SUSTAINABILITY STATEMENT

Managing Sustainability

The Jaya Tiasa Group remains committed to its vision of being Malaysia's preferred producer of renewable and sustainable quality oil palm and wood based products. A testament to this is the several initiatives established to manage our commitment towards sustainability.

To achieve its vision, the Group strives to achieve the following:

Economic	Corporate Governance	• Practice sustainable, responsible and ethical businesses • Comply with all laws, regulations and guidelines • Practice fair, responsible and honest engagement with stakeholders.
Environmental	Environmental Stewardship	• Undertake the best agricultural practices to reduce the direct and indirect environmental impacts of our operations • Commit to utilize natural resources prudently • Setup waste and effluent management plan
Social	Workplace	• Encourage work-life balance with emphasis on the health, safety and well-being of employees • Continuous develop and train employees • Human resource management
	Community Care	• Improve the quality of life of surrounding communities through the offering of job opportunities, financial aid in kind or money and humanitarian efforts • Conduct charitable activities and donation drives

Scope of Sustainability Statement

The scope of this Sustainability Statement encompasses Jaya Tiasa's oil palm plantations and palm oil mill operations and focuses on the things that are most material to both our organization and stakeholders for the financial year ended 30 June 2020.

Corporate Governance

Effective governance and robust risk management policies and procedures combined with our core values are keys for achieving long term success. The Board of Directors receives and approves a formal Sustainability Report at least once a year before it is released to the shareholders and public. In relation to Jaya Tiasa's overall sustainability objectives, targets and priorities, the Board of Directors has delegated responsibility to the Sustainability Committee headed by the Group's Chief Executive Officer to formulate sustainability strategies, policies and goals, discuss sustainability issues and review sustainability performance. In addition, the Sustainability Statement Team collates all information and responses collected from the Sustainability Committee and stakeholders, and prepares a Sustainability Statement.

Sustainability Governance Management Structure

Board of Directors	• Approves sustainability strategies • Performs ultimate supervision of sustainability performance • Ensures business strategy considers sustainability
Group Sustainability Committee	• Formulates sustainability strategies, policies and goals • Discusses sustainability issues • Supervises sustainability performance • Develops and oversees implementation of strategies
Group Sustainability Statement Team	• Prepares Sustainability Report • Considers input from all business units
Business and Functional Operations	• Maintain sustainability performance • Stakeholders engagement • Raise awareness among employees • Help management ensure that sustainability standards are consistent across the Group

Regulatory Compliance and Ethical Business Conduct

At Jaya Tiasa, it is our utmost priority that we practice and uphold high standards of corporate conduct. We strive to ensure that all business and operational affairs are carried out ethically, with integrity, and accountability and in full compliance with the laws and regulations.

The signing of the Corporate Integrity Pledge (CIP) with MACC echoed our commitment towards creating a business environment that upholds the Anti-corruption Principles in the conduct of our business. Our employees are reminded that any form of fraud, corruption, and unethical behavior will not be tolerated under any circumstances.

Our whistle-blowing mechanism enables all employees and stakeholders to report any irregularities, grievances and concerns without fear of reprisal.

For the Financial Year ended 30 June 2020, the Group was not subject to any of the following incidents:

- Non-compliance with laws and regulations in the social and economic area;
- Non-compliance with environmental laws and regulations; and
- Non-compliance with the financial standards and frameworks.

SUSTAINABILITY STATEMENT

Targets & Achievements

Objectives	Targets	Status of Targets	Address by Specific Material Sustainability Matter	Page Reference
Target 1: Economics				
FFB Yield per Hectare (MT/HA)	17.4	Continuous Improvement	Product Quality, Economic Performance	29
Oil Extraction Rate:				
• Crude Oil Extraction	18.7%	Continuous Improvement	Product Quality, Economic Performance	29
• Palm Kernel Extraction	3.7%	Continuous Improvement	Product Quality, Economic Performance	29

Objectives	Targets	Status of Targets	Address by Specific Material Sustainability Matter	Page Reference
Target 2: Environmental				
No new developments carried out on peatlands	All Plantations	Ongoing	GHG emissions, discharge and waste management	29
Installation of Biomass boilers for energy generation	All CPO mills	Achieved	GHG emissions, discharge and waste management	31
Measurement of GHG emissions per year for the Group	All Operations	Ongoing	GHG emissions, discharge and waste management	31
Flora and Fauna Biodiversity Assessment	Assessment carried out for all plantations	Ongoing biodiversity assessment	Biodiversity and conservation	32
Management of effluent discharge	Within requirement (<20mg/L)	Continuous Management	GHG emissions, discharge and waste Management	31
Set up methane capture plant in all CPO mills	All CPO mills	Ongoing	GHG emissions, discharge and waste management	31
No land development through open burning	All Plantations	Ongoing	GHG emissions, discharge and waste management	30

Objectives	Targets	Status of Targets	Address by Specific Material Sustainability Matter	Page Reference
Target 3: Community				
Improve life of smallholders & local communities	Continuous Improvement	Continuously Ongoing	Poverty free / Good health & well-being	36

Objectives	Targets	Status of Targets	Address by Specific Material Sustainability Matter	Page Reference
Target 4: Employees				
No child labour	No breaches of laws and regulations	Achieved	Human & Workers Rights	33
No forced labour	No breaches of laws and regulations	Achieved	Human & Workers Rights	33
No work related fatalities	Zero fatality	Achieved	Occupational Safety & Health	37
Reduce work related lost time	Improved awareness	Continuous Improvement	Occupational Safety & Health	36

Objectives	Targets	Status of Targets	Address by Specific Material Sustainability Matter	Page Reference
Target 5: Certification				
Achieve MSPO certification for all 4 CPO mills	Certified	Achieved	Certification	29
Achieve MSPO certification for all plantations	Certified	Achieved	Certification	29
Forest Management Certification	By 2022	All FMC ongoing	Certification	29

Material Sustainability Matters

The Sustainability Committee has reviewed key Economic, Environment and Social issues for potential financial, operational and reputational impacts that these issues may have on the Group. We have identified numerous key material issues that are of high concern to stakeholders and of high significance for our Group in year 2020. These material issues have been prioritized through our materiality assessment process. Material issues identified are then assessed to establish if proper policies and procedures are implemented to manage and monitor these issues.

Areas of Impact	Material Sustainability Matters
Economic	• Product Quality • Economic Performance • Certification
Environmental	• Peatland Management & Fire Prevention • Effluent, waste and Water Management • Conservation and Biodiversity Protection
Social	• Safety and Health • Human Resource Management • Corporate Social Responsibility

Engagement with Stakeholders

The stakeholder groups which have significant influence and impact on the Group's businesses are carefully identified and engaged at various platforms and intervals throughout the year. We prioritize honest and open communications with our internal and external stakeholders to fully understand their sustainability concerns and issues with a view to ensuring that their key interests are aligned with those of the Group.

SUSTAINABILITY STATEMENT

Overview of Stakeholder Engagement conducted in FYE 2020

Stakeholder Group	Areas of interest	Methods	Frequency	Outcomes
Shareholders and Investors	• MSPO certification • Future plans • Progress and compliance with sustainability standards • Pollution • Deforestation • Pesticide and chemical usage	• Quarterly meeting • Annual general meeting • Company website • Engagement survey	• Every 3 months • Once a year • Periodic • Once a year	• Positive reputation and a better understanding of Jaya Tiasa's sustainability status, progress and initiatives • Good relationship with shareholders
Local Communities	• Opportunity for employment • Complaints and grievances • Smallholders • Community development • Waste management	• Grievances and complaints channel • Formal and informal meetings • Social impact assessments • Community programs	• As and when necessary • Periodic • Once a year • Periodic	• Employment for qualified and eligible locals • Improved road access • Contributions to the community and local schools • Better social relation with Group
Workers	• Occupational health & safety • Working conditions, facilities, safety and training • Wages / remuneration • Complaints and grievances • Employee social and welfare care	• Management meeting • Morning roll-call • Regular training • Notices	• Periodic • Daily • Periodic • Periodic	• Better understanding of company policies • Safer working environment • Improved awareness of health & safety issues
Employees	• Job satisfaction and development • Remuneration • Health and safety • Communication of company's policies and practices	• Annual appraisals • Training sessions • Workshop for discussions • Sports and recreation club • Company intranet, newsletters	• Once a year • As required • As required • Periodic • Periodic	• Employee retention • Better understanding of the company's policies and values
Government and regulatory authorities	• Compliance with legal requirements • Support government transformation policies and initiatives • Occupational Safety and Health	• Formal dialogues and meetings • Annual reports • Site Visits • Engagement survey	• As and when necessary • Once a year • Periodic • Periodic	• Supportive of the Government's policies and initiatives • Protection of the environment • Positive reputation amongst investors
Suppliers / Smallholders	• Compliance with sustainability requirements • Product quality • On time delivery	• Formal and informal meetings • Dialogues and appraisals	• Periodic • Periodic	• Sustainable production • On time delivery of materials
Customers	• Quality of products • Compliance with sustainability standards • Supply chain and traceability of product • Deforestation	• Networking sessions • One on one meetings • Annual reports • Company website • Visit to estates and mills	• Periodic • Periodic • Once a year • Periodic • Periodic	• Positive reputation • Customer retention • Increased market share

Stakeholder Group	Areas of interest	Methods	Frequency	Outcomes
Certification bodies	• Occupational safety and health • Human and consumer rights • Social and environment impact	• Engagement surveys and dialogues • Site visits and inspection • Constructive partnership	• Periodic • Once a year • Periodic	• Increase market share • Compliance with policies • Audit and certification • Knowledge sharing

How our Material Issues Relate to the UN Sustainable Development Goals (SDGs)

The United Nations (UN) adopted 17 Sustainable Development Goals (SDGs) with the aim to call for actions to end poverty, protect the planet, tackle climate change, improve health and education, reduce inequality and ensure that all people enjoy peace and prosperity. With our strong commitment towards to sustainable development, we have performed a review and evaluation on how our diverse businesses can contribute to SDGs and have since prioritized eight SDGs that are considered most relevant to the Group and incorporated them into our Sustainability Framework.

	SDGs Relevant to our Material Issues
Economic	• SDG 8 – Decent work and economic growth • SDG 12 – Responsible consumption and production
Environmental	• SDG 6 – Clean water and sanitation • SDG 13 – Climate action • SDG 15 – Life on land
Social	• SDG 1 – No poverty • SDG 3 – Good health and well-being • SDG 10 – Reduced inequalities

ECONOMIC

Product Quality (SDGs-12 Responsible Consumption and Production)

It is the policy of the Jaya Tiasa Group to produce quality palm oil and timber related products to the satisfaction of our valued customers.

Our quality focus starts from every aspect of our best agricultural practices and milling activities right until our products are delivered to the satisfaction of our valued customers. We continued to invest in the latest technology and high-end machineries to ensure higher efficiency and continue to produce high quality products for our customers. In each of our mills, we have fully equipped laboratory to monitor the quality of our finished products.

Economic Performance (SDGs -8 Decent Work and Economic Growth)

In the reporting year, our employees (through their various services in the Group) were recipients of RM104.7 million in employee benefits. The Government collected RM5.7 million through taxes and cesses while the Sarawak State Government managed to collect RM20.5 million in the form of Sarawak Sales Tax imposed based on the Crude Palm Oil prices.

From the total revenue of RM701.9 million, 9% or RM63.2 million was channeled to the purchase of motor vehicles, machineries, fertilizers, utilities and office supplies to meet the needs of the overall business. Inevitably, this has helped the local economy both directly and indirectly. The Group also actively purchased FFB from surrounding plantations and smallholders to the tune of RM52.9 million during the year.

Certification (SDGs -12 Responsible Consumption and Production)

All of the Group's plantations and mills have undergone the MSPO certification and are fully certified.

i) **Malaysian Sustainable Palm Oil (MSPO)**
MSPO is a national sustainability scheme created by the Malaysian government and developed for oil palm plantations, smallholders and downstream facilities. The requirements for MSPO standards include:-
- the production of safe, high quality oil palm fruits;
- the protection of the environment;
- the safeguarding of social and economic conditions of owners;
- support the surrounding community;
- enforce workplace health and safety excellence; and
- the implementation of best practices.

ii) **Forest Management Certification**
Forest Management Certification (FMC) is internationally recognized system to verify responsible forest management. The Sarawak State Government has made it mandatory for all long-term forest timber licenses to obtain FMC by 2022. Pursuant to this policy, the Certification Unit is established towards managing and obtaining the certification for all of our timber license areas.

ENVIRONMENT

As our business is closely associated with natural resources, we recognized the importance of practicing responsible stewardship of the environment. To this end, environmental protection measures and considerations have long been embedded in our manufacturing processes and day-to-day operations.

Peatland Management and Fire Prevention (SDGs – 13 Climate Action)

In view of the frailty and the importance of peatland when it comes to carbon storage and its other multiple benefits such biodiversity maintenance, carbon water storage and regulation, the Group has taken the stance to strictly prohibit the clearance and development of peatlands for new plantations regardless of depth.

To conserve and for better management of water and drainage in the peatland, a series of weirs and water gates were constructed across the collection drains to regulate the water level in the field and significantly reduce carbon emission. To comply with the MSPO standards, the water level in the collection drain is maintained at a range of 35cm to 60cm and at 30cm to 50cm for groundwater table in the field.

Deforestation

The Group ensures that our agricultural operations comply with the following:-

- No planting on land with high biodiversity value;
- No planting on protected and forest reserve land;
- No new development on peatland regardless of depth; and
- No development in high carbon stock forest.

For the Financial Year ended 2020, the Group did not clear any land for new development.

Fire and haze prevention

The impacts of fire can be catastrophic, including commercial loss, loss of life, air pollution and loss of biodiversity. Fires possess long-term commercial risk and the potential losses to the Group are high. Wider risks of fire include threats to climate change goals and could easily derail the Group from achieving economic and environmental sustainability.

Zero Burning Policy

In compliance with environmentally friendly practices as well as the principles and criteria set out in the MSPO standards, the Group adheres to a strict zero burning policy and is enforced without exception.

Monitoring

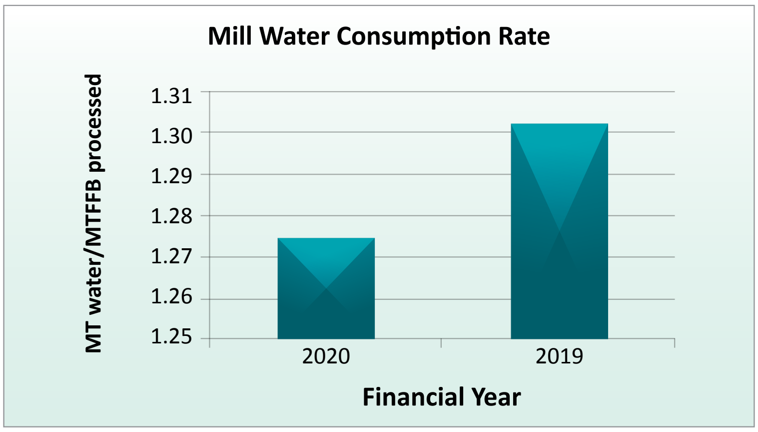
During the dry seasons, employees in all our plantations are directed to vigilantly look out for any fire breakouts in the surrounding vicinity. Employees are continuously trained (extensive mock fire drills are conducted regularly) on how to control and manage fires. We have set up weather stations throughout the plantations to gather micro-climate information for regular fire safety risk assessment and ensure that adequate fire safety measures are put in place. Our continuous efforts proven to be fruitful as there were no reported fire related incidents for two consecutive years.

Water Management and Safeguarding (SDGs -6 Clean Water and Sanitation)

The Group's water management strategies centers on the optimization of water usage, increasing the number of water sources, the reduction of water consumption and the identification of water pollution sources.

In accordance with the water management strategies, the following measures were put in place: -

- The installation of water gates to control and maintain water levels for palm tree irrigations. In addition, water level was maintained at an optimum level in anticipation of a potential shortfall of rain and to counter the risk of fire;
- The establishment of ponds, water catchment and water tanks at worker's housing area to store rain water;
- The setting up of water treatment plant for milling usage and daily consumption while maintaining strict water efficiency;
- The strict prohibition of the discharge of chemicals, solid wastes and used lubricants into the waterways;
- The practice of water sampling twice a year to monitor water quality in line with EIA measures and to ascertain it is potable (safe for drinking) and other daily usages; and
- The maintenance of buffer zones along the natural waterways where spraying and manuring operations are strictly prohibited.



Effluent and Waste Management (SDGs -6 Clean Water and Sanitation, 13 Climate Action)

Effluent Management

Palm Oil Mill Effluent (POME) is the waste water discharged from the processing of FFB. POME has high acidity, high biological oxygen demand (BOD) and high levels of organic matters which can pollute the waterways if left untreated. By using the aerobic and anaerobic ponding system, the treated water can be discharged safely into the environment. In 2020, 100% of the POME discharge from our mills was treated to meet local regulatory requirements (<20mg/L) prior to discharge. There is no incident where our POME discharge is over the limit and is harming the waterways.

Waste Management

The Group strictly observes the best practices in the handling and managing of waste at our sites. We take full precaution in disposing all waste products including domestic waste, agricultural waste, biomass or byproducts generated by our oil palm plantations or oil palm milling sectors.

Biomass fuels such as press fiber and palm kernel shell are burnt in boiler to generate electricity. Recycling of nutrient rich biomass such as Empty Fruit Bunch (EFB) and POME sludge is a common practice within The Group. These EFB and sludge can be further processed to become bio-fertilizers thus reducing the need to acquire expensive agrochemicals which in turn save costs.

Another useful byproduct of EFB is bunch ash. As peat soil is highly deficient in potassium (K), external application of high amounts of K is required. Using bunch ash as a source of K is more advantageous and preferable since it helps to neutralize soil acidity (Gurmit et al. Mohd Tayeb, 2002).

By-products generated and recycled from milling operations:

By-products	Total Quantity Generated and Recycled (MT)	Method of recycling
EFB compost	4,923	Organic fertilizer
Bunch Ash	7,994	Organic fertilizer
Press Fiber	153,256	Biomass fuel for boiler
Palm Kernel Shell	8,673	Biomass fuel for boiler

Scheduled wastes generated from the operations and biohazard wastes from the clinic are stored, labelled and disposed of by licensed contractors in adherence to the government regulations.

Carbon Footprint (SDGs -13 Climate Action)

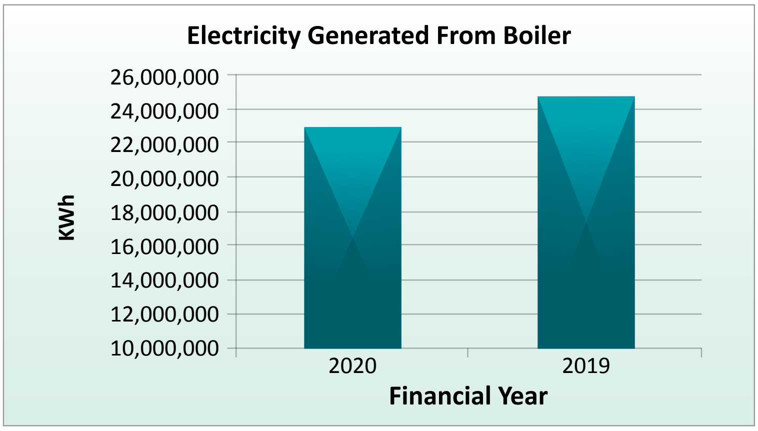
Greenhouse Gas Management

Our biggest source of emissions comes from POME. The discharged water produced methane gas which has 21 times more Global Warming Potential compared to other gases. To reduce methane gas emissions, Jaya Tiasa has a biogas plant constructed in each of the mills. These biogas plants help to trap the methane gas.

In view of the scarce human resource especially for the physical demanding field tasks, Jaya Tiasa has tested and implemented in-field mechanization. While mechanization improved the process efficiency (e.g. harvesting, loading and unloading of FFB), it increases the carbon trails.

Energy Consumption

To be sustainable, our management is committed to energy conservation and the reduction of fossil fuel usage. We recycle oil palm and oil mill by-products such as press fiber and palm kernel shells for use as biomass fuel in the mills boiler. For FY2020, the boilers in our mills generated 22.8 million KWh of electricity. That is equivalent to electricity generated from burning 6.83 million liters of diesels. The use of these biomass fuels significantly reduces the consumption of non-renewable fossil fuels and generates greater cost savings as they are cheaper.



SUSTAINABILITY STATEMENT

Biodiversity Protection (SDGs -15 Life on Land)

Often global discourse on palm oil and logging activities is tied to heavy biodiversity loss as well as significant changes in land composition and ecosystems. To mitigate such discourse, we have the responsibility to uphold and practice sustainable business operation to prevent any undue risks on the environment for the benefit of the present and future generations.

The Group had fully assessed all of our estates covering a total landbank of 83,483 ha and with buffer zones of 11,335 ha. The findings from the assessment will help to determine the most effective length and in-depth research required for an effective HCV monitoring and management. We imposed a policy of "zero tolerance" towards killing, harming any of the endangered / protected species listed under the International Union for Conservation of Nature (IUCN) and Protected Animals from Wild Life Protection Ordinance, 1998.

No Hunting signboard placed at the entrance gate.

Sunda Pangolin (Manis Javanica) recorded by camera trap

Summary of IUCN List of Threatened Species in Jaya Tiasa's areas of operation:

Conservation status	Number of Species
Critically Endangered	6
Endangered	5
Vulnerable	12
Near Threatened	6
Least Concern	34
Not Assessed by IUCN	179

HCV management
We are still in the progress of identifying the HCV areas within all of our oil palm estates.

Pesticides, Chemical and Fertilizer Usage (SDGs -13 Climate Action, 15 Life on Land)

In order to minimise the impact of our operations to the natural environment, it is essential to cut back on the reliance on fertilizers, pesticides and herbicides.

Biological insecticides and pheromones

As part of our integrated pest management practices, we use biological insecticides and pheromones in place of chemical pesticides to control the population of pests. Biological insecticide such as DiPel is effective against more than thirty different kinds of pests and it has minimal effect on the environment, animals and humans, and is biodegradable. Pheromones traps proved to be an efficient and effective way to trap Rhinoceros beetles.

Natural predator
Beneficial plants such as Cassia cobanesis, Turnera subulata and Antigonon leptopus are planted to provide both shelter and supplementary food such as nectar to Sycanus, a type of insect that hunts the leaf-eating caterpillars and bagworms.

Surveillance and monitoring of pest outbreak is key to minimise the impact financially and environmentally from excessive use of pesticides. Pesticide were used only when and deemed necessary against damaging outbreak.

Soil Enrichment and Fertilizer Reduction

By recycling plant biomass as discussed in the waste management section earlier, the zero burning technique improves soil organic matter, moisture retention and soil fertility. This reduces the overall requirement for inorganic fertilizers and decreases the risk of water pollution through the leaching or surface washing of nutrients.

SOCIAL

At Jaya Tiasa, we believe our employees are our greatest asset. The health of our employees is directly linked to their productivity and satisfaction at work. We believe clear engagement with employees coupled with career development opportunities will improve personal performance, business productivity and product quality. We recognise the potential in each employee and the benefits of a diverse workforce.

Human and Workers' Rights (SDGs – 3 Good Health & Well-Being, 10 Reduced Inequalities)

The Group is committed in ensuring the dignity and rights of our workers are respected in line Malaysian Labour Law and the United Nations' guiding principles on human rights. These commitments are outlined below:

- Practice of nondiscrimination during recruitment, employment, dismissal or promotion regardless of gender, race, religion, marital status and political affiliation;
- Strict prohibition of any form of harsh and inhumane treatment, including sexual harassment, sexual abuse, corporal punishment, mental and physical coercion;
- Strengthening of mutual cooperation between worker and employer;
- Encourage open discussion and recognition;
- Improvement of workers' health and safety levels;
- Respect the rights of the community in accordance with the UN Declaration on the Rights of Indigenous Peoples. Social Impact Assessments are conducted on local communities that are directly or indirectly affected by our business operations;
- Practice of zero tolerance on the use of child or forced labor, slavery or human trafficking in any of our operation sites and facilities;
- Adherence to our core values by our contractors and suppliers; and
- The passports of workers will be made available upon request and no workers will be retained against their will.

No incidences of forced or child labour have been found or reported.

Recruitment, Retention and Development (SDGs – 10 Reduced Inequalities)

To meet future challenges and remain competitive, we strive to be an attractive employer with the ability to retain the best people. With the competition for talents growing more intense, the following safeguarding measures were put in place:

- The conduct of road shows and placements of advertisements in local newspapers to encourage the local communities to be part of the Group;
- New recruits are given orientation and training;
- Employment and development of employees are based on individual skills, talent, experience and the behavioral attributes of a person;
- Remuneration pay package is tailored according to employee's level of performance;
- Same career progression opportunity for everyone who is competent and contribute to the success of the Group; and
- Apart from attending the in-house trainings, our employees are also encouraged to attend the Group's sponsored external seminars and workshops to stay up-to-date with the latest developments and trends happening in their respective line of work.

Field training is also frequently organized to upgrade the technical and functional skills of workers at the operating units.

SUSTAINABILITY STATEMENT

	FY2020	FY2019
No. of trainings	383	635
Total no. of training hours provided	22,557	36,445

Examples of seminar/workshop related to sustainability certification, environmental protection awareness, safety and health and good agricultural practices.

Date	Workshop/Seminar	No of participants
24-25.07.2019	Biodiversity and Ecological Management	186
25.10.2019	Machinery Superbull Operator	58
11.12.2019	First Aid Training	46
20.02.2020	Harvesting and Safety Training	122
01.04.2020	Awareness on Guidelines of Covid-19 Prevention	48
19.06.2020	MSPO Awareness (Policies and Principle)	35

"Authorised Entrant & Standby Person For Confined Space."

"Fire Protections and Fire Extinguisher Appliances Training."

Foreign workers
To mitigate shortage of labour force, we look towards foreign workers (mainly from Indonesia) to take over those physically demanding works.

- All workers are covered under the purview of "Workers Minimum Standards of Housing and Amenities Act 1990";
- All levy fees, visa applications and transportation costs are borne by us to reduce their financial burden;
- Only foreign workers with valid work permits are hired; and all statutory payments and just wages are made in a timely manner; and
- All foreign workers are covered under FWCS or SKKPHA.

