates	49,266	1,498,475	406,961	-	15,951
At 31 December 2020					
Accumulated depreciation	554,447	112,757,817	47,066,081	29,809,876	63,441,129
Accumulated impairment loss	816,339	2,576,977	514,119	-	51,089
	1,370,786	115,334,794	47,580,200	29,809,876	63,492,218
Carrying amounts					
At 31 December 2019	6,563,942	170,896,500	226,780,341	131,732,041	16,086,185
At 31 December 2020	6,448,918	166,182,277	221,711,611	128,893,641	20,602,142

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Group (cont'd)	Wharf, jetty and ferry RM	Plant and machinery RM	Motor vehicles RM	Assets under construction RM	Total RM
Depreciation and impairment loss (cont'd)					
At 1 January 2020					
Accumulated depreciation	2,868,142	372,845,442	144,780,293	-	765,753,742
Accumulated impairment loss	-	-	-	-	659,150
	2,868,142	372,845,442	144,780,293	-	766,412,892
Charge for the year	208,521	24,688,075	8,935,138	-	56,963,625
Disposals	-	(1,478,653)	(2,867,485)	-	(5,650,669)
Write-offs	-	(61,185,511)	(7,449,483)	-	(84,671,607)
Reclassification	-	(158,473)	-	-	-
Impairment	-	7,519,038	53,429	-	10,871,841
Reclassification from right-of-use assets (Note 4)	-	-	477,316	-	477,316
Reclassification from bearer plants (Note 5)	-	-	-	-	449,612
Effect of movements in exchange rates	-	4,859,883	61,067	-	6,891,603
At 31 December 2020					
Accumulated depreciation	3,076,663	339,570,763	143,936,846	-	740,213,622
Accumulated impairment loss	-	7,519,038	53,429	-	11,530,991
	3,076,663	347,089,801	143,990,275	-	751,744,613
Carrying amounts					
At 31 December 2019	4,919,143	212,419,807	19,362,064	26,610,792	815,370,815
At 31 December 2020	4,710,622	177,580,924	15,780,101	15,195,006	757,105,242

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. Property, plant and equipment (cont'd)

Company	Buildings RM	Furniture fittings and equipment RM	Motor vehicles RM	Asset under construction RM	Total RM
Cost					
At 1 January 2019	7,818,793	12,981,459	2,861,415	8,319,702	31,981,369
Additions	-	161,236	808,467	3,403,244	4,372,947
Disposals	-	(23,025)	(99,495)	-	(122,520)
At 31 December 2019/ 1 January 2020	7,818,793	13,119,670	3,570,387	11,722,946	36,231,796
Additions	941,688	317,808	-	2,973,323	4,232,819
Transfer	8,436,180	6,260,089	-	(14,696,269)	-
Disposals	-	(2,565)	(324,990)	-	(327,555)
Write-offs	-	(346,082)	-	-	(346,082)
At 31 December 2020	17,196,661	19,348,920	3,245,397	-	39,790,978
Depreciation					
At 1 January 2019	2,556,140	12,197,475	2,032,417	-	16,786,032
Charge for the year	156,376	222,317	476,577	-	855,270
Disposals	-	(21,606)	(97,750)	-	(119,356)
At 31 December 2019/ 1 January 2020	2,712,516	12,398,186	2,411,244	-	17,521,946
Charge for the year	270,396	582,858	430,334	-	1,283,588
Disposals	-	(2,562)	(324,984)	-	(327,546)
Write-offs	-	(345,309)	-	-	(345,309)
At 31 December 2020	2,982,912	12,633,173	2,516,594	-	18,132,679
Carrying amounts					
At 31 December 2019	5,106,277	721,484	1,159,143	11,722,946	18,709,850
At 31 December 2020	14,213,749	6,715,747	728,803	-	21,658,299

3.1 Land titles

Included in land of the Group are twelve (2019: twelve) parcels of native land costing RM140,982 (2019: RM140,982) which were registered in the name of a Director who is holding them in trust for the Group.

3. Property, plant and equipment (cont'd)

3.2 Allocation of depreciation

Depreciation charge for the year is allocated as follows:

		Group		Company	
		2020	2019	2020	2019
	Note	RM	RM	RM	RM
Recognised in profit or loss		53,399,291	58,332,201	1,283,588	855,270
Capitalised into:					
- Plantation land improvement		348,052	-	-	-
- Bearer plants	5	3,006,130	2,118,902	-	-
- Biological assets	6	207,785	12,328	-	-
- Inventories	12	2,367	412	-	-
		56,963,625	60,463,843	1,283,588	855,270

3.3 Property, plant and equipment under hire purchase financing

The net carrying amounts of property, plant and equipment under hire purchase financing are as follows:

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Plant and machinery	1,216,851	539,429	-	-
Motor vehicles	9,550,573	3,831,646	491,830	653,524

3.4 Security

Assets under hire purchase financing are charged to secure hire purchase financing of the Group and of the Company (see Note 17).