Fair Pay and Performance Oriented Culture (SDGs – 1 No Poverty, 10 Reduced Inequalities)

We have been compliant with the National Minimum Wages Order since it was first introduced by the Malaysian government in 2012. We ensure that all employees are adequately compensated for their work and that wage payments are made in a timely manner and are clearly acknowledged by the workers. In addition to the typical employee benefits, we also provide annual bonuses, medical and insurance coverages and EPF to eligible employees. Regular performance appraisals and evaluations are carried out to ensure high performing employees are rewarded and also, to promote motivation and performance upgrading for the rest.

At the plantation sites, benefits such as housing, utilities, medical and sports facilities and access to education for the workers' children are provided for.

Diversity and Equal Opportunity (SDGs – 10 Reduced Inequalities)

Diversity brings strength and cultural understanding to an organization. In accordance with our Code of Conduct, equal employment opportunity is given to every employee regardless of religion, ethnicity, gender and other discriminatory factors. We value, respect and leverage the unique contributions of people with diverse backgrounds, experiences and perspectives to provide exceptional services to an equally diverse community.

There was no incident of discrimination and corrective action taken for the year.

Workforce by Gender	FY2020	FY2019
Female	24%	25%
Male	76%	75%
Total	100%	100%

Workforce by Categories	FY2020	FY2019
Management	1%	1%
Executive	5%	5%
Non-Executive	94%	94%
Total	100%	100%

Social Care and Workers Welfare (SDGs – 1 No Poverty, 3 Good Health & Well-Being)

Continuous improvement of the health and well-being of our employees are certainly one of our top priorities. Through our Sports and Recreation Club (SPARC), recreational events and sports activities are regularly organized throughout the year for our employees with the aim of promoting and fostering teamwork and rapport among employees as well as encouraging work-life balance and healthy living. We encourage all our employees to participate in these recreational events and sports activities which include the annual dinner, festive gatherings, sports competitions, donation drives and more.

In addition, the welfare of our estate and mill workforce is provided for with quality quarters, playgrounds, recreational and medical facilities among others.

Jaya Tiasa Holdings Annual Dinner 2020.

Forest Fun Run 2019 at Sarikei.
To promote awareness and to plant seedlings by top 100 runners.

SUSTAINABILITY STATEMENT

Community Well being

The Group continues to support the local communities associated with our operations through the offering of job opportunities, fair pay and minimise all environmental and social impacts. Our employees are also encouraged to take part in community and charitable activities. Over the last 12 months, our efforts included charity drives for local schools and society care centers. In addition to this area of focus, our blood donation drives are conducted yearly to replenish the blood supplies of the local hospitals and blood banks.

The Group has also contributed funding to the tune of RM226,600 and other resources towards enhancing the social well-being of the community through supporting initiatives related to educations, health care, arts and culture, sports, community development, the underprivileged, disability groups and more.

Annual Blood Donation Campaign.

Donation of supportive teaching materials to Tadika Akar Baik of Long Unai.

Stakeholders Engagement Meeting at Hariyama CPO Mill.

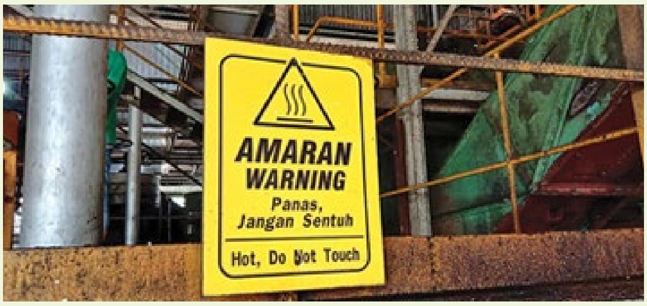
Stakeholders Engagement Meeting at Daro Jaya Plantation.

Safety and Health (SDGs – 3 Good Health & Well-Being)

Occupational Safety and Health (OSH) is our utmost priority. The Group has a specific Health, Safety and Environment department set up to oversee all matters concerning employees' safety and health. To safeguard the health, well-being and safety of our employees, the following precautions and measures were established:

- Promotion of a safe working culture through the conduct of safety briefings and safety awareness campaigns for both employees and contractors;
- Personal Protective Equipment (PPE) is provided for those working in environments exposed to hazards and risks. Full compliance with the use of PPE is mandatory and strictly monitored;
- Implementation of standardized health and safety program and policies across all the Group's operations. These programs and policies are continuously reviewed, monitored and fully implemented.
- All of our foreign workers are covered by the insurance policy "Foreign Workers Compensation Scheme" that covers work related injuries and fatalities;
- Regular safety education programs are conducted to enable employees to understand the requirements of the Occupational Safety and Health Administration (OSHA) and to boost safety and health awareness;
- All our CPO mills have clinics where workers can receive free healthcare;

- Medical and physical checkups are regularly conducted for employees exposed to dangerous chemicals, pesticides and high noise levels;
- Regular inspections of the employees' housing and welfare facilities are carried out to ensure that sanitation, health and drainage standards are maintained according to the Group's policy.



Safety and Warning signs setup throughout the sites.

Action on Accidents

The Group devotes continuous efforts in accident prevention by conducting "Hazard Identification, Risk Assessment and Risk Control (HIRARC)" on all our operations. With HIRARC, we are able to identify, assess/measure and minimize the hazards and risks of any workplace and its activities.

Every accident is formally investigated to determine the root cause and to prevent the recurrence of such incidents. The details and conclusion of the investigation are included in the Accident Investigation Report (AIR).

For the FY2020, there were no reported workplace fatalities within The Group.

MOVING FORWARD

Jaya Tiasa will continue to uphold our commitment towards sustainability in our policies and business practices. All stakeholders will be adequately addressed to ensure everyone mutually benefited from the sustainability initiatives implemented.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("the Board") of the Company believes in embracing high standards of corporate governance in order to safeguard the interest of stakeholders and enhance shareholder value. The Board considers transparency, accountability, integrity and sustainability as the four pillars of corporate governance. As such, the Board embeds in the Group a culture that is aligned with the values and ethical standards the Group upholds, as key driver towards delivering long-term strategic success.

This Statement provides an overview of the Company's application of the three (3) Principles of corporate governance set out in the Malaysian Code on Corporate Governance ("MCCG"):

Principle A - Board Leadership and Effectiveness
Principle B - Effective Audit and Risk Management
Principle C - Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

The details on how the Company has applied each of the Practices under the respective Principles during the financial year ended 30 June 2020 are disclosed in the Company's Corporate Governance Report 2020 ("CG Report") which can be downloaded from the Company's website at www.jayatiasa.net.

This Statement, which is prepared in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), should be read together with the CG Report.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

1. Board Duties and Responsibilities

The Board is responsible for long-term growth and delivery of sustainable value to its stakeholders. It sets the strategic direction of the Group and provides effective leadership through oversight of management and monitoring the business performance in the Group.

Details of the roles and responsibilities of the Board are set out in the Board Charter which serves as a guide and primary induction document providing prospective and existing Board Members insights into their responsibilities in discharging their fiduciary and leadership functions. The Board Charter outlines powers that the Board reserves for itself and those that are delegated to the Board Committees and the management. It also sets out the responsibilities of the Executive Chairman, Chief Executive Officer (CEO), individual Directors and Non-Executive Directors to enhance accountability. The Board Charter is periodically reviewed to be in line with regulatory changes and is published on the Company's website at www.jayatiasa.net.

The key responsibilities of the Board include:

i. Reviewing and adopting a strategic plan;
ii. Overseeing the conduct of the Group's businesses;
iii. Ensuring effective risk management and internal control; and
iv. Reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals, and major capital expenditures.

There is a formal schedule of matters reserved for the Board's decision to ensure the direction and control of the Company are in its hands. Key matters reserved for the Board include, inter-alia, approval of annual budget, quarterly and annual financial statements for announcement, investment and divestment, as well as monitoring of the Group's financial and operating performance.

2. **Board Committees**

The Board has established Board Committees, namely the Audit Committee, Nomination Committee and Remuneration Committee in fulfilling its ongoing oversight and stewardship role. The Board Committees have the authority to examine specific issues within their respective terms of reference approved by the Board. The Chairman of the respective Board Committees reports to the Board with their recommendations. The ultimate responsibility for decision making, however, lies with the Board.

3. **Executive Chairman and Chief Executive Officer**

The roles of the Executive Chairman and Chief Executive Officer (CEO) are distinct and separate, and the positions are held by different individuals to promote accountability and division of responsibilities between them.

The Executive Chairman is primarily responsible for providing leadership to the Board and instilling good corporate governance practices. As the leader of the management, he is supported by the CEO, Chief Financial Officer ("CFO") and other senior management personnel in developing the corporate and business strategies for the achievement of the Group's goals.

The CEO, who leads the Senior Management Team, Risk Management Committee and Sustainability Committee, is responsible for the effective implementation of the Group's strategic plan and policies established by the Board, and oversees the day-to-day operations and business of the Group.

4. **Company Secretary**

The Board is supported by a qualified, experienced and competent Company Secretary.

The Company Secretary, Ms Ngu Ung Huong, is a Fellow Member of the Malaysian Institute of Chartered Secretaries and Administrators. She is responsible for updating and advising the Board on regulatory, statutory, corporate governance, policy and procedure requirements relating to Directors' duties and responsibilities.

All the Directors have unrestricted access to the advice and services of the Company Secretary to enable them to discharge their duties effectively.

5. **Ethical Standards**

To inculcate good ethical standards in the Group's daily business dealings and employees' behaviour at work, the Board has established a Code of Conduct and Ethics setting out core values and areas of ethical conduct expected from the directors and employees including managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering, protecting company assets, and compliance with laws, rules and regulations.

The Anti-Bribery and Corruption Policy established by the Board essentially sets out the Group's overall position on bribery and corruption and provides information and guidance to ensure employees understand their responsibilities in complying with the Group's zero-tolerance approach on bribery and corruption.

The Company has in place a whistleblowing policy which provides an avenue for any party to raise concern in good faith about improper conduct(s) committed by an employee within the Group through formal procedures and confidential channels provided therein, without risk of reprisal.

The Code of Conduct and Ethics, Anti-Bribery and Corruption Policy and whistleblowing policy are published on the Company's website at www.jayatiasa.net.

6. **Meeting and Time Commitment**

Each Board member is expected to commit sufficient time to attend the Board and Committee meetings to deliberate on matters under their purview. The Board meetings for each calendar year are scheduled at the beginning of the calendar year for Directors to plan and fix the year's meeting into their schedules.

All Directors of the Company have complied with the Listing Requirements of Bursa Securities of not holding more than five (5) directorships in listed issuers at any given time. This is to ensure the Directors do not have competing time commitment that may impair their ability to discharge their duties effectively.

All Board and Committee members are provided with requisite notices, agenda and meeting materials at least five (5) business days prior to the meeting.

A total of five (5) Board of Directors Meetings were held during the financial year. The attendances of the existing Director are as follows: -

Name of Directors	Meeting Attendance
Dato' Sri Tiong Chiong Hoo	5/5
Dato' Wong Sie Young	5/5
Dato' Sri Dr Tiong Ik King	5/5
Mdm Tiong Choon	5/5
Mr Tiong Chiong Hee	4/5
Dato' Wong Lee Yun	5/5
Mr Yong Voon Kar (Appointed on 2 January 2020)	2/2
Tan Sri Dato' Sri Mohamad Fuzi Bin Harun (Appointed on 2 March 2020)	1/1

7. Directors' Training

The Directors received continuous training to acquire and/or enhance the requisite knowledge and skill in areas relevant to their duties and responsibilities.

All the Directors had completed the Mandatory Accreditation Programme as prescribed by the Listing Requirements of Bursa Securities.

The training programmes, briefing and conferences attended by the existing Directors during the financial year are as follows: -

Director	Title of Programmes/Seminar/Courses/Forum
Dato' Sri Tiong Chiong Hoo	• Labour Laws Series Program
Dato' Wong Sie Young	• Labour Laws Series Program
Dato' Sri Dr Tiong Ik King	• Corporate Liability Provision Under MACC Amendment Act 2018 – Safeguarding the Group, its Directors Top Management & Personnel against Corruption Prosecution • Forbes Global CEO Conference – Transcending The Turbulence
Tiong Choon	• Malaysia-China Belt & Road Economic Cooperation Forum 2019
Tiong Chiong Hee	• Forbes Global CEO Conference – Transcending The Turbulence
Dato' Wong Lee Yun	• The Convergence of Digitisation and Sustainability • Raising Defences: Section 17A, MACC Act
Yong Voon Kar	• Mandatory Accreditation Programme
Tan Sri Dato' Sri Mohamad Fuzi Bin Harun	• Mandatory Accreditation Programme

II. BOARD COMPOSITION

The Company is led by an experienced Board with diverse background and expertise in areas such as entrepreneurship, legal, economics, finance, accounting, audit and engineering which are vital for the continuous progress and success of the Group.

As at the financial year ended June 2020, the Board has ten (10) members following the appointment of two (2) new Independent Non-Executive Directors (Independent Directors), namely Mr Yong Voon Kar and Tan Sri Dato' Sri Mohamad Fuzi Bin Harun on 2 January 2020 and 2 March 2020 respectively.

Subsequent to the financial year:

i) Two (2) Independent Directors, namely Gen Tan Sri Abdul Rahman Bin Abdul Hamid (Rtd) and Mr John Leong Chung Loong resigned on 30 July 2020 and 5 August 2020 respectively. The Board would like to express its sincere appreciation and gratitude to them for their invaluable services and contributions to the Company during their tenure in office.

ii) The Board has also on 15 October 2020 redesignated Dato' Sri Tiong Chiong Hoo, the Deputy Executive Chairman, as Executive Chairman of the Company.

Consequent to the aforesaid changes, the Board has eight (8) members and the composition is as follows:

Executive Directors

Dato' Sri Tiong Chiong Hoo *(Executive Chairman)*
Dato' Wong Sie Young *(Chief Executive Officer)*

Non-Independent Non-Executive Directors

Dato' Sri Dr Tiong Ik King
Mdm Tiong Choon
Mr Tiong Chiong Hee

Independent Non-Executive Directors

Dato' Wong Lee Yun
Mr Yong Voon Kar
Tan Sri Dato' Sri Mohamad Fuzi Bin Harun

The **profile of the Directors** are presented on pages 16 to 20 of the Annual Report.

1. Board Diversity

The Board strongly advocates a corporate culture that embraces diversity when determining its composition taking into accounts the skills and industry experience, knowledge, gender, and other qualities of Directors, in the context of the needs and goals of the Company. The differences in the qualities of Directors will be balanced appropriately, whenever possible, in determining the optimum composition of the Board.

During the financial year, two (2) Board members are women Directors. This composition is in line with the target set in the Board Diversity Policy which requires the Board to comprise at least two (2) women Directors to bring value to Board discussions from the different perspectives and approaches of the women Directors.

The Board Diversity Policy is set out in Appendix B of the Board Charter and is published on the Company's website at www.jayatiasa.net .

2. Board Independence

The Independent Directors are responsible for providing unbiased and independent judgment to the Board and ensure effective check and balance in the Board decision making process.

Currently, three (3) of the eight (8) Board members are Independent Directors. This composition fulfills the requirements set out in the Listing Requirements of Bursa Securities, which stipulates that at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, must be Independent. However, this is not in line with the MCCG's Practice 4.1 requiring at least 50% independent Directors on the Board.

The Company measures the independence of Directors based on the criteria stipulated in the Listing Requirements of Bursa securities in which a Director should be independent and free from any business or other relationship that could interfere with the exercise of the independent judgment or the ability to act in the best interest of the Company.

The retention of independent directors after serving a cumulative term of nine (9) years is subject to shareholders' approval in line with the recommended Practice of the MCCG.

3. Re-election of Directors

The re-election of the Directors is done in accordance with the Company's Constitution.

Article 81 of the Company's Constitution provides that one-third of the Directors are subject to retirement by rotation at every AGM and each director shall retire from office at least once in every three (3) years. Article 85 further provides that the newly appointed Director shall retire from office at the next AGM subsequent to his appointment.

The retiring Director(s) shall be eligible for re-election.

4. Nomination Committee

The **Nomination Committee (NC)** is entrusted to recommend suitable candidate for Board appointment. The NC assesses annually the effectiveness of the Board and Board Committees, the performance of Directors and Board independence and diversity. The Board has the ultimate responsibility of making the final decision on the appointment of new Directors.

A summary of key activities of the NC during the financial year 2020 are as follows:-

- assessed and recommended the appointment of two (2) new Board members as Independent Directors and Board Committee members for Board approval;
- reviewed Board size and composition based on the required mix of skills, experience, knowledge and diversity;
- assessed the effectiveness of the Board as a whole and the Board Committees;
- evaluated the performance and contribution of individual Directors;
- reviewed and assessed the independence of Independent Directors; and
- reviewed and recommended the re-election of Directors who were due for retirement by rotation, and the continuation in office as Independent Director who had served for a cumulative term of more than nine (9) years for shareholders' approval at the forthcoming AGM.

5. Board Evaluation

The annual evaluation conducted by the NC on 24 August 2020 concluded that the Board, Board Committees and individual Director possess the relevant skill sets, and have effectively discharged their stewardship responsibilities to meet the Company's needs.

The NC is satisfied that the retiring Directors should be re-elected as Directors of the Company at the forthcoming AGM. Accordingly, the Board recommended **re-election** of the following retiring Directors for shareholders' approval at the forthcoming AGM:

a) Re-election pursuant to Article 81 of the Constitution of the Company:
   i) Dato' Sri Tiong Chiong Hoo
   ii) Mr Tiong Chiong Hee

b) Re-election pursuant to Article 85 of the Constitution of the Company:
   i) Mr Yong Voon Kar
   ii) Tan Sri Dato' Sri Mohamad Fuzi Bin Harun

The NC also assessed the independence of the Independent Directors for the financial year 2020 and concluded that all Independent Directors have satisfied the independence criteria set out in the Listing Requirements of Bursa Securities, and they are able to continue to demonstrate their independent judgment and objectivity on matters that are brought to the Board.

Dato' Wong Lee Yun has served as an Independent Director for a cumulative period of more than nine (9) years. The Board, based on the assessment and recommendation of NC, is of the opinion that her independence remains unimpaired and her judgements over business dealings of the Company has not been influenced by the interest of other Directors and substantial shareholders. Therefore, the Board recommended to retain her as an Independent Director for the ensuing financial year subject to shareholders' approval at the forthcoming AGM based on justifications set out in the Notes to the Notice of the AGM.

Based on the current Board size the NC indicated a need to continue identifying potential candidates for the appointment of additional Independent Directors to meet MCCG's Practice 4.1 of having at least 50% independent Directors on the Board.

III. REMUNERATION

Remuneration Committee

The key responsibility of the Remuneration Committee ("RC") is reviewing and recommending to the Board the framework and remuneration packages including performance related pay scheme for Executive Directors. Its terms of reference had been expanded to include reviewing and recommending policy and procedures on remuneration of Board and Senior Management.

Policies and Procedures

The Board has formalised the Policies and Procedures on Remuneration for the Directors and Senior Management in accordance with Practice 6.1 of MCCG. This is in line with the objective to attract, reward, motivate and retain valuable Directors and Senior Management who lead the Company and its subsidiaries towards realizing its corporate strategies and long-term success.

Directors' Remuneration

In recommending the remuneration of the Executive Directors, the Remuneration Committee take into consideration factors including the performance, experience, skill set, extent of responsibility and the market rate in comparable companies.

In the case of Non-Executive Directors, their remuneration shall commensurate with their responsibilities, including their involvement in and contribution to the Board and Board Committees, and attendance at meetings.

As a matter of good practice, the Directors abstained from deliberation on his/her own remuneration at Board Meetings.

The total remuneration receivable by the Directors from the Company for the financial year ended 30 June 2020 was RM2,532,327. None of the Directors of the Company received any remuneration from any subsidiaries within the Group during the financial year.

The details of the remuneration for each of the Directors of the Company distinguishing between executive and non-executive Directors are set out below:

	Salary RM	Fees RM	Bonus RM	Other Emoluments RM	Total RM
Executive Directors (ED)					
Dato' Sri Tiong Chiong Hoo	543,360	-	135,840	101,627	780,827
Dato' Wong Sie Young	548,640	-	137,160	71,625	757,425
Total ED's Remuneration	1,092,000	-	273,000	173,252	1,538,252
Non-Executive Directors (Non-ED)					
Gen Tan Sri Abdul Rahman Bin Abdul Hamid (Rtd)	-	180,500	-	81,325	261,825
Dato' Sri Dr Tiong Ik King	-	75,000	-	8,000	83,000
Tiong Choon	-	78,300	-	8,000	86,300
Tiong Chiong Hee	-	78,300	-	8,000	86,300
John Leong Chung Loong	-	140,400	-	8,000	148,400
Dato' Wong Lee Yun	-	102,900	-	152,000	254,900
Yong Voon Kar	-	43,550	-	3,200	46,750
Tan Sri Dato' Sri Mohamad Fuzi Bin Harun	-	25,000	-	1,600	26,600
Total Non-ED's Remuneration	-	723,950	-	270,125	994,075
Total for the year ended 30 June 2020	1,092,000	723,950	273,000	443,377	2,532,327

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT COMMITTEE

The Board has established an Audit Committee ("AC") which consists of three (3) members, all of whom are Independent Non-Executive Directors. The AC is chaired by an Independent Non-Executive Director who is not the chairman of the Board.

The AC is primarily responsible for the oversight and monitoring of:

- the integrity and reliability of the financial statements and ensuring that they comply with the Financial Reporting Standards in Malaysia and the provisions of the Companies Act, 2016;
- Internal control;
- related party transactions (RPT) including recurrent RPT; and
- the appointment, scope of work and evaluation of the external auditors.

The Board took note of Practice 8.2 of the MCCG and has adopted a policy requiring a former key audit partner to observe a cooling-off period of at least 2 years before being appointed as a member of the AC. This is to safeguard the independence of the AC by avoiding the potential situation when a former key audit partner is able to exert significant influence over the audit and preparation of the Company's financial statements.

The Board is cognizant of its role in upholding the integrity in the financial reporting of the Company. Accordingly, the AC, which assists the Board in overseeing the financial reporting process, has adopted the Auditor Independence Policy setting out criteria in assessing the suitability and independence of the External Auditors including the type of non-audit services that could be provided by the External Auditors and the need to obtain the AC approval for non-audit services exceeding the threshold level.

The composition of the AC, its roles and responsibilities, attendance record and summary of activities carried out during the financial year are set out in the AC report of this Annual Report.

II. RISK MANAGEMENT AND INTERNAL CONTROL

The Board affirms its overall responsibility for the Group's system of risk management and internal control which includes the establishment of an appropriate internal control environment and risk management framework as well as reviewing its adequacy and effectiveness. This is to safeguard shareholders' investments and the Group's assets.

The details of the Risk Management Framework and its associated initiatives undertaken during the financial year are set up in the Statement on Risk Management and Internal Control of this Annual Report.

Internal Audit Function

The Company has in place an in-house internal audit department ("IAD") which reports directly to the AC.

The primary function of the 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 AC Report of this Annual Report.

PRINCIPLE C – INTEGRITY IN COPRORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. COMMUNICATION WITH STAKEHOLDERS

The Board recognizes the importance of effective and proactive engagement with the shareholders and stakeholders.

The Company's Investor Relations ("IR") Function undertakes ongoing engagement and communication with key institutional investors and analysts. IR Reports containing IR activities and investors' concerns are presented to the Board for deliberations to enable the Company to understand stakeholders' concerns and to take those concerns into account when making decisions.

The Board is committed to being transparent and accountable to the Company's stakeholders. Material information such as the financial results is disclosed to them timely. Up-to-date information on financial performance and operational review are made available on the Company's website.

Communication and engagement with stakeholders include:

- quarterly announcement on financial results to Bursa Securities;
- other company announcements and circulars to shareholders whenever necessary;
- annual report and General Meeting;
- ongoing engagement and communication with investors and investment communities; and
- the Group's website at www.jayatiasa.net where stakeholders can access corporate information, annual report, financial information, company announcements and share prices of the Company. To effectively address any issues, the Group has dedicated an electronic mail address at inquiry@jayatiasa.net where stakeholders can direct their queries and concerns.

II. CONDUCT OF GENERAL MEETINGS

The Annual General Meeting (AGM) allows shareholders to review the Group's performance via the Company's Annual Report and pose questions to the Board for clarification. It also serves as the principal forum for dialogue and communication between shareholders and the Board.

Shareholders are encouraged to ask questions about the resolutions being proposed and the operations of the Company, and communicate their expectation and concerns. Questions posed are, wherever possible, answered in details.

At the last AGM, the responses to questions submitted by the Minority Shareholders Watch Group prior to the AGM were shared with the shareholders during the AGM.

The notice and agenda of last year's AGM together with the Form of Proxy were given to shareholders twenty-eight (28) days before the date of the AGM allowing shareholders sufficient time to make arrangement to attend the AGM or appoint proxy to vote and attend on his behalf.

All the resolutions set out in the notice of the AGM were voted by polling. The polling procedures were explained during the AGM and the poll results were verified by the appointed scrutineer.

A summary of the minutes of the AGM was made available to the shareholders and public on the Company's website at www.jayatiasa.net.

This Statement was approved by the Board on 16 October 2020.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Pursuant to Paragraph 15.26 (b) of the Listing Requirements and the Malaysian Code on Corporate Governance ("MCCG") with regards to the Group's state of internal control, the Board of Directors ("Board") is pleased to present below the Group's Statement on Risk Management and Internal Control during the financial year under review and up to the date of approval of this statement, prepared in accordance with the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers issued by the Institute of Internal Auditors Malaysia and adopted by Bursa Malaysia Securities Berhad and taking into consideration the recommendations of the MCCG.

Board's Responsibility

The Board affirms its responsibility for the Group's system of risk management and internal control which includes the establishment of an appropriate internal control environment and risk management framework as well as reviewing its adequacy and effectiveness to safeguard shareholders' investments and the Group's assets.

The system in place is designed to manage rather than eliminate the risk of failure to achieve the Group's business objectives by providing reasonable assurances against material misstatement or loss.

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

Risk Management Framework

In an increasing complex and dynamic business environment, proactive management of the overall business risks is a prerequisite in ensuring that the Group achieves its business objectives. Risk management activities are regarded as an integral part of the Group's business practices and not in isolation. The Group plans and executes activities to ensure that the risks inherent in its business are identified and effectively managed to achieve an appropriate balance between realising opportunities for gains while minimising losses to the Group.

The Group has a Risk Management Framework ("RM Framework") which sets out the risk management governance, guidelines, processes and control responsibilities and underpins the Group Risk Management Policy ("RM Policy"). It seeks to ensure that there is a consistency to the methods used in managing risks throughout the Group and that risk management efforts are aligned with the Group's business objectives. It also outlines enhanced and explicit requirements for managing risks and assists in understanding the impact of uncertainties inherent in business decisions. In addition, the RM Framework has been revised to include the core components of the Committee of Sponsoring Organizations of the Treadway Commission's original Enterprise Risk Management - Integrated Framework as its risk management guidelines.

The Board is assisted by the Risk Management Committee ("RMC") which is chaired by the Group Chief Executive Officer and comprises representatives from key senior management. The function of the RMC is to drive risk management activities guided by the Group RM Policy and RM Framework to ensure effective identification of emerging risks and management of identified risks through implementation of appropriate controls and risk treatment strategies.

The RMC meets periodically and works closely with the Risk Management Department ("RMD") to ensure effective and consistent adoption of risk management practices. The RMD meets with the risk owners made up of managers or heads from the divisional units to identify and evaluate the risks related to their business objectives or budgets against which performance is measured and to establish the risk profiles of the Group during the risk assessment sessions. The level of risk tolerance of the Group is expressed through the use of a risk consequence and likelihood matrix. Once the level of risk tolerance is determined, the risk owner is required to identify and implement the risk treatment strategies covering management actions with target timeline for implementation. The risk owners are to monitor and timely update their risk profiles on an on-going basis. The update of the risk profiles includes changes to operational, financial and compliance risks and the identification of emerging risks arising from changing business conditions as well as the adequacy and effectiveness of the related controls.

The RMC reviews periodically both the Group top and divisional risk profiles to ensure that the overall risks impacting the Group are adequately identified and managed within an acceptable risk appetite. Mitigation measures in addressing major risk factors pertaining to plantation manpower supply and climate change effect on the oil palm yield as well as volatile palm oil market include process fine-tuning, labour retention apart from recruitment, improvement in water management to reduce the effect of drought or flooding, close monitoring of various edible oil prices and hedging on forward contract to manage the price risks as well as exercising more stringent cost control to stay competitive. Besides, the Group has successfully obtained Malaysian Sustainable Palm Oil ("MSPO") certification for all its estates and mills to help improve trade and market opportunities. The RMC presented the risk management report to the Board twice a year whereas the risk assessment result is presented on an annual basis.

Amidst delivering growth for the stakeholders, the RMC will focus on continuous risk assessment practices and internal controls to ensure that the Group is well equipped to manage the various challenges arising from the dynamic business and competitive environment.

Key Elements of the Group's Internal Control

An effective check and balance control environment is fundamental for ensuring a sound internal control system in the Group. The Board and Management are committed to maintain an effective internal control environment by continuously enhancing the design of internal control systems to ensure that they are relevant and effective to promote operational agility while ensuring corporate governance and compliance to regulatory guidelines. The key elements and/or features of our Group's internal control system established for maintaining strong corporate governance are as follows:

- The Group's reporting structure incorporating checks and balances is aligned to the business requirements.

- Authority limits are in place for approving capital expenditure and matters on financial, treasury, operations and personnel, minimising potential risk exposures.

- Documented policies and procedures are also in place subject to review every now and then to ensure that it maintains its effectiveness to support the Group's business activities.

- Code of Conduct and Ethics for the Directors and employees to promote good business conduct and maintain a healthy corporate culture that engenders integrity, transparency and fairness.

- Whistle blowing policy to provide an avenue for any party to raise genuine concerns about improper conducts committed by employees within the Group through formal procedures and confidential channels.

- Anti-Bribery and Corruption Policy sets out the Group's overall position on bribery and corruption and provides information and guidance to ensure that employees understand their responsibilities in compliance with the Group's zero-tolerance on bribery and corruption.

- Annual budgets are prepared by the Group's operations. Analysis and reporting of variances against budget are presented in the Group's management meetings which act as a monitoring mechanism.

- Quarterly and annual financial statements containing key financial results as well as operational performance results of the Group are prepared and reported to the Board.

- The Group's financial covenants and cash flow position are prepared and reported regularly to the management as a monitoring mechanism.

- The Group Chief Executive Officer meets with the management and operations personnel regularly to resolve key operational, financial, human resource and other management issues including issues of risks and controls in order to enhance the performance and profitability of the Group's businesses.

- The Group has a comprehensive information system that enables the production of timely, reliable and relevant data to enhance management in decision making.

- Guidelines on employment, performance appraisal, training and retention of employees are in place to ensure the Group's ability to operate in an effective and efficient manner.

- The Group has established the safety & health committees at the operating level to address and ensure compliance with occupational safety and health policies and procedures as required by the various authorities.
- The Group undertakes adequate insurance coverage on both its employees and assets to ensure both are sufficiently insured against any untoward incidents that could result in material losses.
- The Intranet Portal is used as an effective dissemination tool to share up-to-date information on development and happenings.
- The Group has in place the KPI reporting to drive awareness of shared management responsibility on their contribution towards enhancing the operating performance in achieving the business objectives.
- Internal audit function includes performing regular reviews of business processes to assess the effectiveness of the internal control system and to highlight significant risks impacting the Group with recommendations for improvement.
- Senior management team conducts regular visits to the Group's operations for better understanding to facilitate cognisance in decision-making capability.

Internal Audit

The Group has established an Internal Audit Department ("IAD"), which reports independently to the Audit Committee ("AC") to provide the Board with adequate assurance it requires regarding the adequacy and effectiveness of risk management, internal control and governance processes.

The IAD adopts a risk-based approach in executing the annual audit plan that focuses on major business units and/or operations within the Group after taking into the consideration input of management and the AC. The annual audit plan is reviewed and approved by the AC. The IAD reports directly to the AC on the outcome of its appraisal of the operational activities. Significant audit findings are presented and deliberated by the AC on a quarterly basis or as appropriate. The IAD also conducts subsequent follow up review to ensure management has dealt with audit recommendations and taken appropriate actions in an effective and timely manner.

Board Review

The Board is of the view that the risk management and internal control system in place throughout the year under review and up to the date of approval of this Statement is sound and sufficient to safeguard the interests of the Group's stakeholders, their investments and the Group's assets. Additionally, the Board regards the risks faced by the Group are within acceptable levels in relation to its business objectives.

The Board is not aware of any material losses or fraud during the year under review as a result of weaknesses in internal control. The management is continuously taking necessary measures to improve and strengthen the risk management and internal control system of the Group.

Review of the Statement by External Auditors

Pursuant to Paragraph 15.23 of the Listing Requirements, the external auditors have reviewed the Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide, *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control ("AAPG 3")* 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 30 June 2020 and reported to the Board that nothing has come to their attention that causes them to believe that the statement intended to be included in the annual report of the Group, in all material respects: has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Directors and management thereon. The report from the external auditors was made solely for and directed solely to the Board in connection with their compliance with the Listing Requirements of Bursa Malaysia Securities Berhad and for no other purposes or parties. The external auditors do not assume responsibility to any person other than the Board in respect of any aspect of this report.

The statement was approved by the Board on 16 October 2020.

AUDIT COMMITTEE REPORT

The Audit Committee ("AC") was established with the primary objective of assisting the Board of Jaya Tiasa Holdings Berhad ("Board") in discharging its statutory and fiduciary responsibilities relating to accounting practices, financial reporting process, the effectiveness of the Group's risk management and internal controls as well as overseeing the external and internal audit functions of the Group. The Board is pleased to present the AC Report for the financial year ended 30 June 2020.

COMPOSITION

Dato' Wong Lee Yun
Chairperson/ Independent Non-Executive Director

Mr Yong Voon Kar
Independent Non-Executive Director
(appointed to AC on 2 January 2020)

Tan Sri Dato' Sri Mohamad Fuzi Bin Harun
Independent Non-Executive Director
(appointed to AC on 21 August 2020)

Gen Tan Sri Abdul Rahman Bin Abdul Hamid (Rtd)
Independent Non-Executive Director
(resigned on 30 July 2020)

Mr John Leong Chung Loong
Independent Non-Executive Director
(resigned on 5 August 2020)

TERMS OF REFERENCE

The terms of reference can be found under the "Corporate Governance" section on the Company's website at www.jayatiasa.net.

MEETINGS AND OTHERS

During the financial year, a total of 5 Audit Committee Meetings were held and the details of attendance are as follows:

	Attendance
Dato' Wong Lee Yun	5/5
Mr Yong Voon Kar	2/2
Gen Tan Sri Abdul Rahman Bin Abdul Hamid (Rtd)	5/5
Mr John Leong Chung Loong	5/5

The AC meetings were convened with proper notices and agenda and these are distributed to all members of the AC at least five (5) business days prior to meeting.

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") and Head of Internal Audit attend the AC meetings upon invitation of the AC to facilitate discussion of matters on the agenda.

The Head of the internal audit presents his Internal Audit Reports quarterly to the AC for review and discussion at the AC meetings. Representatives of the External Auditors attend the meetings to consider the audit plan and provide status update on key areas of audit emphasis and such other meeting as determined by the AC.

The AC Chairperson reports the AC's key findings and conclusions to the Board after each meeting.

For the year under review, the performance of the individual AC member was assessed through self-evaluation, the outcome of which was reviewed by the Nomination Committee. Having considered the recommendation made by the Nomination Committee and based on the outcome of the evaluation, the Board was satisfied that all the AC members are able to discharge their duties and responsibilities in accordance with the Terms of Reference of the AC.

SUMMARY OF ACTIVITIES CARRIED OUT BY THE AC

During the financial year under review, the AC worked closely with the management, internal auditors and external auditors to carry out its duties as required under its Terms of Reference.

Details of activities carried out by the AC during the financial year under review and up to the date of this report are summarized below:

AUDIT COMMITTEE REPORT

Financial Reporting

(a) Reviewed all the unaudited quarterly financial results of the Group, focusing on significant matters, which included going concern assumption, and ensured the disclosures were in compliance with the Malaysian Financial Reporting Standards ("MFRS") and Listing Requirements before recommending the same to the Board for approval for release to Bursa Securities;

In reviewing the unaudited quarterly financial statements, the AC has:

- Reviewed the reasons for significant fluctuations in the quarterly and year-to-date financial performance of the Company and the Group, including key income and operating expenses and the impact of financial performance on financial debt covenants;
- Focused on profits contribution by business segments and their respective challenges; and
- Reviewed production cost and production figures for both the timber and oil palm divisions from those budgeted, and discussed management's actions to address the challenges.

(b) Reviewed impact of changes in any accounting policy including assessment of impairment on property, plant and equipment; and

(c) Reviewed the annual audited financial statements of the Company and the Group with particular focus on the following, before recommending them to the Board for approval:

- significant matters highlighted including financial reporting issues, significant judgements made by the Management, significant and unusual events or transactions, and how these matters are addressed; and
- compliance with the applicable approved accounting/auditing standards in Malaysia and other legal and regulatory requirements.

The AC, based on its review and discussions with the Management and external auditors, considered that the financial statements are fairly presented in conformity with the relevant accounting standards in all material aspects for the financial year ended 30 June 2020.

External Audit

(a) Reviewed with the external auditors the audit plan, responsibilities and scope of work for the financial year ended 30 June 2020 (FY2020) and external auditors' statutory audit fees;

(b) Discussed and reviewed with the external auditors the status update on FY2020 key areas of audit emphasis before recommending the 4th Quarter financial statements to the Board for approval;

(c) Reviewed the nature of and fees for non-audit services provided by the external auditors in accordance with the Auditors Independence Policy. Having reviewed the non-audit services provided by the external auditors for the financial year ended 30 June 2020, the AC was satisfied that such non-audit services was not likely to create any conflict, compromise or impair the independence and objectivity of the external auditors;

Details of non-audit fees incurred by the Company and Group for the financial year ended 30 June 2020 are stated in the Additional Compliance Information on Page 52 of this Annual Report;

(d) Assessed the suitability and independence of the external auditors in accordance with the criteria set out in the Auditors Independence Policy. The external auditors have also confirmed their professional independence in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants via their written letter to the AC. The AC was satisfied that the external auditors were able to meet the audit requirements and statutory obligation of the Company and also their professional independence as external auditors of the Company.

Based on the evaluation conducted by the AC, the Board recommended the re-appointment of Messrs. Ernst & Young PLT as the external auditor for the ensuing financial year for approval by shareholders at the forthcoming Annual General Meeting in November 2020; and

(e) Had one private meeting with the external auditors in the absence of the executive directors and management.

Internal Audit

(a) Reviewed and approved the Annual Internal Audit Plan to ensure adequacy of scope and coverage of auditable areas with significant and high risks;

(b) Reviewed internal audit reports presented by the Head of IAD addressing internal controls over operations, financial, compliance and information technology processes relating to the Group based on the approved Annual Internal Audit Plan; and

(c) Discussed and reviewed the major findings, areas requiring improvements and significant internal audit matters raised by internal auditors and Management's response, including follow-up actions. Where appropriate, internal audit findings were raised at Board meetings for further discussion of Management responses and their adequacy.

Recurrent Related Party Transactions

(a) Reviewed the Recurrent Related Party Transactions ("RRPTs") on quarterly basis to ensure that all RRPTs entered into by the Group (in relation to the nature, value and terms) were undertaken within the shareholders' mandate; and

(b) In the case of new related party transactions entered into by the Group, the AC evaluated the transactions to ensure that they were undertaken at arm's length, on normal commercial terms and on terms which were not more favourable to the related parties than those generally available to the public and to comply with the Listing Requirements of Bursa Securities.

Others

(a) Reviewed the following to ensure compliance with the relevant regulatory requirements prior to recommending them to the Board for approval:

- Circular to Shareholders in relation to Shareholders' Mandate for RRPTs, the review procedures for RRPTs and method for determining the RRPT transaction prices;
- Audit Committee Report; and
- Statement on Risk Management and Internal Control.

SUMMARY OF WORKS OF THE INTERNAL AUDIT FUNCTION

The Group has in place an in-house internal audit department ("IAD"), which provides the Board, through the Audit Committee, with independent assurance on the adequacy and operating effectiveness of the Group's system of internal controls. The IAD is guided by the International Professional Practices Framework ("IPPF") issued by the Institute of Internal Auditors. The IAD, which is independent of the activities it audits, reports directly to the AC.

Audit Scope and Coverage

The IAD adopts a risk based auditing approach, prioritizing audit assignments based on the Group's key business operations, risk management and past audit findings. The key audit findings with recommendations and status of previous audits' recommendations were presented to head office senior management and operation unit management in the audit closing meeting. During the Financial Year, the IAD issued 17 audit reports. The Head of the IAD presents quarterly his key audit findings to the Audit Committee at the Audit Committee meeting.

The IAD executes audit assignments based on approved audit plan and performs the following tasks in accordance with its overall strategy:

- Verify the existence of assets and recommend proper safeguards for their protection and usage;
- Evaluate the adequacy of the system of internal controls;
- Recommend improvements in controls;
- Assess compliance with the Group policies and procedures;
- Assess compliance with government obligations;
- Review management action plans to ascertain whether the operations are being carried out as planned; and
- Investigate reported occurrences of irregularities and wastages.

Key Areas Audited during the Financial Year are as follows:

- Oil Palm Plantation Operations
- Oil Palm Plantation operating cost review
- Crude Palm Oil ("CPO") Mill Operations
- Asset Management
- Inventory Management
- Workshop Operations
- Oil Palm Estate and CPO mill workers Payroll
- Plant Repair and Maintenance costs
- Recurrent Related Party Transactions
- IT related system
- Human Resource Management

IAD Team and Spending

The IAD team has a total of 13 auditors as at 30 June 2020. None of the IAD members have any conflicts of interests with the companies within the Group.

During the financial year, all the internal audit activities were performed in-house and the total cost incurred was RM505,557 for the financial year ended 30 June 2020.

This report was approved by the Board on 16 October 2020.

ADDITIONAL COMPLIANCE INFORMATION

The information set out below is disclosed in compliance with Appendix 9C of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad:

i) Material Contracts

There were no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Company or its subsidiaries involving the interests of directors, chief executive who is not a director or major shareholders during the financial year.

ii) Utilisation of Proceeds Raised from Corporate Proposals

There was no fund raising corporate proposal during the financial year.

iii) Audit and Non-Audit Fees

The amount of audit and non-audit fees incurred for services rendered by the Auditors of the Company, Messrs. Ernst & Young PLT (EY) and their affiliates, to the Company and the Group respectively for the financial year ended 30 June 2020 were as follows:

	Group FY 2020 RM	Company FY 2020 RM
Statutory audit fee		
- EY Malaysia	809,000	230,000
Non-audit fees*		
- EY Malaysia	15,000	15,000
- Affiliates of EY Malaysia	231,900	47,700
Total	246,900	62,700
% of non-audit fee	31%	27%

*Note:

The non-audit fees comprised mainly fees paid to EY's affiliates for tax compliance and advisory fees.

DISCLOSURE ON RECURRENT RELATED PARTY TRANSACTIONS

At the Annual General Meeting held on 28 November 2019, the Company obtained a shareholders' mandate for the Group to enter into recurrent related party transactions of a revenue or trading nature.

In accordance with Practice Note 12 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the details of the recurrent related party transactions conducted during the financial year ended 30 June 2020 (FY 2020) pursuant to the shareholders' mandate are as follows:

Transacting Related Parties	Nature of Transactions entered into by the Company and/or its subsidiaries (Group)	Amount Transacted During FY2020 RM'000
Borneo Edible Oils Sdn Bhd[1]	Sale of crude palm oil by the Group	342,448
Oriental Group[2, 3 & 5]	Freight service charges payable by the Group	4,765
	Construction cost on quarter, storage building and other assets	664

ADDITIONAL COMPLIANCE INFORMATION

Transacting Related Parties	Nature of Transactions entered into by the Company and/or its subsidiaries (Group)	Amount Transacted During FY2020 RM'000
Petanak Enterprises Sdn Bhd[1]	Purchase of raw materials (glue) by the Group	5,029
R.H. Forest Corporation Sdn Bhd[1]	Land rental payable by the Group	3,796
Rejang Height Sdn Bhd[1]	Land rental payable by the Group	2,217
Wealth Houses Development Sdn Bhd[1]	Land rental payable by the Group	500
Rimbunan Hijau General Trading Sdn Bhd[1]	Purchase of lubricant and spare parts by the Group	4,231
Subur Group[1 & 4]	Logpond handling charges payable by the Group	9

Notes:

Relationship of Related Parties with the Company

1 The major shareholder of the Company, Tan Sri Datuk Sir Tiong Hiew King and/or person(s) connected with him has substantial interest in the Transacting Related Parties.

2 Dato' Sri Tiong Chiong Hoo, the Executive Chairman of the Company, has substantial interest in the Transacting Related Parties.

3 Clara Tiong Siew Ee, a director of a subsidiary company, the daughter of the Executive Chairman of the Company, has substantial interest in the Transacting Related Parties.

4 Subur Group comprises Subur Tiasa Holdings Berhad and its wholly-owned subsidiary, Subur Tiasa Plywood Sdn Bhd.

5 Oriental Group comprises Oriental Evermore Sdn Bhd and its wholly-owned subsidiaries, Empayar Semarak Sdn Bhd, Globular Sdn Bhd, Trans-Allied Sdn Bhd and Moverstar (M) Sdn Bhd.

DIRECTORS' RESPONSIBILITY STATEMENT
for preparing the annual financial statements

The Directors are required under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad to issue a statement explaining their responsibility for preparing the financial statements.

The Directors are also required by the Companies Act 2016 ("Act") to prepare financial statements for each financial year, which give a true and fair view of the affairs of the Group and the Company as at the end of the financial year, the results and cash flows of the Group and the Company for financial year.

In preparing the financial statements for the financial year ended 30 June 2020, the Directors have:

a) applied the appropriate accounting policies on a consistent basis;
b) made judgments and estimates that are reasonable and prudent;
c) prepared the annual financial statements on a going concern basis; and
d) ensured that applicable approved Malaysian Financial Reporting Standards and International Financial Reporting Standards and provisions in the Act are complied with.

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

The Directors have overall responsibilities for taking reasonable steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2020.

Principal activities

The principal activities of the Company are investments holding, provision of management services, extraction and sale of logs.

The principal activities of the subsidiaries extend to the development of oil palm plantations and its related activities. Details of principal activities of subsidiaries are set out in Note 17 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

Results

	Group RM'000	Company RM'000
Loss net of tax	(71,950)	(221,352)
Loss attributable to:		
Owners of the parent	(72,092)	(221,352)
Non-controlling interests	142	-
	(71,950)	(221,352)

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the impairment losses of RM99,145,000 and RM61,590,000 attributable to property, plant and equipment of the Group and the Company respectively and an impairment loss of RM123,083,000 attributable to investment in subsidiaries of the Company as disclosed in Note 8 to the financial statements.

Reserves and provisions

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

Treasury shares

As at 30 June 2020, the number of treasury shares were 5,727,000 and the outstanding ordinary shares in issue after set-off of treasury shares was therefore 967,990,797.

Dividends

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors do not recommend any dividend payment in respect of the current financial year.

Directors

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

Dato' Sri Tiong Chiong Hoo (Redesignated on 15.10.2020)	Executive Chairman, also a director of all the companies in the Group
Dato' Wong Sie Young	Chief Executive Officer, also a director of certain subsidiaries
Dato' Sri Dr. Tiong Ik King	
Tiong Choon	(Also a director of certain subsidiaries)
Tiong Chiong Hee	(Also a director of certain subsidiaries)
Dato' Wong Lee Yun	
Yong Voon Kar	(Appointed on 02.01.2020)
Tan Sri Dato' Sri Mohamad Fuzi Bin Harun	(Appointed on 02.03.2020)
General Tan Sri Abdul Rahman Bin Abdul Hamid	(Resigned on 30.07.2020)
John Leong Chung Loong	(Resigned on 05.08.2020)

Directors (contd.)

The directors of the Company's subsidiaries in office since the beginning of the financial year and up to the date of this report (not including those directors listed above) are:

Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King
Datuk Tiong Thai King
Dato' Wong Pack
Nayun Ak Sanup
Sim Kui Hock
Tan Yoke Seng
Clara Tiong Siew Ee

Directors' benefits

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown below) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed in Note 31 to the financial statements.

Directors' remunerations

Details of directors' remunerations in accordance with the requirements of Companies Act 2016 are as follows:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	RM'000	RM'000	RM'000
Executive:				
Salaries and other emoluments	1,365	2,076	1,365	2,076
Contributions to defined contribution plans	150	260	150	260
Total executive directors' remuneration (excluding benefits-in-kind)	1,515	2,336	1,515	2,336
Estimated money value of benefits-in-kind	23	23	23	23
Total executive directors' remuneration (including benefits-in-kind)	1,538	2,359	1,538	2,359
Non-executive:				
Fees	772	517	724	469
Other emoluments	257	251	257	251
Total non-executive directors' remuneration (excluding benefits-in-kind)	1,029	768	981	720
Estimated money value of benefits-in-kind	13	13	13	13
Total non-executive directors' remuneration (including benefits-in-kind)	1,042	781	994	733
	2,580	3,140	2,532	3,092
Insurance effected to indemnify directors*	11	11	11	11
Total directors' remuneration	2,591	3,151	2,543	3,103

Directors' remunerations (contd.)

* The Company maintains a liability insurance for the directors of the Group. The total amount of sum insured for directors of the Group for the financial year amounted to RM10,000,000. No payment was made for any indemnification during the financial year and up to the date of this report.

Directors' interests

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, the interest of a director in office at the end of the financial year in shares in the Company or its related corporations during the financial year was as follows:

	Number of Ordinary Shares		
	1 July 2019	**Acquired**	**30 June 2020**
Name of director			
Dato' Sri Tiong Chiong Hoo			
- Direct	3,353,436	-	3,353,436
- Indirect *	750,000	-	750,000
Dato' Wong Sie Young			
- Direct	453,975	-	453,975
Dato' Sri Dr. Tiong Ik King			
- Direct	341,790	-	341,790
Tiong Choon			
- Indirect **	1,352,428	100,000	1,452,428

* Deemed interest pursuant to Section 8(4) of the Companies Act 2016.

** Deemed interest pursuant to Section 59(11)(c) of the Companies Act 2016.

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

Other statutory information

(a) Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and the Company were made out, the directors took reasonable steps:

  (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and have satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

  (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

  (i) the amount written off for bad debts or the amount of the allowance for doubtful debts in respect of the financial statements of the Group and of the Company inadequate to any substantial extent; and

  (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

Other statutory information (contd.)

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

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

(ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

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

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

Significant event

Details of a significant event are disclosed in Note 37 to the financial statements.

Auditors

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

Auditors' remunerations are disclosed in Note 8 to the financial statements.

To the extent permitted by law, the Group and the Company have agreed to indemnify their auditors, Ernst & Young PLT, as part of the terms of their audit engagements against claims by third parties arising from their audit for an unspecified amount. No payment has been made to indemnify Ernst & Young PLT during or since the their audits financial year and up to the date of this report.

Signed on behalf of the Board in accordance with a resolution of the directors dated 23 October 2020.

Dato' Sri Tiong Chiong Hoo **Dato' Wong Sie Young**

STATEMENT BY DIRECTORS
pursuant to Section 251(2) of the Companies Act 2016

We, **Dato' Sri Tiong Chiong Hoo and Dato' Wong Sie Young**, being two of the directors of **Jaya Tiasa Holdings Berhad**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 65 to 149 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2020 and of their financial performances and their cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 23 October 2020.

Dato' Sri Tiong Chiong Hoo

Dato' Wong Sie Young

STATUTORY DECLARATION
pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Hii Khing Siew**, being the officer primarily responsible for the financial management of **Jaya Tiasa Holdings Berhad**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 65 to 149 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed **Hii Khing Siew** at
Sibu in the State of Sarawak
on 23 October 2020

Hii Khing Siew
(MIA 8414)

Before me

Belinda Hii Tai King
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT
to the Members of Jaya Tiasa Holdings Berhad

Report on the audit of the financial statements

Opinion

We have audited the financial statements of **Jaya Tiasa Holdings Berhad**, which comprise the statements of financial position as at 30 June 2020 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 65 to 149.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2020, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. The key audit matters for the audit of the financial statements of the Group and of the Company are described below. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Impairment review of property, plant and equipment ("PPE")

The Group and the Company are required to perform impairment test of property, plant and equipment whenever there are indicators of impairment.

During the financial year ended 30 June 2020, the Group and the Company recognised impairment losses on property, plant and equipment of RM99.1 million and RM61.6 million respectively due to sustained operational losses incurred which provided indications that the carrying amounts of these property, plant and equipment may be impaired. As at the reporting date, the carrying amounts of property, plant and equipment of the Group and of the Company have been impaired to their estimated recoverable amounts of RM108.8 million and RM42.6 million respectively.

The impairment reviews of these property, plant and equipment are significant to our audit due to their quantum and the significant judgement and estimates involved in determining their recoverable amounts. Accordingly, the impairment reviews of these property, plant and equipment have been identified as a key audit matter.

Report on the audit of the financial statements (contd.)

Key audit matters (contd.)

Impairment review of property, plant and equipment ("PPE") (contd.)

Management has determined the recoverable amounts of these property, plant and equipment based on their estimated value-in-use ("VIU").

As part of the audit, we have assessed the key assumptions used, in particular, selling prices and gross margins, operating costs and the discount rates used. We have also considered the sensitivity of these key assumptions as disclosed in Note 13(e) to the financial statements and other disclosures included in the summary of significant accounting policies in Note 2.13 to the financial statements, as well as in the significant accounting estimates in Note 3.2(a) to the financial statements.

Valuation of biological assets – Planted Forest

As at 30 June 2020, the fair value of the Group's planted forest prior to harvest amounted to RM64.5 million. The planted forest was measured at cost at initial recognition and subsequently at fair value less costs to sell at the end of each reporting period.

The valuation model adopted by the Group considered the present value of the net cash flows expected to be generated from the sale of the planted forest. To arrive at the fair value less cost to sell of the planted forest, management considered the sales prices, volume, costs to harvest, operational costs, discount rate and the conversion factor used to convert hectares of land under afforestation to cubic meter of standing timber. The carrying amount of the planted forest is significant to the audit as it requires the exercise of significant judgment in the evaluation of the Group's process over the estimates made for valuation of the planted forest.

As part of the audit, we have obtained an understanding of the methodology adopted by the management in estimating the fair value less cost to sell of the planted forest and assessed whether such methodology is consistent with those used in the industry and we have evaluated management's assumptions on the sales prices, expected volumes of trees to be harvested, costs and the discount rate used.

We have also considered the sensitivity of these key assumptions as disclosed in Note 15 to the financial statements and other disclosures included in the summary of significant accounting policies in Note 2.11 to the financial statements, as well as in the significant accounting estimates in Note 3.2(c) to the financial statements.

Impairment review of investments in subsidiaries

During the financial year ended 30 June 2020, the Company recognised impairment losses amounting to RM123.1 million on the carrying amount of its investments in subsidiaries due to sustained operational losses by these subsidiaries which provided indications that the carrying amounts of these investments may be impaired. As at the reporting date, the carrying amounts of these investments of the Company have been impaired to their estimated recoverable amounts of RM85.2 million. The Company estimated the recoverable amount of the investments in subsidiaries based on their estimated VIU and fair value less cost to sell.

The impairment reviews of these investments in subsidiaries are significant to our audit due to the quantum of their carrying amounts and the significant judgement and estimates involved in determining their recoverable amounts. Accordingly, the impairment reviews of these investments have been identified as a key audit matter.

As part of the audit, we have assessed the reasonableness of the key assumptions used by the management to estimate the recoverable amounts of the investments which include estimated revenue, operating costs and the discount rates used. We have also considered disclosures included in the summary of significant accounting policies in Note 2.13 to the financial statements, as well as in the significant accounting and estimates in Note 3.2(d) to the financial statements.

Report on the audit of the financial statements (contd.)

Information other than the financial statements and auditors' report thereon

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

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

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

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

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

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Report on the audit of the financial statements (contd.)

Auditors' responsibilities for the audit of the financial statements (contd.)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Other matters

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

ERNST & YOUNG PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

LOW KHUNG LEONG
No. 02697/01/2021 J
Chartered Accountant

Kuching, Malaysia.
Date: 23 October 2020

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 30 June 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Revenue	4	701,883	637,744	98,107	80,956
Cost of sales	5	(626,805)	(711,884)	(132,516)	(84,914)
Gross profit/(loss)		75,078	(74,140)	(34,409)	(3,958)
Other items of income					
Other income	6	11,277	10,306	21,268	35,861
Other items of expense					
Selling expenses		(22,959)	(25,290)	(1,668)	(2,121)
Administrative expenses		(30,885)	(37,893)	(15,351)	(20,423)
Other expenses		(109,747)	(8,986)	(185,183)	(215,047)
Finance costs	7	(52,336)	(55,008)	(12,302)	(12,197)
Loss before tax	8	(129,572)	(191,011)	(227,645)	(217,885)
Income tax expense	11	57,622	(74,252)	6,293	(234)
Loss net of tax		(71,950)	(265,263)	(221,352)	(218,119)
Other comprehensive income:					
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:					
Net gain/(loss) on equity instrument designated as fair value through other comprehensive income		11,900	(13,300)	-	-
Other comprehensive income that will be reclassified to profit or loss in subsequent periods:					
Foreign currency translation, net of tax		(6)	1	-	-
Total comprehensive loss for the year		(60,056)	(278,562)	(221,352)	(218,119)
Loss attributable to:					
Owners of the parent		(72,092)	(266,036)	(221,352)	(218,119)
Non-controlling interests		142	773	-	-
		(71,950)	(265,263)	(221,352)	(218,119)
Total comprehensive income attributable to:					
Owners of the parent		(60,198)	(279,335)	(221,352)	(218,119)
Non-controlling interests		142	773	-	-
		(60,056)	(278,562)	(221,352)	(218,119)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the financial year ended 30 June 2020

		2020	2019
Loss per share attributable to owners of the parent (sen per share):			
Basic, for loss for the year	12	(7.45)	(27.48)
Diluted, for loss for the year	12	(7.45)	(27.48)

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

STATEMENTS OF FINANCIAL POSITION
As at 30 June 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	1,875,005	2,142,499	44,155	124,118
Land use rights	14	-	17	-	17
Biological assets	15	64,495	59,469	-	-
Other intangible assets	16	794	950	577	704
Investments in subsidiaries	17	-	-	1,415,095	1,538,178
Investment in associate	18	-	-	-	-
Investment securities	23	38,500	26,600	-	-
Deferred tax assets	19	19,109	-	-	-
		1,997,903	2,229,535	1,459,827	1,663,017
Current assets					
Inventories	20	63,080	101,652	11,799	22,313
Biological assets	15	10,173	7,619	-	-
Trade and other receivables	21	36,362	39,976	311,437	342,300
Other current assets	22	10,163	17,257	3,094	3,367
Derivative assets	24	-	316	-	-
Cash and bank balances	25	13,276	9,192	3,403	2,021
		133,054	176,012	329,733	370,001
TOTAL ASSETS		2,130,957	2,405,547	1,789,560	2,033,018

STATEMENTS OF FINANCIAL POSITION
As at 30 June 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
EQUITY AND LIABILITIES					
Current liabilities					
Loans and borrowings	26	571,318	672,001	72,853	76,109
Trade and other payables	27	188,213	201,416	227,234	58,011
Income tax payable		1	637	-	-
		759,532	874,054	300,087	134,120
Net current (liabilities)/assets		(626,478)	(698,042)	29,646	235,881
Non-current liabilities					
Loans and borrowings	26	230,842	284,151	5,081	8,631
Trade and other payables	27	-	-	-	177,576
Deferred tax liabilities	19	31,765	78,468	-	6,947
		262,607	362,619	5,081	193,154
TOTAL LIABILITIES		1,022,139	1,236,673	305,168	327,274
Net assets		1,108,818	1,168,874	1,484,392	1,705,744
Equity attributable to owners of the parent					
Share capital	28	977,402	977,402	977,402	977,402
Treasury shares	28	(13,687)	(13,687)	(13,687)	(13,687)
Other reserves	29	(31,505)	(43,399)	-	-
Retained earnings		177,637	249,729	520,677	742,029
		1,109,847	1,170,045	1,484,392	1,705,744
Non-controlling interests		(1,029)	(1,171)	-	-
TOTAL EQUITY		1,108,818	1,168,874	1,484,392	1,705,744
TOTAL EQUITY AND LIABILITIES		2,130,957	2,405,547	1,789,560	2,033,018

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

STATEMENTS OF CHANGES IN EQUITY
For the financial year ended 30 June 2020

	Note	Total equity RM'000	Equity attributable to owners of the parent, total RM'000	Share capital (Note 28) RM'000	Treasury shares (Note 28) RM'000	Other reserves (Note 29) RM'000	Retained earnings RM'000	Non-controlling interests RM'000
			← Attributable to owners of the parent →					
Group								
Opening balance at 1 July 2019		1,168,874	1,170,045	977,402	(13,687)	(43,399)	249,729	(1,171)
(Loss)/profit for the year		(71,950)	(72,092)	-	-	-	(72,092)	142
Other comprehensive income		11,894	11,894	-	-	11,894	-	-
Total comprehensive income		(60,056)	(60,198)	-	-	11,894	(72,092)	142
Closing balance at 30 June 2020		1,108,818	1,109,847	977,402	(13,687)	(31,505)	177,637	(1,029)
Opening balance at 1 July 2018		1,453,776	1,454,220	977,402	(13,687)	(30,100)	520,605	(444)
(Loss)/profit for the year		(265,263)	(266,036)	-	-	-	(266,036)	773
Other comprehensive loss		(13,299)	(13,299)	-	-	(13,299)	-	-
Total comprehensive (loss)/income		(278,562)	(279,335)	-	-	(13,299)	(266,036)	773
Transactions with owners								
Dividends on ordinary shares	36	(4,840)	(4,840)	-	-	-	(4,840)	-
Dividends paid to non-controlling interests in subsidiaries		(1,500)	-	-	-	-	-	(1,500)
Total transactions with owners		(6,340)	(4,840)	-	-	-	(4,840)	(1,500)
Closing balance at 30 June 2019		1,168,874	1,170,045	977,402	(13,687)	(43,399)	249,729	(1,171)

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

STATEMENTS OF CHANGES IN EQUITY
For the financial year ended 30 June 2020

	Note	Total equity RM'000	Share capital (Note 28) RM'000	Treasury shares (Note 28) RM'000	Retained earnings RM'000
Company					
Opening balance at 1 July 2019		1,705,744	977,402	(13,687)	742,029
Total comprehensive loss		(221,352)	-	-	(221,352)
Closing balance at 30 June 2020		1,484,392	977,402	(13,687)	520,677
Opening balance at 1 July 2018		1,928,703	977,402	(13,687)	964,988
Total comprehensive loss		(218,119)	-	-	(218,119)
Transactions with owners					
Dividends on ordinary shares	36	(4,840)	-	-	(4,840)
Closing balance at 30 June 2019		1,705,744	977,402	(13,687)	742,029

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

STATEMENTS OF CASH FLOWS
For the financial year ended 30 June 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Operating activities					
Loss before tax		(129,572)	(191,011)	(227,645)	(217,885)
Adjustments for:					
Amortisation of land use rights	8	-	3	-	2
Amortisation of other intangible assets	8	156	167	127	137
Bad debts written off	8	6	1,323	-	-
Depreciation of property, plant and equipment	8	175,644	179,971	17,828	24,233
Change in fair value of biological assets	8	10,355	8,986	-	-
Net fair value loss/(gain) on derivatives	8	316	(316)	-	-
Gross dividend income from subsidiaries	8	-	-	-	(12,500)
Impairment loss, net of reversal, on:					
- investment in subsidiaries	8	-	-	123,083	215,047
- property, plant and equipment	8	99,145	-	61,590	-
Expected credit losses of trade and other receivables	8	437	104	407	(2,774)
Interest expense	8	51,394	53,743	12,184	11,991
Interest income	8	(62)	(114)	(13,796)	(15,015)
Net (gain)/loss on disposal of property, plant and equipment	8	(1,359)	496	(39)	1,648
Net unrealised foreign exchange (gain)/loss	8	(202)	(342)	(18)	(292)
Property, plant and equipment written off	8	2,846	571	2,211	-
Provision for obsolete inventories	8	-	502	-	-
Total adjustments		338,676	245,094	203,577	222,477
Operating cash flows before changes in working capital		209,104	54,083	(24,068)	4,592
Changes in working capital					
Decrease/(increase) in inventories		38,572	4,757	10,514	(14,844)
Decrease in receivables		3,171	7,813	30,456	119,683
Decrease in prepayments		1,310	837	63	429
(Decrease)/increase in payables		(13,203)	58,263	(8,353)	(94,277)
Total changes in working capital		29,850	71,670	32,680	10,991
Cash flows from operations		238,954	125,753	8,612	15,583
Interest received		62	114	13,796	15,015
Interest paid		(51,394)	(57,259)	(12,184)	(11,991)
Income taxes paid, net of refund		(3,042)	(1,369)	(443)	(1,362)
Net cash flows from operating activities		184,580	67,239	9,781	17,245

STATEMENTS OF CASH FLOWS
For the financial year ended 30 June 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Investing activities					
Acquisition of property, plant and equipment (excluding interest charge capitalised)	13(f)	(6,435)	(37,190)	(719)	(10,765)
Acquisition of biological assets (excluding depreciation and interest charge capitalised)	15	(16,771)	(16,871)	-	-
Proceeds from disposal of property, plant and equipment		3,289	8,036	831	4,965
Net cash flows (used in)/from investing activities		(19,917)	(46,025)	112	(5,800)
Financing activities					
Dividends paid on ordinary shares	36	-	(4,840)	-	(4,840)
Dividends paid to non-controlling interest in subsidiaries		-	(1,500)	-	-
Repayment of finance leases		-	(13,384)	-	(1,556)
Repayment of bankers' acceptances, net		(12,369)	41,684	-	-
Repayment of revolving credit, net		(63,350)	(30,507)	(10,350)	(1,506)
Repayment of lease liabilities		(11,753)	-	(4,878)	-
Repayment of loans		(55,876)	(62,543)	-	(12,000)
Net cash flows used in financing activities		(143,348)	(71,090)	(15,228)	(19,902)
Net increase/(decrease) in cash and cash equivalents		21,315	(49,876)	(5,335)	(8,457)
Effects of exchange rate changes		196	68	17	18
Cash and cash equivalents at the beginning of the year		(131,502)	(81,694)	(19,027)	(10,588)
Cash and cash equivalents at the end of the year	25	(109,991)	(131,502)	(24,345)	(19,027)

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2020

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office and principal place of business of the Company is located at No. 1 - 9, Pusat Suria Permata, Lorong Upper Lanang 10A, 96000 Sibu, Sarawak, Malaysia.

The principal activities of the Company are investment holding, provision of management services, extraction and sale of logs. The principal activities of the subsidiaries are set out in Note 17. There have been no significant changes in the nature of the principal activities during the financial year.

2. Basis of preparation and summary of significant accounting policies

2.1 Basis of preparation

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

The financial statements of the Group and of the Company have also been prepared on the historical cost basis except as otherwise disclosed in the accounting policies below.

The financial statements of the Group and of the Company are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") except when otherwise indicated.

For the year ended 30 June 2020, the Group and the Company have reported a net loss of RM71.9 million and RM221.3 million (2019: RM265.3 million and RM218.1 million) respectively. In addition, as at 30 June 2020, the Group's current liabilities exceeded its current assets by RM626.5 million (2019: RM698.0 million). Furthermore, in 2020, the global economy faces an unprecedented uncertainty as a result of the COVID-19 pandemic which have significantly impacted demand and pricing for domestic timber.

Notwithstanding the events or conditions above, the directors believe that there are no material uncertainties that may cast significant doubt on the Group's and the Company's ability to continue as a going concern due to the following reasons:

(a) Rationalisation of timber logging and manufacturing operation

The Group's and the Company's net loss for the year ended 30 June 2020 were mainly contributed by the impairment charges and the operational losses from the timber logging and manufacturing operations of RM159.3 million and RM221.3 million (2019: RM79.1 million and RM218.1 million) respectively. The net losses included impairment charges on the Group's property, plant and equipment of RM91.8 million (2019: Nil) and on the Company's property, plant and equipment and investments in subsidiaries of RM185.1 million (2019: RM215.0 million). The Group has taken measures to significantly curtail the timber manufacturing operation so as to reduce future losses and cash outflows from this operation. Timbers felled have been channelled to domestic and export sale of raw timbers rather than manufacturing them into plywood and veneer. Unfortunately, due to the US-China trade wars and subsequently the COVID-19 pandemic, demand and pricing of timber have been negatively impacted. The Group and the Company are confident that these events are temporary and timber pricing and demand will revert back to previous norms.

(b) Focus on oil palm plantation and milling

To return to profitability, the Group and the Company focused on their oil palm plantation and milling operations. As at 30 June 2020, the Group's owned a total planted area of 69,589 hectares ("ha") of oil palm plantation. Of these planted areas, 51% of the plantation is between 8 and 13 years of age, which is when the trees are expected to be at their optimum yield. 38% of the Group's planted area is between 3 and 7 years of age, which is expected to contribute positively to future profitability and cash flows. During the financial year ended 30 June 2020, the oil palm plantation and milling operations contributed to net operating cash inflows of RM180.9 million (2019: RM41.8 million).

2. Basis of preparation and summary of significant accounting policies (contd.)

2.1 Basis of preparation (contd.)

(c) Support from bankers

As at 30 June 2020, the Group's and the Company's total external borrowings amounted to RM802.1 million and RM77.9 million (2019: RM956.2 million and RM84.7 million) respectively, of which RM571.3 million and RM72.9 million (2019: RM672.0 million and RM76.1 million) respectively were classified as current liabilities. Details of these borrowings are disclosed in Note 26. Of these borrowings of the Group and of the Company, RM309.8 million and RM67.7 million (2019: RM406.5 million and RM61.0 million) respectively are subject to yearly reviews. The balance of the borrowings are those with fixed repayment terms. The Group and the Company believe that the cash flows from the oil palm plantation and milling operations are sufficient to address borrowings with fixed repayment terms including those borrowings of the timber logging and manufacturing operations.

For the year ended 30 June 2020, the Group and the Company have reduced their external borrowings by RM154.0 million and RM6.8 million (2019: RM9.8 million and increased by RM3.9 million) respectively. Furthermore, the Group and the Company have generated net operating cash inflows of RM184.6 million and RM9.8 million (2019: RM67.2 million and RM17.2 million) respectively. The Group and the Company believe that they will continue to have the support of the bankers as they have not defaulted in any repayment obligations and the bankers have consistently renewed all the credit facilities that were subjected to annual review without any material modifications. To meet any shortfall in working capital requirements as at the reporting date, the Group and the Company have available approved unutilised credit facilities of RM104.9 million and RM4.5 million respectively.

The Directors believe that, with the implementation of management's plans and the continued financial support from the bankers, the Group and the Company will be able to address their financial conditions and to generate sufficient cash flows to meet their financial obligations. Therefore, the Directors believe it is appropriate to prepare the financial statements of the Group and of the Company on a going concern basis.

2.2 Changes in accounting policies

New and amended standards and interpretations

The Group and the Company applied MFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time effective for annual financial periods beginning on or after 1 January 2019, but do not have any material impact on the financial statements of the Group and of the Company. The Group and the Company have not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

MFRS 16: Leases

(a) Definition of a lease

On transition to MFRS 16, the Group and the Company have elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied MFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under MFRS 117 Leases and IC Interpretation 4, Determining whether an arrangement contains a lease, were not reassessed. Therefore, the definition of a lease under MFRS 16 has been applied only to contracts entered into or changed on or after 1 July 2019.

2. Basis of preparation and summary of significant accounting policies (contd.)

2.2 Changes in accounting policies (contd.)

MFRS 16: Leases (contd.)

(b) As a lessee

Where the Group and the Company are lessees, the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1 July 2019.

At 1 July 2019, for leases that were classified as operating lease under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's and the Company's weighted-average incremental borrowing rate as at 1 July 2019 of 6%. Right-of-use assets are measured at either:

- their carrying amount as if MFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at 1 July 2019; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group and the Company used the following practical expedients when applying MFRS 16 to leases previously classified as operating lease under MFRS 117:

- applied a single discount rate to a portfolio of leases with similar characteristics;
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term as at 1 July 2019;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

At 1 July 2019, all leasehold land under property, plant and equipment and land use rights that meet the definition of a lease are reclassified as right-of-use assets under property, plant and equipment. For leases that were classified as finance lease under MFRS 117, the carrying amounts of the right-of-use asset and the lease liability at 1 July 2019 are determined to be the same as the carrying amount of the leased asset and lease liability under MFRS 117 immediately before that date.

The Group and the Company have applied commercial judgement to determine the lease term for those leases with renewal options and this in turn will impact on the amount of right-to-use assets and lease liabilities recognised. The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for low value assets and short-term leases. The lease payments for these leases are expensed on a straight-line basis over the lease term.

The Group and the Company lease some of their properties which were classified as operating lease. The accounting policies for the Group and the Company as lessor remained the same as in MFRS 117. Hence, no adjustment is required for the transition to MFRS 16.

2. Basis of preparation and summary of significant accounting policies (contd.)

2.2 Changes in accounting policies (contd.)

MFRS 16: Leases (contd.)

The following table provides the impact of changes to the statements of financial position of the Group and of the Company resulting from the adoption of MFRS 16 as at 1 July 2019:

	At 30 June 2019 RM'000	Effect of adoption of MFRS 16 RM'000	At 1 July 2019 RM'000
Group			
Non-current assets			
Property, plant and equipment - cost	2,441,258	6,800	2,448,058
Land use rights	17	(17)	-
	2,441,275	6,783	2,448,058
Current liabilities			
Loans and borrowings	400,391	741	401,132
Non-current liabilities			
Loans and borrowings	181,042	6,042	187,084
	581,433	6,783	588,216
Company			
Non-current assets			
Property, plant and equipment - cost	299,400	1,739	301,139
Land use rights	17	(17)	-
	299,417	1,722	301,139
Current liabilities			
Loans and borrowings	76,109	167	76,276
Non-current liabilities			
Loans and borrowings	8,631	1,555	10,186
	84,740	1,722	86,462

There is no material impact on the statement of profit or loss and other comprehensive income or the basic and diluted earnings per share.

2. Basis of preparation and summary of significant accounting policies (contd.)

2.3 Standards issued but not yet effective

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

(a) Amendments to MFRS 3: Definition of a Business

In October 2018, the MASB issued amendments to the definition of a business in MFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

(b) Amendments to MFRS 101 and MFRS 108: Definition of Material

In October 2018, the MASB issued amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

(c) Revised Conceptual Framework for Financial Reporting

On 30 April 2018, MASB issued a revised Conceptual Framework for Financial Reporting. The purpose of the Conceptual Framework is, amongst others, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. The main changes in the Conceptual Framework are as follows:

- Reintroduces the concept of stewardship and the information needed to assess management's stewardship;
- Reintroduces the concept of prudence;
- Defines the concept of measurement uncertainty;
- Reinstates an explicit reference to the need to "faithfully represent the substance of the phenomena that it purports to represent"; and
- Made changes to the definitions of an asset and a liability.

2. Basis of preparation and summary of significant accounting policies (contd.)

2.3 Standards issued but not yet effective (contd.)

(d) Amendments to MFRS 101: Classification of Liabilities as Current or Non- current

The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The Group and the Company do not expect the clarifications of the above would result in any material changes when determining whether a liability is current or non-current.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(i) the contractual arrangement(s) with the other vote holders of the investee;
(ii) rights arising from other contractual arrangements; and
(iii) the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2. Basis of preparation and summary of significant accounting policies (contd.)

2.4 Basis of consolidation (contd.)

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

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

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

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2.5 Current versus non-current classification

The Group and the Company present assets and liabilities in the statements of financial position based on current/non-current classification.

2. Basis of preparation and summary of significant accounting policies (contd.)

2.5 Current versus non-current classification (contd.)

An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

The Group and the Company classify all other liabilities as non-current.

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

2.6 Subsidiaries

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

(a) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);

(b) Exposure, or rights, to variable returns from its investment with the investee; and

(c) The ability to use its power over the investee to affect its returns.

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

2.7 Investments in associates

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

2. Basis of preparation and summary of significant accounting policies (contd.)

2.7 Investments in associates (contd.)

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of the associate is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss within 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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

2.8 Foreign currency

(a) Functional and presentation currency

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

(b) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

2. Basis of preparation and summary of significant accounting policies (contd.)

2.8 Foreign currency (contd.)

(b) Transactions and balances (contd.)

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration.

If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

(c) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into RM at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

2.9 Property, plant and equipment

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

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

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

The bearer plants are amortised over 25 years.

2. Basis of preparation and summary of significant accounting policies (contd.)

2.9 Property, plant and equipment (contd.)

Freehold land has an unlimited useful life and therefore is not depreciated. Leasehold land is amortised over its remaining lease term. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Factories, buildings and quarters	10 - 50 years or over remaining land lease period
Aircraft, watercraft, motor vehicles, plant and machinery	5 - 20 years
Roads and bridges	10 years
Office renovation, furniture, fittings and equipment	10 years

Capital work-in-progress is not depreciated as these assets are not available for use.

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

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

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

A contract which involves the use of an item of property, plant and equipment that meets the definition of a lease is recognised as a right-of-use asset.

2.10 Intangible assets

Other intangible assets

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

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

2. Basis of preparation and summary of significant accounting policies (contd.)

2.10 Intangible assets (contd.)

Computer software

The useful life of computer software is amortised on a straight-line basis over the estimated economic useful life of ten years.

2.11 Biological assets

Biological assets comprise fresh fruit bunches ("FFB") prior to harvest and planted forest.

(a) FFB prior to harvest

FFB prior to harvest (plantation produce growing on bearer plants) are classified as current assets as they are expected to be harvested and sold or used for production on a date not more than two (2) weeks after the reporting date.

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

(b) Planted forest (forestry assets)

Forestry assets are measured at fair value, calculated by applying the expected selling price, less costs to harvest and deliver, to the estimated volume of timber on hand at each reporting date. The estimated volume of timber on hand is determined based on the maturity profile of the area under afforestation, the species, the geographic location and other environmental considerations and excludes future growth. The product of these is then adjusted to present value by applying applicable pre-tax weighted average cost of capital of the business unit.

Changes in fair value are recognised in the statement of profit or loss. At point of felling, the carrying value of forestry assets is transferred to inventories.

Directly attributable costs incurred during the year of biological growth and investments in standing timber are capitalised and presented within cash flows from investing activities.

2.12 Land use rights

In the previous financial year, land use rights were initially measured at cost. Following initial recognition, land use rights were measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights were amortised over their lease terms of 16 years.

2.13 Impairment of non-financial assets

The Group and the Company assess, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group and the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's ("CGU") fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

2. Basis of preparation and summary of significant accounting policies (contd.)

2.13 Impairment of non-financial assets (contd.)

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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

The Group and the Company base their impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's and the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group and the Company estimate the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

Goodwill is tested for impairment annually as at 30 June and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at 30 June at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

2.14 Financial instruments

(a) Initial recognition and measurement

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

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

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

2. Basis of preparation and summary of significant accounting policies (contd.)

2.14 Financial instruments (contd.)

(b) Financial instrument categories and subsequent measurement

Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

(i) Amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

(ii) Fair value through profit or loss ("FVTPL")

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as other income in the statement of profit or loss when the right of payment has been established.

(iii) Fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

2. Basis of preparation and summary of significant accounting policies (contd.)

2.14 Financial instruments (contd.)

(b) Financial instrument categories and subsequent measurement (contd.)

Financial assets (contd.)

(iv) Fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under MFRS 132 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by- instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial liabilities

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

(i) Fair value through profit or loss ("FVTPL")

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied.

(ii) Amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

(c) Derecognition

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2. Basis of preparation and summary of significant accounting policies (contd.)

2.14 Financial instruments (contd.)

(c) Derecognition (contd.)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

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

(d) Offsetting

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 amount and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

2.15 Impairment of financial assets

The Group recognises an allowance for expected credit losses (“ECL”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2. Basis of preparation and summary of significant accounting policies (contd.)

2.16 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and demand short-term deposit with maturity of three months or less. These also include bank overdrafts that form an integral part of the Group's cash management.

2.17 Inventories

Inventories are stated at lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and conditions are accounted for as follows:

- Raw materials: purchase costs on weighted average cost formula.
- Finished goods and work-in-progress: cost of raw materials, direct labour, an appropriate proportion of fixed and variable factory overheads and all costs attributable to nursery and tree planting expenditure that can be allocated on a reasonable basis to such activities.
- Processed inventories: cost of raw materials, direct labour and an appropriate proportion of fixed and variable production overheads.

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

2.18 Provisions

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

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

2.19 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount in accordance to the principles of MFRS 15.

Liabilities arising from financial guarantees are presented together with other provisions.

2.20 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2. Basis of preparation and summary of significant accounting policies (contd.)

2.21 Leases

Current financial year

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

(a) As a lessee

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

(i) Right-of-use assets

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

Leasehold land	3 to 35 years
Motor vehicles	5 to 15 years

If ownership of the leased asset is transferred to the Group and the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset instead of the lease term.

(ii) Lease liabilities

At the commencement date of the lease, the Group and the Company recognise lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and by the Company and payments of penalties for terminating the lease, if the lease term reflects the Group and the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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

2. Basis of preparation and summary of significant accounting policies (contd.)

2.21 Leases (contd.)

Current financial year (contd.)

(a) As a lessee (contd.)

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

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

(b) As lessor

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

Previous financial year

(a) As a lessee

Finance leases, which transfer to the Group and the Company substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

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

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

Leases where the Group and the Company retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

2. Basis of preparation and summary of significant accounting policies (contd.)

2.22 Revenue from contracts with customers

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

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

(a) Sale of goods

Revenue from sale of goods is measured based on the consideration specified in a contract with a customer in exchange for transferring goods 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 to customer. An asset is transferred when (or as) the customer obtains control over the asset.

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

- the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;
- the performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the 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.

(b) Services rendered

Revenue from services is recognised when the Group and the Company transfer control upon performance of services over time to customers where the customer simultaneously receives and consumes the benefits provided as the Group and the Company perform.

(c) Other revenue

Revenue from other sources are recognised as follows:

(i) Interest income is recognised on an accrual basis using the effective interest method.
(ii) Rental income is accounted for on a straight-line basis over the lease terms.
(iii) Dividend income is recognised when the Group's and the Company's right to receive payment is established.
(iv) Management fees are recognised when services are rendered.

2.23 Employee benefits

(a) Short term benefits

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

2. Basis of preparation and summary of significant accounting policies (contd.)

2.23 Employee benefits (contd.)

(b) Defined contribution plans

The Group and the Company participate in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liabilities for leave are recognised for services rendered by employees up to the reporting date.

2.24 Taxes

(a) Income tax

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

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

(b) Deferred tax

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2. Basis of preparation and summary of significant accounting policies (contd.)

2.24 Taxes (contd.)

(b) Deferred tax (contd.)

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

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

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

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

(c) Sales and Services Tax (“SST”) and Goods and Services Tax (“GST”)

Revenue, expenses and assets are recognised net of the amount of SST or GST except:

- Where the SST and GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the SST and GST are recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of SST and GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables and payables in the statements of financial position.

2.25 Share capital and share issuance expenses

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

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

2.26 Treasury shares

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

2. Basis of preparation and summary of significant accounting policies (contd.)

2.27 Contingencies

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

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and the Company but discloses its existence in the notes to the financial statements.

2.28 Fair value measurements

Fair value of an asset or a liability 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.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

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

- Level 3 inputs are unobservable inputs for the asset or liability.

2.29 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 37, including the factors used to identify the reportable segments and the measurement basis of segment information.

3. Significant accounting judgements and estimates

The preparation of the Group's and the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3. Significant accounting judgements and estimates (contd.)

3.1 Critical judgements made in applying accounting policies

The following are judgements made by management in the process of applying the Group's and the Company's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

Determining the lease term of contracts with extension and termination options

The Group and the Company determine the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group and the Company have several lease contracts that include extension and termination options. The Group's and the Company's judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, they consider all relevant factors that create an economic incentive for it to exercise either the renewal or termination.

After the commencement date, the Group and the Company reassess the lease term if there is a significant event or change in circumstances that is within its control and affect their ability to exercise, renew or terminate.

The Group and the Company include the renewal periods as part of the lease term for leases of buildings when they are reasonably certain to be exercised. In addition, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment assessment of property, plant and equipment

Impairment exists when the carrying value of any assets exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value-in-use ("VIU").

The Group and the Company reassess whether there are indicators of impairment for its property, plant and equipment at each reporting date. During the current financial year, the Group and the Company carried out the impairment tests on the property, plant and equipment based on fair value less costs to sell or VIU.

The impairment assessment of the plant, property and equipment involved significant estimates in determining the recoverable amount of the property, plant and equipment. The assumptions used include estimates of selling prices, operating costs and discount rate.

The impairment amount of the property, plant and equipment included in the property, plant and equipment of the Group and the Company as at 30 June 2020 was RM99.1 million (2019: Nil) and RM61.6 million (2019: Nil), respectively.

(b) Impairment assessment of bearer plants (oil palm plantations)

The carrying amount of the Group's plantations stands at RM1.06 billion (2019: RM1.12 billion) which represents 50% (2019: 47%) of the Group's total assets.

3. Significant accounting judgements and estimates (contd.)

3.2 Key sources of estimation uncertainty (contd.)

(b) Impairment assessment of bearer plants (oil palm plantations) (contd.)

The Group assesses annually whether there are any indicators that the carrying amount of the plantations may be impaired. During the current financial year, losses incurred by one of the plantations was identified as an indicator of impairment.

The estimated recoverable amount is determined based on the higher of an asset's VIU and fair value less costs of disposal ("FV"). Where the carrying amount is higher than the recoverable value of the biological assets, the carrying value of the asset is reduced to its estimated recoverable amount and the difference is regarded as an impairment loss.

The Group regards each plantation as a separate CGU. VIU is the present value of the future cash flows expected to be derived from the CGU. The FV represents an estimate of the amount to be received in the event the plantation is sold on a willing buyer and a willing seller basis.

(c) Planted forest (forestry assets)

Planted forest are stated at fair value less estimated cost to sell at the harvesting stage and is a Level 3 measure in terms of the fair value measurement hierarchy as established by MFRS 13 *Fair Value Measurement.* The Group uses the income approach in determining fair value as it believes that this method yields the most appropriate valuation.

In arriving at plantation fair values, the key assumptions used are estimated prices, cost of delivery, discount rates, and volume and growth estimations. All changes in fair value are recognised in the period in which they arise.

The impact of changes in estimated prices, discount rates and, volume and growth assumptions may have on the calculated fair value and other key financial information on plantations is disclosed in Note 15.

- **Estimated prices less costs of delivery**

  The Group uses current average price of smaller size logs to estimate the fair value of all immature timber and mature timber that is to be felled in more than 12 months from the reporting date.

  The fair value is derived by using the prices as explained above and reduced by the estimated costs of delivery. Costs of delivery include all costs associated with getting the harvested agricultural produce to the market, including harvesting, loading, transport and allocated fixed overheads.

- **Discount rate**

  The discount rate used is the applicable pre-tax weighted average cost of capital of the business unit.

- **Volume and growth estimations and cost assumptions**

  The Group focuses on good husbandry techniques which include ensuring that the rotation of plantations is met with adequate planting activities for future harvesting. The age threshold used for quantifying immature timber is dependent on the rotation period of the specific timber genus which varies between 10 and 12 years.

  Trees are generally felled at the optimum age when ready for intended use. At the time the tree is felled, it is taken out of plantations and accounted for under inventory and reported as a depletion cost (felling).

3. Significant accounting judgements and estimates (contd.)

3.2 Key sources of estimation uncertainty (contd.)

(c) Planted forest (forestry assets) (contd.)

- **Volume and growth estimations and cost assumptions (contd.)**

The Group has projected growth estimation over a period of 10 years per rotation. In deriving this estimate, the Group established a long-term sample plot network which is representative of the species and sites on which trees are grown and the measured date from these permanent sample plots were used is input into the Group's growth estimation.

The Group directly manages plantations established on land that is leased from a related party.

(d) Impairment assessment of investment in subsidiaries

In performing impairment review over certain of the Company's subsidiaries, the Company also carried out the impairment test on the cost of investment in those subsidiaries. The Company estimates the recoverable amount of the investment based on estimated future cash flows and discounting them at an appropriate rate. Further details of the impairment losses are disclosed in Note 17.

4. Revenue

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	RM'000	RM'000	RM'000
Major product lines:				
Sale of crude palm oil, palm kernel and fresh fruit bunches	508,651	457,299	-	-
Sale of timber and related products	192,887	179,960	98,107	80,956
Others	345	485	-	-
	701,883	637,744	98,107	80,956
Revenue from contracts with customers:				
- recognised at a point in time	701,883	637,744	98,107	80,956

There are no material unfulfilled performance obligations, whether unsatisfied or partly satisfied, to be recognised over the subsequent periods.

5. Cost of sales

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	RM'000	RM'000	RM'000
Cost of crude palm oil, palm kernel and fresh fruit bunches	407,821	516,665	-	-
Cost of timber and related products	214,041	189,652	132,516	84,914
Others	4,943	5,567	-	-
	626,805	711,884	132,516	84,914

6. Other income

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	RM'000	RM'000	RM'000
Fair value gain on derivatives	-	316	-	-
Freight and handling income	1,747	1,951	1,106	1,144
Foreign exchange gain				
- realised	225	-	-	-
- unrealised	204	342	150	292
Gain on disposal of property, plant and equipment	1,555	1,650	39	-
Gross dividend income from subsidiaries (Note 8)	-	-	-	12,500
Commission income	18	25	18	25
Interest income (Note 8)	62	114	13,796	15,015
Rental income (Note 8)	862	1,120	303	317
Reversal of expected credit loss (Note 21(d))	104	-	104	2,774
Road maintenance fee income	-	-	3,000	3,000
Others	6,500	4,788	2,752	794
	11,277	10,306	21,268	35,861

7. Finance costs

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	RM'000	RM'000	RM'000
Interest expense on:				
Bank loans and bank overdrafts	47,122	56,299	3,848	5,098
Finance leases	-	960	-	234
Lease liabilities (Note 26(c))	1,268	-	719	-
Amount due to subsidiaries	-	-	7,617	6,659
Others	3,004	-	-	-
	51,394	57,259	12,184	11,991
Less: Capitalised interest in				
- Property, plant and equipment (Note 13)	-	(1,488)	-	-
- Biological assets (Note 15)	-	(2,028)	-	-
Interest expense (Note 8)	51,394	53,743	12,184	11,991
Add: Other charges				
Bank charges	638	754	51	99
Commitment fee	304	511	67	107
	942	1,265	118	206
	52,336	55,008	12,302	12,197

8. Loss before tax

The following amounts have been included in arriving at loss before tax:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	RM'000	RM'000	RM'000
Amortisation of land use rights (Note 14)	-	3	-	2
Amortisation of other intangible assets (Note 16)	156	167	127	137
Auditors' remuneration	827	794	245	225
Statutory audit				
- current year	809	762	230	210
- under provision in previous years	3	17	-	-
Other services	15	15	15	15
Bad debts written off	6	1,323	-	-
Depreciation of property, plant and equipment (Note 13)	175,644	179,971	17,828	24,233
Net change in fair value of biological assets (Note 15)	10,355	8,986	-	-
Net fair value loss/(gain) on derivatives (Note 24)	316	(316)	-	-
Gross dividend income from subsidiaries (Note 6)	-	-	-	(12,500)
Hiring charges	-	16	-	300
Impairment loss, net of reversal, on:				
- investment in subsidiaries	-	-	123,083	215,047
- property, plant and equipment (Note 13)	99,145	-	61,590	-
Net expected credit losses of trade and other receivables (Note 21(d))	437	104	407	(2,774)
Interest expense (Note 7)	51,394	53,743	12,184	11,991
Interest income (Note 6)	(62)	(114)	(13,796)	(15,015)
Net (gain)/loss on disposal of property, plant and equipment	(1,359)	496	(39)	1,648
Net foreign exchange loss/(gain)				
- realised	124	1,334	132	970
- unrealised	(202)	(342)	(18)	(292)
Non-executive directors' remuneration (Note 10)	1,029	768	981	720
Property, plant and equipment written off	2,846	571	2,211	-
Provision for obsolete inventories	-	502	-	-
Rental expense	-	327	-	369
Rental income (Note 6)	(862)	(1,120)	(303)	(317)

9. Employee benefits expense

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	RM'000	RM'000	RM'000
Salaries, wages, allowances and bonus	94,028	111,894	11,163	13,293
Social security contributions	1,469	1,322	136	148
Contributions to defined contribution plan	8,481	9,975	1,237	1,524
Employment insurance scheme contributions	124	129	15	16
Other benefits	612	523	240	173
Total employee benefits expense (including executive directors)	104,714	123,843	12,791	15,154
Less: Employee benefits expense capitalised in biological assets (Note 15)	(1,537)	(1,866)	-	-
Total employee benefits expense	103,177	121,977	12,791	15,154
Included herein are:				
Executive directors' remunerations (Note 10)	1,515	2,336	1,515	2,336

10. Directors' remuneration

Details of remunerations receivable by directors of the Group and the Company during the year are as follows:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	RM'000	RM'000	RM'000
Directors of the Company				
Executive:				
Salaries and other emoluments	1,365	2,076	1,365	2,076
Contributions to defined contribution plans	150	260	150	260
Total executive directors' remunerations	1,515	2,336	1,515	2,336
Non-executive:				
Fees	724	469	724	469
Other emoluments	257	251	257	251
Total non-executive directors' remuneration (Note 8)	981	720	981	720
Total directors' remunerations	2,496	3,056	2,496	3,056
Estimated money value of benefits-in-kind	36	36	36	36
Total directors' remunerations including benefits-in-kind	2,532	3,092	2,532	3,092

10. Directors' remuneration (contd.)

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	RM'000	RM'000	RM'000
Directors of subsidiaries				
Non-executive:				
Fees	48	48	-	-
Total non-executive directors' remunerations (Note 8)	48	48	-	-
Total directors' remunerations (Note 31(b))	2,580	3,140	2,532	3,092

11. Income tax expense

The major components of income tax expense for the year ended 30 June 2020 and 2019 are:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	RM'000	RM'000	RM'000
Income tax:				
Malaysian income tax	7,186	6,051	-	882
Under provision in respect of previous years	1,004	1,392	654	5,069
	8,190	7,443	654	5,951
Deferred income tax (Note 19):				
Origination and reversal of temporary differences	(68,193)	55,054	(7,136)	(5,089)
Under/(over) provision in respect of previous years	2,381	11,755	189	(628)
	(65,812)	66,809	(6,947)	(5,717)
Income tax expense recognised in profit or loss	(57,622)	74,252	(6,293)	234

11. Income tax expense (contd.)

The reconciliations between tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the year ended 30 June 2020 and 2019 are as follows:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	RM'000	RM'000	RM'000
Accounting loss before tax	(129,572)	(191,011)	(227,645)	(217,885)
Tax at Malaysian statutory tax rate of 24% (2019: 24%)	(31,097)	(45,843)	(54,635)	(52,292)
Adjustments:				
Non-deductible expenses	4,038	2,913	30,473	51,085
Income not subject to tax	(106)	(1,117)	-	(3,000)
Deferred tax assets not recognised	31,851	106,143	17,026	-
Utilisation of previously unrecognised unabsorbed capital allowances, unused tax losses and export incentive allowances	(65,693)	(991)	-	-
Under provision of income tax in respect of previous years	1,004	1,392	654	5,069
Under/(over) provision of deferred tax in respect of previous years	2,381	11,755	189	(628)
Income tax expense recognised in profit or loss	(57,622)	74,252	(6,293)	234

Current income tax is calculated at the Malaysian statutory tax rate of 24% (2019: 24%) of the estimated assessable profit for the year.

Tax savings during the financial year arising from:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	RM'000	RM'000	RM'000
Utilisation of current year tax losses	959	-	700	-
Utilisation of tax losses brought forward	22,242	-	21,988	-
	23,201	-	22,688	-

11. Income tax expense (contd.)

At the reporting date, the Group and the Company has the following for offset against future taxable income:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	RM'000	RM'000	RM'000
Unutilised tax losses	548,260	521,030	-	-
Unutilised export sales incentive	39,026	40,759	-	-
Unabsorbed capital allowances	1,057,652	1,135,257	382	5,335
Unabsorbed reinvestment allowance	6,701	6,701	-	-
	1,651,639	1,703,747	382	5,335

Pursuant to Section 44(5F) of the Income Tax Act, 1967, the unutilised tax losses can only be carried forward until the following years of assessment:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	RM'000	RM'000	RM'000
Unutilised tax losses to be carried forward until:				
- Year of assessment 2025	371,449	429,408	-	-
- Year of assessment 2026	148,408	91,622	-	-
- Year of assessment 2027	28,403	-	-	-
	548,260	521,030	-	-

Pursuant to Schedule 7A, para 4B of the Income Tax Act, 1967, the unabsorbed reinvestment allowances can only be carried forward until the following year of assessment:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	RM'000	RM'000	RM'000
Unabsorbed reinvestment allowances to be carried forward until:				
- Year of assessment 2025	6,701	6,701	-	-

12. Loss per share

Basic loss per share

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

The following table reflects the loss and share data used in the computation of basic loss per share for the years ended 30 June 2020 and 2019:

	Group	
	2020	**2019**
Loss net of tax attributable to owners of the parent (RM'000)	(72,092)	(266,036)
Weighted average number of ordinary shares in issue ('000)	967,991	967,991
Basic loss per share (sen)	(7.45)	(27.48)

There are no dilutive potential ordinary shares. As such, the diluted loss per share of the Group is equivalent to basic loss per share.

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

13. Property, plant and equipment

Group	Freehold land RM'000	Leasehold land RM'000	Bearer plants RM'000	Factories, buildings and quarters RM'000	Aircraft, watercraft, motor vehicles, plant and machinery RM'000	Roads and bridges RM'000	Office renovation, furniture, fittings and equipment RM'000	Capital work-in-progress RM'000	Total RM'000
Cost									
At 1 July 2018	8,389	91,756	1,423,689	683,125	1,236,231	354,836	50,247	90,733	3,939,006
Additions	-	1,202	-	3,165	26,168	4,368	2,397	17,479	54,779
Disposals/written off	-	-	-	(1,165)	(38,828)	(115,127)	(664)	(844)	(156,628)
Reclassifications	-	6	56,009	12,728	14,532	11,581	346	(95,202)	-
Reclassified from land use right (Note 14)	-	87	-	-	-	-	-	-	87
At 30 June 2019 and 1 July 2019	8,389	93,051	1,479,698	697,853	1,238,103	255,658	52,326	12,166	3,837,244
Effect of adoption of MFRS 16 (Note 2.2)	-	6,800	-	-	-	-	-	-	6,800
Additions	-	-	-	250	1,819	-	259	4,107	6,435
Disposals	-	-	-	(543)	(6,804)	-	(56)	(589)	(7,992)
Written off	-	-	-	(1,117)	(8)	(9,930)	(199)	(2,265)	(13,519)
Reclassifications	-	214	-	5,423	2,343	146	84	(8,210)	-
At 30 June 2020	8,389	100,065	1,479,698	701,866	1,235,453	245,874	52,414	5,209	3,828,968
Accumulated depreciation									
At 1 July 2018	-	16,934	299,981	292,954	794,695	222,776	33,653	-	1,660,993
Depreciation charge for the year	-	1,753	56,582	39,798	58,365	22,088	2,619	-	181,205
Recognised in profit or loss (Note 8)	-	1,066	56,582	39,565	58,067	22,084	2,607	-	179,971
Capitalised in biological assets (Note 15)	-	687	-	233	298	4	12	-	1,234
Disposals/written off	-	-	-	(950)	(31,070)	(115,127)	(378)	-	(147,525)
Reclassified from land use right (Note 14)	-	72	-	-	-	-	-	-	72
At 30 June 2019	-	18,759	356,563	331,802	821,990	129,737	35,894	-	1,694,745

13. Property, plant and equipment (contd.)

	Freehold land RM'000	Leasehold land RM'000	Bearer plants RM'000	Factories, buildings and quarters RM'000	Aircraft, watercraft, motor vehicles, plant and machinery RM'000	Roads and bridges RM'000	Office renovation, furniture, fittings and equipment RM'000	Capital work-in-progress RM'000	Total RM'000
Group (contd.)									
Accumulated depreciation (contd.)									
At 30 June 2019 and 1 July 2019	-	18,759	356,563	331,802	821,990	129,737	35,894	-	1,694,745
Depreciation charge for the year	-	2,414	58,823	39,134	58,069	15,731	2,637	-	176,808
Recognised in profit or loss (Note 8)	-	1,727	58,823	38,932	57,806	15,727	2,629	-	175,644
Capitalised in biological assets (Note 15)	-	687	-	202	263	4	8	-	1,164
Impairment loss	-	380	-	10,446	73,216	15,103	-	-	99,145
Disposals	-	-	-	(56)	(5,832)	-	(174)	-	(6,062)
Written off	-	-	-	(573)	(3)	(9,930)	(167)	-	(10,673)
Reclassification	-	214	-	(220)	17	-	(11)	-	-
At 30 June 2020	-	21,767	415,386	380,533	947,457	150,641	38,179	-	1,953,963
Net carrying amount									
At 30 June 2019	8,389	74,292	1,123,135	366,051	416,113	125,921	16,432	12,166	2,142,499
At 30 June 2020	8,389	78,298	1,064,312	321,333	287,996	95,233	14,235	5,209	1,875,005

13. Property, plant and equipment (contd.)

	Freehold land RM'000	Leasehold land RM'000	Factories, buildings and quarters RM'000	Aircraft, watercraft, motor vehicles, plant and machinery RM'000	Roads and bridges RM'000	Office renovation, furniture, fittings and equipment RM'000	Capital work-in-progress RM'000	Total RM'000
Company								
Cost								
At 1 July 2018	3,865	-	16,120	202,151	172,828	16,874	2,294	414,132
Additions	-	-	181	20,205	1,676	225	3,054	25,341
Disposals/written off	-	-	(27)	(26,539)	(113,050)	(58)	(399)	(140,073)
Reclassifications	-	-	1,110	148	-	32	(1,290)	-
At 30 June 2019 and 1 July 2019	3,865	-	17,384	195,965	61,454	17,073	3,659	299,400
Effect of adoption of MFRS 16 (Note 2.2)	-	1,739	-	-	-	-	-	1,739
Additions	-	-	517	106	-	33	63	719
Disposals	-	-	(901)	(1,308)	-	(10)	(33)	(2,252)
Written off	-	-	-	-	(9,930)	(50)	(2,207)	(12,187)
Reclassifications	-	-	-	131	-	11	(142)	-
At 30 June 2020	3,865	1,739	17,000	194,894	51,524	17,057	1,340	287,419

13. Property, plant and equipment (contd.)

	Freehold land RM'000	Leasehold land RM'000	Factories, buildings and quarters RM'000	Aircraft, watercraft, motor vehicles, plant and machinery RM'000	Roads and bridges RM'000	Office renovation, furniture, fittings and equipment RM'000	Capital work-in-progress RM'000	Total RM'000
Company (contd.)								
Accumulated depreciation								
At 1 July 2018	-	-	7,845	121,235	140,424	15,005	-	284,509
Depreciation charge for the year (Note 8)	-	-	564	11,593	11,737	339	-	24,233
Disposals/written off	-	-	-	(20,359)	(113,050)	(51)	-	(133,460)
At 30 June 2019 and 1 July 2019	-	-	8,409	112,469	39,111	15,293	-	175,282
Depreciation charge for the year (Note 8)	-	215	620	11,894	4,777	322	-	17,828
Disposals	-	-	(581)	(869)	-	(10)	-	(1,460)
Written off	-	-	-	-	(9,930)	(46)	-	(9,976)
Impairment loss (Note 8)	-	-	445	46,042	15,103	-	-	61,590
At 30 June 2020	-	215	8,893	169,536	49,061	15,559	-	243,264
Net carrying amount								
At 30 June 2019	3,865	-	8,975	83,496	22,343	1,780	3,659	124,118
At 30 June 2020	3,865	1,524	8,107	25,358	2,463	1,498	1,340	44,155

13. Property, plant and equipment (contd.)

(a) Right-of-use assets ("ROU")

Included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:

Group	Motor vehicle RM'000	Leasehold land RM'000	Total RM'000
At 1 July 2019	27,145	74,292	101,437
Effect of adoption of MFRS 16 (Note 2.2)	-	6,800	6,800
Depreciation charge for the year the year(Note 26(c))	(1,937)	(2,627)	(4,564)
Impairment	-	(380)	(380)
At 30 June 2020	25,208	78,085	103,293

Company	Motor vehicle RM'000	Leasehold land RM'000	Total RM'000
At 1 July 2019	16,841	-	16,841
Effect of adoption of MFRS 16 (Note 2.2)	-	1,739	1,739
Depreciation charge for the year (Note 26(c))	(1,091)	(215)	(1,306)
At 30 June 2020	15,750	1,524	17,274

The Group and the Company have lease contracts for various items of land and motor vehicles used in their operations.

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

The table below describes the nature of the Group's and the Company's leasing activities by type of right-of-use asset recognised on the statements of financial position:

Group	Motor vehicle	Leasehold land
No. of right-of-use asset leased	63	47
No. of leases with extension option	-	1

The table below describes the nature of the Company's leasing activities by type of right-of-use asset recognised on the statements of financial position:

Company	Motor vehicle	Leasehold land
No. of right-of-use asset leased	39	18
No. of leases with extension option	-	1

13. Property, plant and equipment (contd.)

(b) Assets pledged for banking facilities

Leased assets are pledged as security for the related lease liabilities (Note 26).

(c) Capitalised borrowing costs

Included in property, plant and equipment are the following costs incurred during the financial year:

	Group	
	2020	**2019**
	RM'000	RM'000
Interest expense (Note 7)	-	1,488

The interest expense capitalised include borrowing costs arising from term loans borrowed specifically for the purpose of the development of bearer plants.

(d) Leasehold land with carrying amount of RM3,312,639 (2019: RM3,476,761) are leased from a related party.

(e) Impairment of property, plant and equipment

The US-China trade wars and the pandemic caused by COVID-19 have dampened demand and pricing of timber. Because of these events, the Group and the Company recognised impairment losses of RM99,145,000 and RM61,590,000, respectively on certain property, plant and equipment based on their recoverable amounts of RM108,767,000 and RM42,630,000 respectively which were derived using estimated VIU. The impairment losses were recognised in the statement of profit or loss as other expenses. In determining the VIU, the following key assumptions were used:

Key assumption	Sensitivity - further impairment would arise if:
Selling price	Decrease in timber prices to below RM459 per cubic meter for domestic sales and RM882 per cubic meter for export sales
Margin	Margin below 32%
Operational cost	Any further increases in operating costs would result in further impairment
Discount rate	An increase of discount rate to above 11%

(f) Reconciliation to the statement of cash flows

Reconciliation to the cash flow for acquisitions of property, plant and equipment is as follows:

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Additions for the financial year	6,435	54,779	719	25,341
Less: Leasing arrangements	-	(16,101)	-	(14,576)
Less: Interest capitalised (Note 13(c))	-	(1,488)	-	-
Total cash payments during the financial year	6,435	37,190	719	10,765

14. Land use rights

	Group		Company	
	RM'000	RM'000	RM'000	RM'000
Cost				
At 1 July 2019/2018	36	123	36	36
Reclassified to property, plant and equipment (Note 13)	-	(87)	-	-
Effect of adoption of MFRS 16 (Note 2.2)	(36)	-	(36)	-
At 30 June 2020/2019	-	36	-	36
Accumulated amortisation				
At 1 July 2019/2018	19	88	19	17
Amortisation for the year (Note 8)	-	3	-	2
Reclassified to property, plant and equipment (Note 13)	-	(72)	-	-
Effect of adoption of MFRS 16 (Note 2.2)	(19)	-	(19)	-
At 30 June 2020/2019	-	19	-	19
Net carrying amount				
At 30 June 2020/2019	-	17	-	17
Amount to be amortised:				
- Not later than one year	-	2	-	2
- Later than one year but not later than five years	-	8	-	8
- Later than five years	-	7	-	7

The Group and the Company have land use rights over state-owned land in Malaysia. In the previous financial year, these land use rights have a remaining tenure of 16 years.

15. Biological assets

	FFB prior to harvest		Planted forest (forestry assets)		Total	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
Fair value						
At beginning of year	7,619	9,450	59,469	46,491	67,088	55,941
Development expenditure	-	-	17,935	20,133	17,935	20,133
Changes in fair value (Note 8)	2,554	(1,831)	(12,909)	(7,155)	(10,355)	(8,986)
At end of year	10,173	7,619	64,495	59,469	74,668	67,088
Classified as:						
Non-current	-	-	64,495	59,469	64,495	59,469
Current	10,173	7,619	-	-	10,173	7,619
	10,173	7,619	64,495	59,469	74,668	67,088

15. Biological assets (contd.)

	FFB prior to harvest		Planted forest (forestry assets)	
	MT'000	**MT'000**	**M3'000**	**M3'000**
	2020	**2019**	**2020**	**2019**
Group				
Physical quantities:				
At 30 June	53	64	2,639	2,431
Production/sold during the year	1,111	1,096	-	-

Included in planted forest are the following expenses incurred and capitalised during the year:

	Group	
	2020	**2019**
	RM'000	RM'000
Depreciation of property, plant and equipment (Note 13)	1,164	1,234
Interest expense (Note 7)	-	2,028
Employee benefits expense (Note 9)	1,537	1,866

The average interest capitalisation rate used ranged from 3% to 4% (2019: 4%).

The leasehold land on which the planted forest expenditure was incurred is registered in the name of a related party.

(i) Fresh fruit bunches ("FFB") prior to harvest

To arrive at the fair value of FFB prior to harvest, the management considers the oil content of the unripe FFB. It is assumed that the net cash flow generated from FFB exceeding 15 days prior to harvest to be negligible and is accordingly excluded from valuation. The fair value of FFB prior to harvest is computed based on the market approach and takes into consideration the market prices of harvested FFB, adjusted to the estimated oil content of unharvested FFB less harvesting, transport and other costs to sell.

Harvested FFB is transferred to inventories at fair value less costs to sell upon harvest. The change in fair value of FFB in each accounting period is recognised in profit or loss.

The fair value of FFB have been consistently estimated using the same valuation techniques which is considered a Level 3 of the fair value hierarchy measurement.

The following table shows the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used.

Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
	The estimated fair value would increase/(decrease) if:
Estimated FFB prices	- the estimated FFB prices were higher/(lower);
Estimated production volume	- the estimated production volume were higher/(lower); or
Estimated harvest and transportation costs	- the estimated harvest and transportation costs were lower/(higher).

15. Biological assets (contd.)

(ii) Planted forest (forestry assets)

As at the reporting date, the Group has 75,622 hectares ("ha") (2019: 65,006 ha) of estimated plantable area, all of which is located in Malaysia. 42,254 hectares (2019: 39,897 hectares) are under afforestation which forms the basis of the valuation set out above.

Mature forestry assets are those plantations that are harvestable, while immature forestry assets have not yet reached the desired stage of growth. Timber will be harvested according to a rotation plan, once trees reach maturity at 10 years and above.

The following assumptions have a significant impact on the valuation of the Group's forestry assets:

- The net selling price, which is defined as the selling price less the costs of transport, harvesting, extraction and loading ("cost to sell"). The net selling price is based managements estimates and is influenced by the species, maturity profile and location of timber. In 2020, the net selling price and the average cost to sell used were RM250 (2019: RM250) and RM196 (2019: RM196) per cubic metre, respectively.

- The conversion factor is used to convert hectares of land under afforestation to cubic metre of standing timber, which is dependent on the species and the plot planting spacing. In 2020, the conversion factors ranged from 88 to 242 (2019: 89 to 242) cubic metre per hectare.

- The discount rate of 11% (2019: 14.5%) based on a pre-tax yield adjusted for the risks associated with forestry assets.

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant assumptions, holding other assumptions constant, would have affected the valuations by the amounts shown below.

	Group	
	2020	**2019**
	RM'000	RM'000
Discount rate (1% movement)	4,100	3,039
Selling price (1% movement)	2,220	2,857
Cost to sell (1% movement)	1,603	1,696
Conversion factor (1% movement)	156	589

The following table shows the significant unobservable inputs used and the inter-relationship between key unobservable inputs and the fair value measurement.

Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
	The estimated fair value would increase/(decrease) if:
- Estimated logs transfer price	- the estimated logs transfer price were higher/(lower);
- Estimated yields per hectare	- the estimated yields per hectare were higher/(lower);
- Estimated harvest and transportation costs	- the estimated harvest and transportation costs were lower/(higher); or
- Pre-tax risk-adjusted discount rate	- the risk-adjusted discount rates were lower/(higher).

16. Other intangible assets

	Computer software RM'000
Group	
Cost	
At 1 July 2018/2019 and 30 June 2019/2020	5,269
Accumulated amortisation	
At 1 July 2018	4,152
Amortisation for the year (Note 8)	167
At 30 June 2019 and 1 July 2019	4,319
Amortisation for the year (Note 8)	156
At 30 June 2020	4,475
Net carrying amount	
At 30 June 2019	950
At 30 June 2020	794
Company	
Cost	
At 1 July 2018/2019 and 30 June 2019/2020	4,960
Accumulated amortisation	
At 1 July 2018	4,119
Amortisation for the year (Note 8)	137
At 30 June 2019 and 1 July 2019	4,256
Amortisation for the year (Note 8)	127
At 30 June 2020	4,383
Net carrying amount	
At 30 June 2019	704
At 30 June 2020	577

17. Investments in subsidiaries

	Company 2020 RM'000	Company 2019 RM'000
Unquoted shares, at cost	1,868,270	1,868,270
Less: Accumulated impairment losses	(453,175)	(330,092)
	1,415,095	1,538,178

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest 2020 %	Proportion of ownership interest 2019 %
Direct subsidiaries of the Company				
Curiah Sdn. Bhd.	Malaysia	Extraction and sale of logs	88.91	88.91
Eastern Eden Sdn. Bhd.	Malaysia	Development of oil palm plantations and its related activities	100	100
Eastern Timber Ltd.	Federal Territory of Labuan, Malaysia	Dormant	100	100
Erajaya Synergy Sdn. Bhd.	Malaysia	Development of oil palm plantations and its related activities	100	100
Guanaco Sdn. Bhd.	Malaysia	Cultivation and trading of birds' nests	100	100
Hak Jaya Sdn. Bhd.	Malaysia	Marketing of timber logs	100	100
Hariyama Sdn. Bhd.	Malaysia	Development of oil palm plantations, palm oil processing and its related activities	100	100
Jaras Sdn. Bhd.	Malaysia	Dormant	100	100
Jaya Tiasa Aviation Sdn. Bhd.	Malaysia	Provision of air transportation services	100	100
Jaya Tiasa Forest Plantation Sdn. Bhd.	Malaysia	Development and maintenance of planted forests and forest plantation contractor	100	100
Jaya Tiasa R&D Sdn. Bhd.	Malaysia	Production of coconut seedlings	100	100

17. Investments in subsidiaries (contd.)

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest 2020 %	2019 %
Direct subsidiaries of the Company (contd.)				
Jaya Tiasa Plywood Sdn. Bhd.	Malaysia	Manufacturing and sale of sawn timber, blockboard and veneer as well as plywood manufacturing	100	100
Jaya Tiasa Timber Products Sdn. Bhd.	Malaysia	Sale of plywood	100	100
JT Logging Sdn. Bhd.	Malaysia	Dormant	100	100
JT Oil Palm Development Sdn. Bhd.	Malaysia	Palm oil processing and its related activities	100	100
Kunari Timber Sdn. Bhd.	Malaysia	Dormant	100	100
Mantan Sdn. Bhd.	Malaysia	Logging contractor	100	100
Maujaya Sdn. Bhd.	Malaysia	Palm oil processing and its related activities	100	100
Maxiwealth Holdings Sdn. Bhd.	Malaysia	Palm oil processing and its related activities	100	100
Multi Greenview Sdn. Bhd.	Malaysia	Investment holding	100	100
Poh Zhen Sdn. Bhd.	Malaysia	Development of oil palm plantations and its related activities	100	100
Rimbunan Hijau Plywood Sdn. Bhd.	Malaysia	Fabrication and workshop services	100	100
Sericahaya Sdn. Bhd.	Malaysia	Dormant	88.91	88.91
Simalau Plantation Sdn. Bhd.	Malaysia	Development of oil palm plantations and its related activities	100	100
Atlantic Evergreen Holdings	Cayman Islands	Dormant	100	100
Atlantic Timber Holdings Limited	Cayman Islands	Dormant	100	100
Pacific Timber Holdings Limited	Cayman Islands	Dormant	100	100
Subsidiary of Atlantic Evergreen Holdings				
Western Timber Resources Limited	Cayman Islands	Dormant	100	100

17. Investments in subsidiaries (contd.)

(i) Non-controlling interests

None of the subsidiaries with non-controlling interests are material to the Group. Accordingly, the disclosure requirements of MFRS 12, Disclosure of Interests in Other Entities, are not presented.

(ii) Impairment of investment in subsidiaries

The events mentioned in Note 13(e) have led to the Company conducting a review of the recoverable amount of certain of its investment in subsidiaries. The review gave rise to the recognition of an impairment loss on investment in subsidiaries of RM123.1 million (2019: RM215.0 million) as disclosed in Note 8, based on recoverable amounts of RM85.2 million (2019: RM129.1 million). The recoverable amounts of the respective investment in subsidiaries were based on value in use of RM85.2 million (2019: RM25.1 million) and estimated fair value less cost to sell of Nil (2019: RM104.0 million). Discount rates used in computation of VIU of the value in use ranged between 11% and 13% (2019: 11%) and the fair value is categorised under level 3 of the fair value hierarchy.

18. Investment in associate

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	RM'000	RM'000	RM'000
Unquoted shares, at cost	2,000	2,000	2,000	2,000
Redeemable non-cumulative preference shares, at cost	2,400	2,400	2,400	2,400
	4,400	4,400	4,400	4,400
Less: Accumulated impairment losses	(2,400)	(2,400)	(4,400)	(4,400)
	2,000	2,000	-	-
Share of post-acquisition losses	(2,000)	(2,000)	-	-
	-	-	-	-

Details of the associate are as follows:

Name of associate	Country of incorporation	Principal activities	Proportion of ownership interest As at 2020 %	Proportion of ownership interest As at 2019 %
Mafrica Trading Sdn. Bhd.*	Malaysia	Dormant	40	40

* Audited by a firm of auditors other than Ernst & Young PLT

The associate is not material to the Group. Accordingly, the disclosure requirements of MFRS 12, Disclosure of Interests in Other Entities, are not presented.

19. Deferred tax assets/(liabilities)

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	RM'000	RM'000	RM'000
At July 2019/2018	(78,468)	(11,659)	(6,947)	(12,664)
Recognised in statements of profit or loss and other comprehensive income (Note 11)	65,812	(66,809)	6,947	5,717
At 30 June 2020/2019	(12,656)	(78,468)	-	(6,947)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority. The net deferred tax assets and liabilities shown on the statement of financial position after appropriate offsetting are as follows:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	19,109	-	-	-
Deferred tax liabilities	(31,765)	(78,468)	-	(6,947)
	(12,656)	(78,468)	-	(6,947)

Deferred tax assets and liabilities prior to offsetting are summarised as follows:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	342,478	299,105	-	-
Deferred tax liabilities	(355,134)	(377,573)	-	(6,947)
	(12,656)	(78,468)	-	(6,947)

19. Deferred tax assets/(liabilities) (contd.)

The components and movements in deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

	As at 1 July 2018 RM'000	Recognised in profit or loss (Note 11) RM'000	As at 30 June 2019 RM'000	Recognised in profit or loss (Note 11) RM'000	As at 30 June 2020 RM'000
Group					
Deferred tax liabilities:					
Property, plant and equipment	(378,530)	13,836	(364,694)	23,018	(341,676)
Biological assets	(9,876)	(2,963)	(12,839)	(617)	(13,456)
Derivative asset	-	(38)	(38)	38	-
Intangible assets	(2)	-	(2)	-	(2)
	(388,408)	10,835	(377,573)	22,439	(355,134)
Deferred tax assets:					
Unused tax losses and unabsorbed capital allowances	368,232	(76,469)	291,763	43,499	335,262
Property, plant and equipment	8,517	(1,175)	7,342	(126)	7,216
	376,749	(77,644)	299,105	43,373	342,478
Company					
Deferred tax liabilities:					
Property, plant and equipment	(12,664)	5,717	(6,947)	6,947	-

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

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Unutilised tax losses	193,226	401,339	21,988	-
Unabsorbed capital allowances	106,874	58,909	48,954	-
Unutilised export sales incentives	39,026	40,759	-	-
Other deductible temporary differences	23,927	3,056	-	-
	363,053	504,063	70,942	-
Deferred tax asset @ 24%, if recognised	87,133	120,975	17,026	-

At the reporting date, the deferred tax assets as shown above are available for offset against future taxable profits of the Group and of the Company, for which no deferred tax asset is recognised due to uncertainty of their recoverability and they may not be used to offset taxable profits elsewhere in the Group.

20. Inventories

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	RM'000	RM'000	RM'000
At cost				
Crude palm oil	10,726	8,600	-	-
Fresh fruit bunches	495	1,005	-	-
General stores	27,277	30,303	1,403	1,249
Logs	13,229	29,576	10,396	21,064
Palm kernel	942	-	-	-
Plywood	253	1,521	-	-
Raw nests	37	18	-	-
Sawn timber	8	98	-	-
Veneer	2,442	-	-	-
Work-in-progress	2,670	4,254	-	-
	58,079	75,375	11,799	22,313
At net realisable value				
Crude palm oil	-	2,462	-	-
Palm kernel	366	1,231	-	-
Plywood	3,712	13,310	-	-
Sawn timber	923	-	-	-
Veneer	-	9,274	-	-
	5,001	26,277	-	-
	63,080	101,652	11,799	22,313

During the financial year, inventories recognised as an expense in cost of sales of the Group and of the Company were RM331,980,000 (2019: RM480,834,000) and RM37,985,000 (2019: RM50,236,000) respectively.

21. Trade and other receivables

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	RM'000	RM'000	RM'000
Trade receivables				
Third parties	14,700	12,756	2,468	2,787
Related parties	11,461	8,458	-	-
Amount due from subsidiaries	-	-	17,071	1,239
	26,161	21,214	19,539	4,026

21. Trade and other receivables (contd.)

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Other receivables				
Sundry receivables	10,821	19,058	4,014	9,026
Related parties	-	58	-	-
Amount due from subsidiaries	-	-	348,480	389,437
Amount due from associate	2,600	2,600	2,600	2,600
	13,421	21,716	355,094	401,063
Less: Allowance for expected credit losses				
Sundry receivables	(1,811)	(1,374)	(78)	(104)
Amount due from associate	(2,600)	(2,600)	(2,600)	(2,600)
Amount due from subsidiaries	-	-	(60,598)	(60,165)
	(4,411)	(3,974)	(63,276)	(62,869)
Other receivables, net	9,010	17,742	291,818	338,194
Refundable deposits	1,191	1,020	80	80
	10,201	18,762	291,898	338,274
Total trade and other receivables	36,362	39,976	311,437	342,300

(a) Trade receivables

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of 30 days (2019: 30 days). Other credit terms are assessed and approved on a case-by-case basis. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest bearing. There was significant concentration of credit risk of the Group with two individual customers.

21. Trade and other receivables (contd.)

(a) Trade receivables (contd.)

Ageing analysis of trade receivables

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

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	RM'000	RM'000	RM'000
Neither past due nor impaired	24,220	15,682	8,887	3,278
1 to 30 days past due not impaired	1,107	4,735	2,557	637
31 to 60 days past due not impaired	560	57	3,767	38
61 to 90 days past due not impaired	58	141	9	73
91 to 120 days past due not impaired	60	147	1,388	-
more than 121 days past due not impaired	156	452	2,931	-
	1,941	5,532	10,652	748
Impaired	-	-	-	-
	26,161	21,214	19,539	4,026

Receivables that are neither past due nor impaired

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

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

Receivables that are past due but not impaired

The Group and the Company have trade receivables amounting to RM1,941,000 (2019: RM5,532,000) and RM10,652,000 (2019: RM748,000), respectively, that are past due at the reporting date but not impaired.

21. Trade and other receivables (contd.)

(b) Amounts due from subsidiaries

The amounts due from subsidiaries bore interest at the rate ranging from 3% to 4% (2019: 4%) per annum during the financial year.

(c) Amount due from associate

The amount due from associate is unsecured, non-interest bearing and is repayable on demand.

(d) Other receivables

Other receivables that are impaired

Movement in allowance accounts:

	Group		Company	
	RM'000	RM'000	RM'000	RM'000
At 1 July 2019/2018	3,974	3,870	62,869	65,643
Expected credit losses	541	104	511	-
Reversal of expected credit losses (Note 6)	(104)	-	(104)	(2,774)
At 30 June 2020/2019	4,411	3,974	63,276	62,869

22. Other current assets

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	RM'000	RM'000	RM'000
Prepayments	1,573	2,883	362	425
Tax recoverable	8,590	14,374	2,732	2,942
	10,163	17,257	3,094	3,367

23. Investment securities

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	RM'000	RM'000	RM'000
Non-current				
Financial assets through other comprehensive income without re-cycling				
Equity instruments (quoted in Malaysia)	38,500	26,600	-	-

24. Derivatives

	2020			2019		
	Contract/ notional amount	Fair value through profit or loss		Contract/ notional amount	Fair value through profit or loss	
		assets	liabilities		assets	liabilities
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
Non-hedging derivatives:						
Forward currency contracts	-	-	-	10,648	316	-

The Group uses forward currency contracts to manage some of the transaction exposure. These contracts are not designated as cash flow nor fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.

The forward currency contracts were used to hedge the Group's sales denominated in USD for which firm commitments existed at the previous reporting date. During the financial year, the Group recognised a loss of RM316,000 arising from fair value changes of derivatives asset. The fair value changes are attributable to changes in foreign exchange and forward rates.

25. Cash and bank balances

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Cash at banks and on hand	13,276	9,192	3,403	2,021

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

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Cash at banks and on hand	13,276	9,192	3,403	2,021
Bank overdrafts (Note 26)	(123,267)	(140,694)	(27,748)	(21,048)
Cash and cash equivalents	(109,991)	(131,502)	(24,345)	(19,027)

26. Loans and borrowings

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Current				
Secured:				
Lease liabilities	7,326	-	5,105	-
Finance leases	-	11,012	-	4,711
	7,326	11,012	5,105	4,711
Unsecured:				
Bank overdrafts (Note 25)	123,267	140,694	27,748	21,048
Bankers' acceptances	43,000	55,369	-	-
Revolving credits	339,500	392,500	40,000	40,000
Term loans	58,225	62,076	-	-
USD denominated revolving credit	-	10,350	-	10,350
	563,992	660,989	67,748	71,398
	571,318	672,001	72,853	76,109

26. Loans and borrowings (contd.)

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	RM'000	RM'000	RM'000
Non-current				
Secured:				
Lease liabilities	9,267	-	5,081	-
Finance leases	-	10,551	-	8,631
	9,267	10,551	5,081	8,631
Unsecured:				
Term loans	221,575	273,600	-	-
	230,842	284,151	5,081	8,631
Total loans and borrowings	802,160	956,152	77,934	84,740

The interest rates of the Group and of the Company are as follows:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	%	%	%	%
Bank overdrafts	4.65 - 7.20	7.20 - 7.95	6.20 - 6.95	7.20 - 7.95
Bankers' acceptances	2.75 - 5.13	3.78 - 4.90	-	-
Revolving credit	3.55 - 5.75	3.90 - 6.00	3.55 - 4.76	3.90 - 4.99
Term loans	3.93 - 5.41	4.97 - 6.00	-	-
Finance leases	-	5.50	-	5.45
Lease liabilities	5.50 - 6.00	-	5.50 - 6.00	-

(a) Revolving credits

During the financial year, one of the covenants relating to a revolving credit facility with a carrying amount of RM196.0 million was not complied with by a subsidiary. On 25 August 2020, the Group obtained indulgence from the banker to vary the compliance conditions. As the indulgence was received subsequent to the financial year end, the non-current portion amounting to RM154.0 million has been presented as current liabilities in the financial statements as the Group did not have an unconditional right to defer settlement of the outstanding amount as at 30 June 2020.

(b) Other borrowings

Certain unsecured borrowings of the Group and of the Company amounting to RM88.4 million (2019: RM115.9 million) and RM49.7 million (2019: RM59.6 million), respectively are covered by a negative pledge over the assets of the Company and respective subsidiaries.

Unsecured borrowings of the Group amounting to RM707.7 million (2019: RM847.6 million) are covered corporate guarantees provided by the Company.

26. Loans and borrowings (contd.)

(c) Lease liabilities

The movement of lease liabilities during the financial year is as follows:

	Group RM'000	Company RM'000
At 1 July 2019	21,563	13,342
Effect of adoption of MFRS 16 (Note 2.2)	6,783	1,722
Accretion of interest charged (Note 7)	1,268	719
Payment of:		
- principal	(11,753)	(4,878)
- interest	(1,268)	(719)
At 30 June 2020	16,593	10,186
Analysed as follows:		
Current	7,326	5,105
Non-current	9,267	5,081
	16,593	10,186

The expenses relating to payments not included in the measurement of the lease liabilities are as follows:

	Group RM'000	Company RM'000
Depreciation of right-of-use assets	4,564	1,306
Interest expense on finance leases	1,268	719
Expenses relating to short-term leases	73	330
Impairment	380	-

The Group and the Company had total cash outflows for leases amounted to RM13,094,000 and RM5,927,000, respectively in 2020.

There were no leases with residual value guarantee or leases not yet commenced to which the Group and the Company are committed.

The operating lease commitments as at 30 June 2019 is reconciled to arrive at the lease liabilities as at 1 July 2019 as follows:

	Group RM'000	Company RM'000
Operating lease commitments disclosed as at 30 June 2019	10,573	2,848
Add: Finance lease commitments disclosed as at 30 June 2019	22,907	14,376
Less: Short-term leases and low-value leases recognised as expense	(73)	(330)
	33,407	16,894
Weighted average incremental borrowing rate as at 1 July 2019	5.50% to 6%	5.50% to 6%
Discounted using the lessee's incremental borrowing rate at the date of initial application	(5,061)	(1,830)
Lease liabilities recognised as at 1 July 2019	28,346	15,064

Other information on financial risks of loans and borrowings are disclosed in Note 33.

26. Loans and borrowings (contd.)

Change in liabilities arising from financing activities

	Group		Company	
	RM'000	RM'000	RM'000	RM'000
At 1 July 2019/2018	956,152	966,029	84,740	80,821
Addition to finance leases (Note 13(f))	-	16,101	-	14,576
Effect of adoption of MFRS 16 (Note 2.2)	6,783	-	1,722	-
Repayment of finance leases	-	(13,384)	-	(1,556)
Repayment of lease liabilities	(11,753)	-	(4,878)	-
Repayment of term loan	(55,876)	(62,543)	-	(12,000)
Repayment of revolving credit	(63,350)	(30,507)	(10,350)	(1,506)
(Repayment)/drawdown of banker acceptance	(12,369)	41,684	-	-
(Reduction)/addition in bank overdraft	(17,427)	39,047	6,700	4,681
Others	-	(275)	-	(276)
At 30 June 2020/2019	802,160	956,152	77,934	84,740

27. Trade and other payables

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	RM'000	RM'000	RM'000
Current				
Trade payables				
Third parties	134,201	137,174	30,094	12,451
Related parties	22,899	15,432	2,356	2,295
Amount due to subsidiaries	-	-	880	15,781
	157,100	152,606	33,330	30,527
Other payables				
Accruals	9,318	25,138	660	14,446
Deposit received	45	70	45	70
Sundry payables	20,723	22,816	3,725	3,849
Related parties	1,027	786	127	142
Amounts due to subsidiaries	-	-	189,347	8,977
	31,113	48,810	193,904	27,484
	188,213	201,416	227,234	58,011

27. Trade and other payables (contd.)

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	RM'000	RM'000	RM'000
Non-current				
Other payables				
Amount due to subsidiaries	-	-	-	177,576
Total trade and other payables	188,213	201,416	227,234	235,587

(a) Trade payables

Trade payables are generally non-interest bearing and the normal trade credit terms granted to the Group and the Company range from 30 to 180 days (2019: 30 to 180 days).

(b) Amounts due to subsidiaries (current)

The amounts due to subsidiaries under other payables bore interest at the rate ranging from 3% to 4% (2019: 4%) per annum during the financial year. These amount are repayable on demand.

(c) Amounts due to subsidiaries (non-current)

The amounts due to subsidiaries under other payables bore interest at the rate ranging from 3% to 4% (2019:4%) per annum during the financial year.

28. Share capital and treasury shares

	Group and Company			
	Number of Ordinary Shares		← Amount →	
	Share capital (Issued and fully paid)	**Treasury shares**	**Share capital (Issued and fully paid)**	**Treasury shares**
	'000	'000	RM'000	RM'000
At 1 July 2019 and 30 June 2020	973,718	(5,727)	977,402	(13,687)
At 1 July 2018 and 30 June 2019	973,718	(5,727)	977,402	(13,687)

28. Share capital and treasury shares (contd.)

Treasury shares

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount consists of the acquisition costs of treasury shares net of the proceeds received on their subsequent sale or issuance.

Of the total 973,717,797 (2019: 973,717,797) issued and fully paid ordinary shares as at 30 June 2020, 5,727,000 (2019: 5,727,000) are held as treasury shares by the Company. As at 30 June 2020, the number of outstanding ordinary shares in issue after the set-off is therefore 967,990,797 (2019: 967,990,797) ordinary shares.

The directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders. The repurchase transactions were financed by internally generated funds. The shares repurchased are held as treasury shares in accordance with Section 127 of the Companies Act 2016.

29. Other reserves

	Fair value adjustment reserve RM'000	Foreign currency translation reserve RM'000	Total RM'000
Group			
At 1 July 2018	(30,100)	-	(30,100)
Other comprehensive income:			
Fair value changes for fair value through other comprehensive income financial assets	(13,300)	1	(13,299)
At 30 June 2019	(43,400)	1	(43,399)
Other comprehensive income:			
Fair value changes for fair value through other comprehensive income financial assets	11,900	(6)	11,894
At 30 June 2020	(31,500)	(5)	(31,505)

(a) Fair value adjustment reserve

Fair value adjustment reserve represents the cumulative fair value changes of fair value through other comprehensive income financial assets until they are disposed.

(b) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations.

30. Commitments

Capital commitments as at the reporting date are as follows:

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Capital expenditure				
Approved and contracted for:				
Property, plant and equipment	11,770	9,972	-	-

31. Related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following transaction between the Group and the Company with the related parties took place at terms agreed between parties during the financial year:

(a) Sales and purchases of goods and services

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Sale of timber products to:				
- Subsidiaries	-	-	45,433	55,632
- Rimbunan Hijau General Trading Sdn. Bhd. (ii)	1	18	-	-
- Oriental Evermore Group (vi)	122	-	-	-
Sale of crude palm oil to:				
- Borneo Edible Oils Sdn. Bhd. (iv)	342,448	378,997	-	-
Sale of spare parts, fuel and lubricants, chemicals and servicing of machineries:				
- Oriental Evermore Group (vi)	282	-	-	-
Contract income received from:				
- Tapak Megah Sdn. Bhd. (v)	235	1,222	235	1,222
Contract fees paid to subsidiaries	-	-	1,434	1,596
Hiring charges paid to subsidiaries	-	-	300	300
Towage and freight charges paid to:				
- Subur Group (i)	116	172	-	-
- Oriental Evermore Group (vi)	4,765	5,021	804	1,711
Purchase of timber products from:				
- Subsidiaries	-	36,422	45,690	
- Binamewah Sdn. Bhd. (vii)	621	3,214	621	3,214
Purchase of raw materials from				
-Petanak Enterprises Sdn. Bhd. (viii)	5,209	9,785	-	-

31. Related party transactions (contd.)

In addition to the related party information disclosed elsewhere in the financial statements, the following transaction between the Group and the Company with the related parties took place at terms agreed between parties during the financial year: (contd.)

(a) Sales and purchases of goods and services (contd.)

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Purchase of spare parts, fuel and lubricants, chemicals and servicing of machineries:				
- Rimbunan Hijau General Trading Sdn. Bhd. (ii)	4,231	5,244	153	278
- Oriental Evermore Group (vi)	22	48	-	-
- Perindustrian Jaya Tiasa Sdn. Bhd. (xvi)	51	-	44	-
- Kejuruteraan Utama Sentiasa Sdn. Bhd. (ix)	-	1,518	-	1,518
- Palm Biolab Sdn. Bhd. (iii)	39	-	-	-
Purchase of air tickets from:				
- R.H.Tours and Travel Agency Sdn. Bhd. (xvii)	15	-	15	-
Log pond/office/warehouse rental paid to subsidiaries	-	-	-	96
Hotel accommodation and purchase of food and beverages paid to Regalia Ritz Enterprise Sdn. Bhd. (x)	48	14	45	117
Land rental paid to:				
- Rejang Heights Sdn. Bhd. (xi)	2,217	1,966	-	-
- R.H. Forest Corporation Sdn. Bhd. (xii)	3,796	3,622	-	-
- Wealth Houses Development Sdn. Bhd. (xiii)	500	556	-	-
Purchase of motor vehicles and spare parts from:				
- Rimbunan Hijau Auto Services Sdn. Bhd. (xiv)	-	1,546	-	1,302
Technical and advisory fee paid to:				
- RH Development (Sarawak) Sdn. Bhd. (xv)	-	364	-	-
- Palm Biolab Sdn. Bhd. (iii)	7	-	-	-
Construction fee paid to:				
- Oriental Evermore Group (vi)	664	5,365	-	-
Interest income received from subsidiaries	-	-	13,784	15,012
Interest expense paid to subsidiaries	-	-	7,617	6,659
Commission paid to subsidiaries	-	-	304	90
Purchase of plywood from subsidiaries	-	-	-	32
Fabrication and repair expense paid to subsidiaries	-	-	53	8
Road maintenance fees received from subsidiaries	-	-	3,000	3,000

31. Related party transactions (contd.)

(a) Sales and purchases of goods and services (contd.)

Details of the relationships of related parties, which have transacted with the Group and the Company are as follows:

(i) Subur Group

Subur Group includes Subur Tiasa Holdings Bhd. ("STHB") and its wholly-owned subsidiaries, Subur Tiasa Plywood Sdn. Bhd. and Trimogreen Sdn. Bhd..

The following major shareholder of the Company has substantial interests in STHB:

- Tan Sri Datuk Sir Diong Hiew King @ Tiong Hiew King ("Tan Sri THK") - direct interest 0.59% and indirect interest 37.84%.

Dato' Tiong Ing, daughter of Tan Sri THK, is the Managing Director of STHB.

(ii) Rimbunan Hijau General Trading Sdn. Bhd. ("RHGT")

The following major shareholder of the Company has substantial interests in RHGT:

- Tan Sri THK (a director of RHGT) - direct interest 2.5% and indirect interest 73%.

Dato' Sri Tiong Chiong Hoo ("Dato' Sri TCHoo"), a director of the Company, is also a director of RHGT. He holds indirect interest of 0.74% in RHGT.

Datuk Tiong Thai King ("Datuk TTK") a director of certain subsidiaries, is also a director of RHGT. He holds indirect interest of 2.46% in RHGT.

(iii) Palm Biolab Sdn. Bhd. ("PBSB")

Tiong Chiong Hee ("TCHee"), a director of the Company, holds indirect interest of 100% in PBSB.

Datuk TTK, a director of certain subsidiaries, holds indirect interest of 100% in PBSB.

TCHee and Datuk TTK are also directors of PBSB.

(iv) Borneo Edible Oils Sdn. Bhd. ("BEO")

Tan Sri THK, a major shareholder of the Company, is also a director of BEO. He holds indirect interest of 90% in BEO.

TCHee, a director of the Company, holds indirect interest of 10% in BEO.

Dato' Sri TCHoo, a director of the Company, is also a director of BEO.

Datuk TTK, a director of certain subsidiaries, is also a director of BEO and holds indirect interest of 10% in BEO.

(v) Tapak Megah Sdn. Bhd. ("TMSB")

Tan Sri THK, a major shareholder of the Company, has direct interest of 6% and indirect interest of 56% in TMSB.

Datuk TTK, a director of certain subsidiaries is also a director of TMSB and holds direct interest of 7% in TMSB.

Dato' Sri Dr. Tiong Ik King ("Dato' Sri Dr. TIK"), a director of the Company, holds direct interest of 7% in TMSB.

31. Related party transactions (contd.)

(a) Sales and purchases of goods and services (contd.)

Details of the relationships of related parties, which have transacted with the Group and the Company are as follows: (contd.)

(vi) Oriental Evermore Group

Oriental Evermore Group includes Oriental Evermore Sdn. Bhd. ("OESB") and its wholly-owned subsidiaries namely, Empayar Semarak Sdn. Bhd., Globular Sdn. Bhd., Trans-Allied Sdn. Bhd. and Moverstar (M) Sdn. Bhd..

Dato' Sri TCHoo, a director of the Company, holds indirect interest of 68.05% in OESB.

Clara Tiong Siew Ee, daughter of a director of the Company, Dato' Sri TCHoo, is a director of Oriental Evermore Group. She holds direct interest of 1.95% and indirect interest of 68.05% in OESB.

(vii) Binamewah Sdn. Bhd. ("BSB")

Dato' Sri Dr. TIK, a director of the Company, holds direct interest of 7% in BSB.

Datuk TTK, a director of certain subsidiaries, is also a director of BSB and has indirect interest of 7%.

A major shareholder of the Company, Tan Sri THK, holds direct interest of 6% and indirect interest of 56% in BSB.

(viii) Petanak Enterprises Sdn. Bhd. ("PESB")

Tan Sri THK, a major shareholder of the Company, hold indirect interests of 51% in PESB.

(ix) Kejuruteraan Utama Sentiasa Sdn. Bhd. ("KUSB")

Tan Sri THK a major shareholder of the Company holds indirect interest of 100% in KUSB.

Dato' Sri TCHoo (a director of the Company) and Datuk TTK (a director of certain subsidiaries) are also directors of KUSB.

(x) Regalia Ritz Enterprise Sdn. Bhd. ("RRE")

Tan Sri THK, a major shareholder of the Company, is a director of RRE and has indirect interest of 100% in RRE.

Tiong Choon ("TC"), a director of the Company is also a director of RRE.

Datuk TTK, a director of certain subsidiaries, is also a director of RRE.

(xi) Rejang Heights Sdn. Bhd. ("RHSB")

A major shareholder of the Company, Tan Sri THK, is a director of RHSB. He has direct interest of 1% and indirect interest of 99% in RHSB.

TC, a director of the Company, is also a director of RHSB.

Dato' Sri TCHoo, a director of the Company, is the Chief Executive of RHSB.

31. Related party transactions (contd.)

(a) Sales and purchases of goods and services (contd.)

Details of the relationships of related parties, which have transacted with the Group and the Company are as follows: (contd.)

(xii) R.H. Forest Corporation Sdn. Bhd. ("RHFC")

A major shareholder of the Company, Tan Sri THK, is also a director of RHFC. He has direct interests of 0.5% and indirect interest of 99.5% in RHFC.

TC, a director of the Company, is also a director of RHFC.

Dato' Sri TCHoo, a director of the Company, is the Chief Executive of RHFC.

(xiii) Wealth Houses Development Sdn. Bhd. ("WHD")

Tan Sri THK, a major shareholder of the Company, a director of WHD, holds indirect interest of 85% in WHD.

Dato' Sri TCHoo, a director of the Company, is the Chief Executive of WHD.

Datuk TTK, a director of certain subsidiaries, is also a director of WHD.

(xiv) Rimbunan Hijau Auto Services Sdn. Bhd. ("RHAS")

Tan Sri THK, a major shareholder of the Company, holds indirect interest of 50% in RHAS.

Dato' Sri Dr. TIK, a director of the Company, holds direct interest of 10% in RHAS.

TCHee, a director of the Company, holds indirect interest of 30% in RHAS.

Datuk TTK, a director of certain subsidiaries, is also a director of RHAS and holds indirect interest of 30% in RHAS.

(xv) RH Development (Sarawak) Sdn. Bhd. ("RHDS")

Tan Sri THK, a major shareholder of the Company, is also a director of RHDS and holds indirect interest of 100%.

(xvi) Perindustrian Jaya Tiasa Sdn. Bhd, ("PJT")

Tan Sri THK, a major shareholder of the Company, is also a director of PJT. He has direct interests of 1% and indirect interest of 91.6% in PJT.

Datuk TTK, a director of certain subsidiaries, is also a director of PJT. He holds indirect interest of 1% in PJT.

(xvii) R.H. Tours and Travel Agency Sdn. Bhd. ("RHTT")

Tan Sri THK, a major shareholder of the Company, is a director of RHTT and has direct interest of 1.83% and indirect interest of 79% in RHTT.

Datuk TTK, a director of certain subsidiaries, is also a director of RHTT and holds direct interest of 1.83% in RHTT.

TC, a director of the Company, is also a director of RHTT.

Information regarding outstanding balances arising from related party transactions as at 30 June 2020 are disclosed in Note 21 and 27.

31. Related party transactions (contd.)

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	RM'000	RM'000	RM'000
Short-term employee benefits	3,954	4,648	3,127	3,618
Post-employment benefits:				
Defined contribution plan	272	411	240	355
	4,226	5,059	3,367	3,973
Included in total key management personnel are:				
Directors' remunerations (Note 10)	2,580	3,140	2,532	3,092

32. Financial instruments and fair value

(a) Determination of fair value

For financial instruments measured at fair value, where available, quoted and observable market prices in an active market or dealer price quotations are used to measure fair value. These include listed equity securities and broker quotes on Bloomberg and Reuters.

Where such quoted and observable market prices are not available, fair values are determined using appropriate valuation techniques, which include the use of mathematical models, such as discounted cash flow models and option pricing models, comparison to similar instruments for which market observable prices exist and other valuation techniques. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, that would have been determined by market participants acting at arm's length. Valuation techniques used incorporate assumptions regarding discount rates, interest/profit rate yield curves, estimates of future cash flows and other factors, as applicable. Changes in these assumptions could materially affect the fair values derived.

The Group and the Company generally use widely recognised valuation techniques with market observable inputs, if available, for the determination of fair value, which require minimal management judgement and estimation, due to the low complexity of the financial instruments held.

MFRS 13 Fair Value Measurement requires each class of assets and liabilities measured at fair value in the statements of financial position after initial recognition to be categorised according to a hierarchy that reflects the significance of inputs used in making the measurements, in particular, whether the inputs used are observable or unobservable. The following levels of hierarchy are used for determining and disclosing the fair value of those financial instruments and non-financial assets:

Level 1 - Quoted market prices: quoted prices (unadjusted) in active market for identical instruments;

Level 2 - Fair values based on observable inputs: inputs other than quoted prices included within Level 1 that are observable for the instrument, whether directly (i.e. prices) or indirectly (i.e. derived from prices), are used; and

Level 3 - Fair values derived using unobservable inputs: inputs used are not based on observable market data and the unobservable inputs may have a significant impact on the valuation of the financial instruments and non-financial assets.

32. Financial instruments and fair value (contd.)

(b) Financial instruments measured at fair value

The following tables provide an analysis of financial instruments and non-financial assets carried at fair values at the reporting date analysed by the various levels within the fair value hierarchy:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group				
2020				
Financial assets measured at fair value				
Investment securities				
- Equity investments quoted in Malaysia	38,500	-	-	38,500
Biological assets	-	-	74,668	74,668
2019				
Financial assets measured at fair value				
Investment securities				
- Equity investments quoted in Malaysia	26,600	-	-	26,600
Derivatives				
- Forward currency contracts	-	316	-	316
Biological assets	-	-	67,088	67,088

The fair value of Level 1 financial instruments above is based on available quoted market prices.

The Level 3 fair value of the biological assets in Note 15 is estimated by the directors based on valuation techniques and calculated on the basis of future expected net cash flows.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer. There were no transfers between the fair value hierarchy levels during the financial year.

(c) Financial instruments not measured at fair value

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

	Note
Trade and other receivables	21
Loan and borrowings	26
Trade and other payables	27

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature, subject to normal trade terms or they are already discounted at appropriate discount rates.

32. Financial instruments and fair value (contd.)

(d) Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

Group	Carrying amount RM'000	Amortised cost RM'000	Financial assets At FVTPL RM'000	At FVTOCI RM'000
2020				
Trade and other receivables	36,362	36,362	-	-
Cash and bank balances	13,276	13,276	-	-
Investment securities	38,500	-	-	38,500
	88,138	49,638	-	38,500
2019				
Derivative assets	316	-	316	-
Trade and other receivables	39,976	39,976	-	-
Cash and bank balances	9,192	9,192	-	-
Investment securities	26,600	-	-	26,600
	76,084	49,168	316	26,600

Group	Carrying amount RM'000	Amortised cost RM'000	Financial liabilities At FVTPL RM'000	At FVTOCI RM'000
2020				
Trade and other payables	188,213	188,213	-	-
Loans and borrowings	802,160	802,160	-	-
	990,373	990,373	-	-
2019				
Trade and other payables	201,416	201,416	-	-
Loans and borrowings	956,152	956,152	-	-
	1,157,568	1,157,568	-	-

32. Financial instruments and fair value (contd.)

(d) Categories of financial instruments (contd.)

The table below provides an analysis of financial instruments categorised as follows: (contd.)

Company	2020 Carrying amount RM'000	2020 Amortised cost RM'000	2019 Carrying amount RM'000	2019 Amortised cost RM'000
Financial assets				
Trade and other receivables	311,437	311,437	342,300	342,300
Cash and bank balances	3,403	3,403	2,021	2,021
	314,840	314,840	344,321	344,321
Financial liabilities				
Trade and other payables	227,234	227,234	235,587	235,587
Loans and borrowings	77,934	77,934	84,740	84,740
	305,168	305,168	320,327	320,327

33. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The Group's and the Company's overall risk management strategy seeks to minimise potential adverse effects of financial performance of the Group and of the Company. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk, market price risk and equity price risk.

Financial risk management policies are reviewed and approved by the Board of Directors and executed by the management of the respective operating units. The Group Risk Management Committee provides independent oversight to the effectiveness of the risk management process.

Control and monitoring procedures include, amongst others, setting of trading limits and the manner and timing of management reporting. Such derivative trading is also under the close supervision of an executive director. These control procedures are periodically reviewed and enhanced where necessary in response to changes in market conditions. The Group and the Company do not apply hedge accounting.

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

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. At the reporting date, the Group's exposure to credit risk arises primarily from trade and other receivables.

The Group manages its credit risk by trading only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

Impairment reviews are performed regularly and at the reporting date using the simplified approach. Generally, trade receivables are provided for expected credit loss when past due for more than 180 days.

33. Financial risk management objectives and policies (contd.)

(a) Credit risk (contd.)

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

(i) the carrying amount of each class of financial assets recognised in the statements of financial position; and

(ii) a nominal amount of RM1,140,600,000 (2019: RM1,241,815,000) and RM8,714,550 (2019: RM10,462,300) relating to corporate guarantees provided by the Company to banks and financial institutions for the subsidiaries' loans and borrowings and suppliers of the subsidiaries, respectively.

Credit risk concentration profile

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

	Group			
	2020		2019	
	RM'000	% of total	RM'000	% of total
By country:				
China	913	4	256	1
India	1,919	8	3,517	17
Korea	195	-	356	2
Malaysia	20,946	80	15,858	75
Middle East	6	-	-	-
Japan	-	-	62	-
Taiwan	2,182	8	1,165	5
	26,161	100	21,214	100

	Company			
	2020		2019	
	RM'000	% of total	RM'000	% of total
By country:				
Malaysia	19,539	100	4,026	100

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will not be able to meet their financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group adopts a prudent approach to managing its liquidity risk.

33. Financial risk management objectives and policies (contd.)

(b) Liquidity risk (contd.)

Analysis of financial instruments by remaining contractual maturities

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

		Cash Flows			
	Carrying amount RM'000	**On demand or within one year** RM'000	**One to five years** RM'000	**Over five years** RM'000	**Total** RM'000
As at 30 June 2020					
Group					
Financial liabilities:					
Trade and other payables	188,213	188,213	-	-	188,213
Loans and borrowings	802,160	604,917	231,595	18,332	854,844
	990,373	793,130	231,595	18,332	1,043,057
Company					
Financial liabilities:					
Trade and other payables	227,234	227,234	-	-	227,234
Loans and borrowings	77,934	75,058	3,775	-	78,833
Financial guarantee contracts*	1,149,315	1,149,315	-	-	1,149,315
	1,454,483	1,451,607	3,775	-	1,455,382

33. Financial risk management objectives and policies (contd.)

(b) Liquidity risk (contd.)

Analysis of financial instruments by remaining contractual maturities (contd.)

		Cash Flows			
	Carrying amount RM'000	**On demand or within one year** RM'000	**One to five years** RM'000	**Over five years** RM'000	**Total** RM'000
As at 30 June 2019					
Group					
Financial liabilities:					
Trade and other payables	201,416	201,416	-	-	201,416
Loans and borrowings	956,152	730,438	282,176	36,688	1,049,302
	1,157,568	931,854	282,176	36,688	1,250,718
Company					
Financial liabilities:					
Trade and other payables	235,587	58,369	184,679	-	243,048
Loans and borrowings	84,740	78,749	9,052	-	87,801
Financial guarantee contracts*	1,252,277	1,252,277	-	-	1,252,277
	1,572,604	1,389,395	193,731	-	1,583,126

* Based on the maximum amount that can be called under the financial guarantee contracts.

(c) Interest rate risk

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

As the Group has no significant interest-bearing financial assets, the Group's and the Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company's interest-bearing financial assets are those balances with its subsidiaries.

The Group's and the Company's interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group and the Company to cash flow interest rate risk. Interest on financial instruments at fixed rates are fixed until the maturity of the instruments.

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

Sensitivity analysis for interest rate risk

At the reporting date, it is estimated that a 20 basis points increase in interest rate, with all other variables held constant, would decrease the Group's and the Company's loss net of tax by approximately RM904,853 (2019: RM1,709,929) and RM94,417 (2019: RM145,344) respectively, arising mainly as a result of higher interest expense on net floating borrowing position. A decrease in interest rate would have had the equal but opposite effect on the aforesaid amount, on the basis that all other variables remain constant.

33. Financial risk management objectives and policies (contd.)

(d) Foreign currency risk

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

The Group and the Company have exposure to foreign exchange risk as a result of transactions denominated in foreign currencies, arising from normal trading activities. It is the Group's policy to hedge these risks where the exposures are certain and cost-efficient.

The currency giving rise to this risk is primarily United States Dollars (USD). Exposure to foreign currency risk is monitored on an on-going basis to ensure that the exposure is at an acceptable level.

The Group and the Company use forward currency contracts to minimise the currency exposures arising from sales and purchases after a firm commitment has been entered. It is the Group's policy not to enter into forward contracts until firm commitment is in place.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's and the Company's loss net of tax to a reasonably possible strengthening/weakening of the United States Dollars ("USD") exchange rates against the functional currency of the Group and of the Company, with all other variables held constant.

	Group Loss net of tax		Company Loss net of tax	
	2020	**2019**	**2020**	**2019**
	RM'000	RM'000	RM'000	RM'000
USD - Strengthen 5% (2019: 5%)	318	738	-	388
USD - Weaken 5% (2019: 5%)	(318)	(738)	-	(388)

(e) Market price risk

The Group is exposed to market price risk from its operations. The market price of logs, wood processing products, plantation produce, crude palm oil and palm kernel is determined by the supply, pricing and demand. These factors can result in fluctuations in the market price.

(f) Equity price risk

The Group's listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Board of Directors reviews and approves all equity investment decisions.

At the reporting date, the exposure to listed equity securities at fair value was RM38,500,000 (2019: RM26,600,000). A decrease of 5% on the FTSE Bursa Malaysia KLCI could have an impact of approximately RM1,925,000 (2019: RM1,330,000) on the income or equity attributable to the Group, depending on whether the decline is significant or prolonged. An increase of 5% in the value of the listed securities would only impact equity, but would not have an effect on profit or loss.

34. Capital management

The primary objective of the Group's and the Company's capital management is to ensure that they maintain healthy capital ratios to support their businesses and maximise shareholder value. No changes were made in the objective, policies and processes during the year ended 30 June 2020 and 2019.

The Group reviews its capital structure and makes adjustments to reflect economic conditions, business strategies and future commitments on a continuous basis.

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

		Group		Company	
	Note	**2020**	**2019**	**2020**	**2019**
		RM'000	RM'000	RM'000	RM'000
Loans and borrowings	26	802,160	956,152	77,934	84,740
Less: Cash and bank balances	25	(13,276)	(9,192)	(3,403)	(2,021)
Net debt		788,884	946,960	74,531	82,719
Equity attributable to owners of the Company		1,109,847	1,170,045	1,484,392	1,705,744
Capital and net debt		1,898,731	2,117,005	1,558,923	1,788,463
Gearing ratio		42%	45%	5%	5%

35. Segment information

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

i. Oil Palm - development of oil palm plantations;

ii. Oil Mill - palm oil processing;

iii. Logs Trading - extraction and sales of logs and development of planted forests;

iv. Manufacturing - manufacturing and trading of sawn timber, plywood, veneer, blockboard and laminated wood; and

v. Others - mainly comprises the provision of air transportation services, fabrication and workshop services, and investment holding.

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

Segmental operating results are reviewed on a regular basis by the Group's key management personnel in order to make decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss before tax.

Transactions between operating segments are on a mutually agreed basis.

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

35. **Segment information (contd.)**

	Oil palm		Oil mill		Logs trading		Timber manufacturing		Others		Adjustments and eliminations		Notes	Per consolidated financial statements	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000		2020 RM'000	2019 RM'000
Revenue:															
External customers	53,196	31,166	455,456	426,133	98,785	52,790	94,043	127,170	403	485	-	-		701,883	637,744
Inter-segment	274,961	257,323	1,760	2,885	27,880	63,038	30	137	5,776	8,350	(310,407)	(331,733)	A	-	-
Total revenue	328,157	288,489	457,216	429,018	126,665	115,828	94,073	127,307	6,179	8,835	(310,407)	(331,733)		701,883	637,744
Results:															
Depreciation and amortisation	93,106	118,347	48,284	20,028	23,702	30,731	8,156	8,967	2,746	2,263	(194)	(195)		175,800	180,141
Impairment	-	-	-	-	70,802	-	20,996	-	7,347	-	-	-		99,145	-
Interest income	364	712	3,057	1,799	10,074	11,221	5,668	5,664	17	8	(19,118)	(19,290)		62	114
Interest expense	33,528	35,430	14,530	17,232	12,937	12,502	8,341	9,329	1,130	925	(19,072)	(21,675)		51,394	53,743
Change in fair value	(1,835)	1,224	(719)	607	12,909	7,155	-	-	-	-	-	-		10,355	8,986
Income tax expense	42,851	(27,322)	9,784	(18,574)	5,614	(19,892)	(871)	(9,297)	244	833	-	-		57,622	(74,252)
Segment profit/(loss)	24,426	(129,914)	12,413	(12,195)	(128,561)	(22,823)	(35,522)	(27,090)	(12,175)	(4,975)	9,847	5,986		(129,572)	(191,011)
Assets:															
Additions to non-current assets	5,089	27,326	4,875	8,163	17,756	52,762	316	1,451	2,443	822	(6,109)	(15,612)	B	24,370	74,912
Segment assets	1,328,967	1,470,046	565,566	596,883	1,828,922	2,555,518	213,456	330,812	67,156	61,873	(1,873,110)	(2,609,585)	C	2,130,957	2,405,547
Segment liabilities	702,920	830,007	331,639	377,281	368,277	366,355	148,148	190,697	34,454	29,137	(563,299)	(556,804)	D	1,022,139	1,236,673

35. Segment information (contd.)

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

A Inter-segment revenues are eliminated on consolidation.

B Additions to non-current assets consist of:

	2020 RM'000	2019 RM'000
Property, plant and equipment	6,435	54,779
Biological assets	17,935	20,133
	24,370	74,912

C The following items are added to/(deducted from) segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2020 RM'000	2019 RM'000
Deferred tax assets	19,109	-
Tax recoverable	8,590	14,374
Inter-segment assets	(1,900,809)	(2,623,959)
	(1,873,110)	(2,609,585)

D The following items are added to/(deducted from) segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2020 RM'000	2019 RM'000
Deferred tax liabilities	31,765	78,468
Income tax payable	1	637
Loans and borrowings	802,160	956,152
Inter-segment liabilities	(1,397,225)	(1,592,061)
	(563,299)	(556,804)

Revenue from two major customer amount to RM446,934,143 (2019: RM429,041,611), arising from sales by the oil mill segment.

36. Dividends

	Group and Company	
	2020 RM'000	2019 RM'000
Recognised during the financial year:		
Dividends on ordinary shares:		
First and final single-tier dividend for 2018: 0.5 sen	-	4,840

37. Significant event

The novel coronavirus ("COVID-19") pandemic has affected many businesses and the Malaysian economy as a whole. On 16 March 2020, the Malaysian Government issued the Movement Control Order ("MCO") from 18 March to 12 May 2020 as a preventive measure against the spread of COVID-19 which requires the closure of all government and private premises except for those involved in the provision of essential services. The MCO was subsequently followed by Conditional MCO and then, Recovery MCO.

As the situation is fluid and still evolving and given the widespread nature of the outbreak and the unpredictability of future development of Covid-19, it is not practicable to provide a quantitative estimate of the potential financial impact of Covid-19 on the Group's and the Company's financial statements for the financial year ending 30 June 2021 reliably at this juncture.

38. Authorisation of financial statements for issue

The financial statements were authorised for issue by the Board in accordance with a resolution of the directors on 23 October 2020.

TOP 10 LIST OF PROPERTIES OWNED BY THE GROUP IN MALAYSIA
As at 30 June 2020

Description	Tenure	Existing use	Area	Approximate age of building	Net Book Value (RM'000)	Date of Acquisition
Pulau Bruit						
Bruit Land District	Rented Land	Oil Palm Estate Building and Quarter	52,880 hectares	12 years	174,938	-
Retus, Mukah						
Lot 1, Block 6 Retus Land District	Leasehold Land expiring on 23.2.2063	Oil Palm Estate, CPO Mill Building and Quarter	72,331,816 sq metres	13 years	67,618	28/Aug/2003
Pulau Bruit						
Lot 317 & 318, Block 15 Bruit Land District	Leasehold Land expiring on 18.05.2064	CPO Mill Building and Quarter	74.8447 hectares	10 years	22,688	01/Jan/2014
Pulau Bruit						
Lot 5, 6, 14, 15 Block 11, Bruit Land District	Leasehold Land expiring on 18.05.2064	Oil Palm Estate Building and Quarter	100,002,946 sq metres	8 years	17,554	09/Dec/2004
Sibu Town						
Sibu Town District Block 10, Lots 790~802	Leasehold Land expiring on 06.09.2071	Building	103,943 sq metres	17 years	13,887	30/Apr/2005
Sibu Airport						
JTA Hangar, Airside Area	Rented Land	Hangar	4105 sq metres	8 years	9,182	-
Pulau Bruit						
Lot 92, 93 & 96 Block 6, Bruit Land District Lot 98, Block 6, Bruit Land District	Leasehold Land expiring on 18.05.2064 Provisional Leasehold expiring on 18.05.2064	Oil Palm Estate Building and Quarter	50,001,473 sq metres	10 years	8,926	09/Dec/2004
Oya-Dalat District						
Lot 9, Block 362 Oya-Dalat District	Leasehold Land expiring on 23.2.2063	Oil Palm Estate Building and Quarter	34,547,957 sq metres	12 years	7,013	28/Aug/2003
Putai, Kapit						
Concession Land	Concession Land	Factory, Warehouse and Staff Quarter	86,404 sq metres	28 years	5,128	-
Sibu						
LOT 920 & 1373, Block 16, Seduan Land District	Leasehold land expiring on 31.12.2915	Warehouse	1.12 hectares	8 years	3,225	14/Mar/2008

ANALYSIS OF SHAREHOLDINGS
As at 30 September 2020

Number of Issued Shares : 973,717,797*
Class of shares : Ordinary shares
Voting Right : One vote for each share held

**inclusive of 5,727,000 shares bought-back by the Company and retained as treasury shares as at 30 September 2020*

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Issued Shares(1)	% of Issued Shares
Less than 100	151	1.68	5,213	0.00
100 – 1,000	840	9.32	532,342	0.05
1,001 – 10,000	4,636	51.44	25,748,519	2.66
10,001 – 100,000	2,844	31.56	94,877,242	9.80
100,001 to less than 5% of issued shares	538	5.97	560,323,309	57.89
5% and above of issued shares	3	0.03	286,504,172	29.60
TOTAL	**9,012**	**100.00**	**967,990,797**	**100.00**

(1) *excluding 5,727,000 treasury shares*

DIRECTORS' SHAREHOLDINGS
(As per Register of Directors' Shareholdings)

Shares held in the Company

Name	Direct Interest		Deemed Interest	
	No. of Issued Shares	% of Issued Shares	No. of Issued Shares	% of Issued Shares
Dato' Sri Tiong Chiong Hoo	3,353,436	0.34	750,000*	0.08
Dato' Wong Sie Young	453,975	0.05	-	-
Dato' Sri Dr Tiong Ik King	341,790	0.04	-	-
Mdm Tiong Choon	-	-	1,452,428**	0.15
Mr Tiong Chiong Hee	-	-	-	-
Dato' Wong Lee Yun	-	-	-	-
Mr Yong Voon Kar	-	-	-	-
Tan Sri Dato' Sri Mohamad Fuzi Bin Harun	-	-	-	-

Notes:

* *Deemed interested in shares held by Hoojin Holding Sdn Bhd by virtue of Section 8(4) of the Companies Act 2016 ("the Act").*
** *Deemed interested in shares held by her spouse by virtue of Section 59(11)(c) of the Act.*

Shares held in Subsidiary Company

None of the Directors holds any shares in subsidiary Company.

ANALYSIS OF SHAREHOLDINGS
As at 30 September 2020

SUBSTANTIAL SHAREHOLDERS
(As per Register of Substantial Shareholders)

Name	Direct Interest		Deemed Interest	
	No. of Issued Shares	% of Issued Shares	No. of Issued Shares	% of Issued Shares
Tiong Toh Siong Holdings Sdn Bhd	208,730,471	21.56	943,545 [(a)]	0.10
Genine Chain Limited	91,055,164	9.41		
Tiong Toh Siong Enterprises Sdn Bhd	50,449,008	5.21		
Tan Sri Datuk Sir Tiong Hiew King	8,871,408	0.92	283,257,149 [(b)]	29.26
Teck Sing Lik Enterprise Sdn Bhd	1,270,080	0.13	50,449,008 [(c)]	5.21
Ho Cheung Choi			91,055,164 [(d)]	9.41
Chang Meng			91,055,164 [(d)]	9.41

Notes: -

a. Deemed interested in shares held by Tiong Toh Siong & Sons Sdn Bhd by virtue of Section 8(4) of the Act.
b. Deemed interested in shares held by Tiong Toh Siong Holdings Sdn Bhd, Tiong Toh Siong & Sons Sdn Bhd, Tiong Toh Siong Enterprises Sdn Bhd, Teck Sing Lik Enterprise Sdn Bhd and Pertumbuhan Abadi Asia Sdn Bhd by virtue of Section 8(4) of the Act.
c. Deemed interested in shares held by Tiong Toh Siong Enterprises Sdn Bhd by virtue of Section 8(4) of the Act.
d. Deemed interested in shares held by Genine Chain Limited by virtue of Section 8(4) of the Act.

TOP 30 SECURITIES ACCOUNT HOLDERS
(Without aggregating the securities from different securities accounts belonging to the same Depositor)

No.	Name	No. of Issued Shares	% of Issued Shares
1	Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account For Tiong Toh Siong Holdings Sdn Bhd	145,000,000	14.98
2	AMSEC Nominees (Asing) Sdn Bhd KGI Securities (Singapore) Pte. Ltd. for Genine Chain Limited	91,055,164	9.41
3	Tiong Toh Siong Enterprises Sdn Bhd	50,449,008	5.21
4	Amanas Sdn. Bhd.	48,294,961	4.99
5	Nustinas Sdn. Bhd.	48,293,154	4.99
6	Asanas Sdn Bhd	47,459,343	4.90
7	Tiong Toh Siong Holdings Sdn Bhd	45,730,471	4.72
8	UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt An For UOB Kay Hian (Hong Kong) Limited (A/C Clients)	35,272,750	3.64
9	Roseate Garland Sdn Bhd	21,913,631	2.26
10	Pertumbuhan Abadi Asia Sdn. Bhd.	21,864,045	2.26
11	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tiong Toh Siong Holdings Sdn Bhd	18,000,000	1.86
12	CIMB Group Nominees (Asing) Sdn. Bhd. Exempt An For DBS Bank Ltd (SFS-PB)	16,790,250	1.73
13	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Kong Goon Khing (E-SRK)	16,000,000	1.65
14	Diong Hiew King @ Tiong Hiew King	8,871,408	0.92

ANALYSIS OF SHAREHOLDINGS
As at 30 September 2020

Top 30 Securities Account Holders (Cont'd)

No.	Name	No. of Issued Shares	% of Issued Shares
15	Olive Lim Swee Lian	8,764,200	0.91
16	Citigroup Nominees (Asing) Sdn Bhd UBS AG	7,233,366	0.75
17	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (PHEIM)	5,878,200	0.61
18	Citigroup Nominees (Asing) Sdn Bhd CBNY For Dimensional Emerging Markets Value Fund	4,413,433	0.46
19	Huang Poh Bing	4,006,400	0.41
20	CIMB Group Nominees (Tempatan) Sdn Bhd Exempt An For DBS Bank Ltd (SFS-PB)	3,307,500	0.34
21	Azerina Mohd Arip @ Gertie Chong Soke Hoon	3,256,725	0.34
22	Citigroup Nominees (Asing) Sdn Bhd CBNY For Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	3,250,738	0.34
23	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lew U Sing	3,230,000	0.33
24	Wong Yiing Ngiik	3,148,150	0.33
25	Ooi Chin Hock	3,140,115	0.32
26	Tiong Chiong Ong	3,050,896	0.32
27	Neoh Choo Ee & Company Sdn. Berhad	2,373,000	0.25
28	Chinchoo Investment Sdn. Berhad	2,160,000	0.22
29	Wong Kieh Nguk	1,839,364	0.19
30	Hii Hie Lang	1,778,000	0.18

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 60th Annual General Meeting of the Company will be held at the Auditorium, Ground Floor, No. 62, Lorong Upper Lanang 10A, 96000 Sibu, Sarawak on Friday, 27 November 2020 at 9.00 a.m. to transact the following business:-

As Ordinary Business

1 To receive the Audited Financial Statements for the financial year ended 30 June 2020 together with the Reports of the Directors and Auditors thereon. **(Please refer to Explanatory Note 1)**

2 To re-elect the following Directors retiring by rotation pursuant to Article 81 of the Company's Constitution:-

i. Dato' Sri Tiong Chiong Hoo **Resolution 1**
ii. Mr Tiong Chiong Hee **Resolution 2**

3 To re-elect the following Directors retiring pursuant to Article 85 of the Company's Constitution:-

i. Mr Yong Voon Kar **Resolution 3**
ii. Tan Sri Dato' Sri Mohamad Fuzi Bin Harun **Resolution 4**

4 To approve the payment of Directors' fees amounting to RM723,950 for the financial year ended 30 June 2020. **Resolution 5**

5 To approve the payment of Directors' benefits not exceeding RM250,000 in aggregate during the period from 28 November 2020 until the next Annual General Meeting of the Company. **Resolution 6**

6 To re-appoint Messrs Ernst & Young PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 7**

AS SPECIAL BUSINESS

To consider and if thought fit, pass the following Ordinary Resolutions:-

7 Continuing in office as Independent Non-Executive Director

"THAT approval be and is hereby given for Dato' Wong Lee Yun who has served as an Independent Non-Executive Director for a cumulative term of more than nine (9) years, to continue to be designated as an Independent Non-Executive Director of the Company." **Resolution 8**

8 Proposed Renewal of the Existing Shareholder Mandate and Mandate for New Recurrent Related Party Transactions **Resolution 9**

"THAT approval be and is hereby given to the Company and/or its subsidiary companies to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.2 of Part A of the Circular to Shareholders dated 28 October 2020 with specific classes of Related Parties which are necessary for the day-to-day operations and in the ordinary course of business on terms not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company;

AND THAT such mandate shall commence upon the passing of this resolution until:

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time such authority will lapse, unless by an ordinary resolution passed at a general meeting of the Company, the authority of the Shareholders' Mandate is renewed; or

(ii) the expiration of the period within which the next AGM of the Company is required by laws to be held; or
(iii) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting;

whichever occurs first.

THAT the Directors of the Company be authorised to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Shareholders' Mandate."

9 Proposed Renewal of Authority for the Company to Purchase its Own Shares **Resolution 10**

"THAT subject to the Companies Act 2016, the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and any other relevant authorities, approval be and is hereby given to the Company to utilise an amount not exceeding the total retained profits of the Company for the time being, to purchase such number of ordinary shares of the Company provided that at the time of purchase, the aggregate number of shares which may be purchased and or held by the Company as treasury shares shall not exceed ten percent (10%) of the total number of issued shares of the Company, and to either retain and hold the shares purchased as treasury shares (which may subsequently be distributed as share dividends, resold, transferred or cancelled) or to cancel the shares so purchased or a combination of both.

AND THAT such authority shall commence upon the passing of this resolution until:

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time such authority will lapse, unless by an ordinary resolution passed at a general meeting of the Company, the authority of the Shareholder Mandate is renewed; or
(ii) the expiration of the period within which the next AGM of the Company is required by laws to be held; or
(iii) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting;

whichever occurs first.

THAT the Directors of the Company be authorised to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Share Buy-Back."

10 To transact any other business of the Company of which due notice shall have been received.

By Order of the Board

NGU UNG HUONG (MAICSA 7010077)
(SSM Practicing Certificate No.: 201908002438)
Company Secretary

Sibu, Sarawak
28 October 2020

PROXY NOTES

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 20 November 2020 shall be entitled to attend the meeting or appoint proxy(ies) to attend, vote and speak on his/her behalf.

2. A member of the Company entitled to attend and vote at the meeting is also entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. A proxy may but need not be a member of the Company. A proxy appointed to attend and vote at a meeting of the Company shall have the same right as the member to speak at the meeting.

3. Where a member is an authorised nominee as defined in accordance with the provisions of the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy but not more than 2 proxies in respect of each Securities Account it holds with ordinary shares in the Company standing to the credit of the said Securities Account.

   Where a member appoints 2 proxies, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.

   Where a member of the Company is an exempt authorised nominee who holds ordinary share in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

4. The instrument appointing a proxy shall be signed by the appointor or by his attorney duly authorised in writing or if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney of the corporation duly authorised.

5. The instrument appointing a proxy must be deposited at the Company's Registered Office at No.1-9, Pusat Suria Permata, Lorong Upper Lanang 10A, 96000 Sibu, Sarawak not less than forty-eight (48) hours before the time for holding the meeting.

6. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by poll.

EXPLANATORY NOTES ON ORDINARY/SPECIAL BUSINESS

1. Audited Financial Statements

Agenda 1 on the Audited Financial Statements ("AFS") is for the purpose of presenting the AFS to the shareholders in accordance with Section 340(1)(a) of the Companies Act, 2016 and does not require shareholders' approval.

2. Directors' Fees and Benefits

Resolutions No. 5 and 6

The Company pay fees and benefits to the Non-Executive Directors. The Executive Directors do not receive fees and benefits as Directors but they are remunerated with salaries, bonuses and other emoluments by virtue of their contract of service which do not require approval by the shareholders.

The Company is therefore seeking shareholders' approval on fees and benefits payable to the Non-Executive Directors under the proposed Resolutions No. 5 and 6. The directors' benefits comprise meeting allowance payable as and when incurred and fixed allowance payable monthly.

3. Continuing in office as Independent Director

Resolution No. 8

The Board has via the Nomination Committee conducted assessment of Dato' Wong Lee Yun who has served as Independent Non-Executive Director for a cumulative term of more than nine (9) years and recommended her to continue to be designated as Independent Non-Executive Director of the Company based on the following justifications:

- Dato' Wong Lee Yun meets the criteria of "independence" as prescribed in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and, therefore, is able to bring independent and objective judgement on matters brought to the Board and Board Committees;

- her relevant experience and expertise in investment banking and corporate advisory coupled with her diverse skill set enables her to provide invaluable contribution to the Board and board Committees; and

- she has discharged her duties diligently and always challenged management constructively. Her understanding of the Group's business operations gained over her tenure of service with the Company enables her to contribute effectively during Board and Board Committees meetings.

4. Proposed Recurrent Related Party Transactions (RRPT) Mandate and Share Buy-Back Authority

Resolutions No. 9 and 10

Please refer to the Circular to Shareholders dated 28 October 2020 for information on the following:

- Part A of the Circular on Ordinary Resolution No. 9 for the Proposed RRPT Mandate; and

- Part B of the Circular on Ordinary Resolution No. 10 for the Proposed Renewal of Share Buy-Back Authority.

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PROXY FORM

JAYA TIASA HOLDINGS BERHAD
[Registration No. 196001000095 (3751-V)]
Incorporated in Malaysia

No. of shares held	CDS Account No.

*I/We ______________________________ NRIC/ Passport/ Company No. ________________
(Full name in block and as per NRIC / Passport)

Tel/Hp No. ____________________ of ______________________________________

being a member of Jaya Tiasa Holdings Berhad, hereby appoint:-

Full Name *(in Block and as per NRIC/ Passport)*	NRIC/ Passport No.
Address	

and / or failing him (delete as appropriate)

Full Name *(in Block and as per NRIC/ Passport)*	NRIC/ Passport No.
Address	

or failing him, the Chairman of the meeting as my/our proxy/proxies to vote for me/us and on my/our behalf at the 60th Annual General Meeting of the Company to be held at the Auditorium, Ground Floor, No.62, Lorong Upper Lanang 10A, 96000 Sibu, Sarawak on Friday, 27 November 2020 at 9.00 a.m. and at any adjournment thereof.

My/our proxy is to vote as indicated below. If there is no specific indication given as to voting, the proxy will vote or abstain at his discretion.

Ordinary Resolutions		**For**	**Against**
1.	Re-election of Dato' Sri Tiong Chiong Hoo as Director.		
2.	Re-election of Mr Tiong Chiong Hee as Director.		
3.	Re-election of Mr Yong Voon Kar as Director.		
4.	Re-election of Tan Sri Dato' Sri Mohamad Fuzi Bin Harun as Director.		
5.	Approval of payment of Directors' Fees.		
6.	Approval of payment of Directors' Benefits.		
7.	Re-appointment of Auditors.		
8.	Continuing in office of Dato' Wong Lee Yun as Independent Director.		
9.	Proposed Shareholder Mandate for Recurrent Related Party Transactions.		
10.	Proposed Authority for the Company to purchase its own shares.		

The proportion of my/our holding to be represented by my/our proxies are as follows: -

	No. of shares held	Percentage (%)
First proxy		
Second proxy		
Total		

Dated this ______________ day of __________________ 2020

____
Signature / Common Seal of Member

Notes :

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 20 November 2020 shall be entitled to attend the meeting or appoint proxy(ies) to attend, vote and speak on his/her behalf.
2. A member of the Company entitled to attend and vote at the meeting is also entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. A proxy may but need not be a member of the Company. A proxy appointed to attend and vote at a meeting of the Company shall have the same right as the member to speak at the meeting.
3. Where a member is an authorised nominee as defined in accordance with the provisions of the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy but not more than 2 proxies in respect of each Securities Account it holds with ordinary shares in the Company standing to the credit of the said Securities Account.

   Where a member appoints 2 proxies, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.

   Where a member of the Company is an exempt authorised nominee who holds ordinary share in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
4. The instrument appointing a proxy shall be signed by the appointor or by his attorney duly authorised in writing or if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney of the corporation duly authorised.
5. The instrument appointing a proxy must be deposited at the Company's Registered Office at No.1-9, Pusat Suria Permata, Lorong Upper Lanang 10A, 96000 Sibu, Sarawak not less than forty-eight (48) hours before the time for holding the meeting.
6. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by poll.

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STAMP

The Company Secretary
JAYA TIASA HOLDINGS BERHAD
No. 1-9, Pusat Suria Permata,
Lorong Upper Lanang 10A,
96000 Sibu, Sarawak
Malaysia

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JAYA TIASA HOLDINGS BERHAD
[Registration No. 196001000095 (3751-V)]

No.1-9, Pusat Suria Permata,
Lorong Upper Lanang 10A,
96000 Sibu, Sarawak, Malaysia.

Tel : 084-213 255 **Fax :** 084-213 855

Email : inquiry@jayatiasa.net

Website : www.jayatiasa.net