

Celebrating  
every moment of life



**LAM SOON (M) BERHAD**

Registration No.: 198201004526 (84273-H)

**ANNUAL REPORT 2020**



# 幸福加油

Always Be There

 KnifeDelicious



## WATCH & WIN CONTEST

Induction Cooker x 120 units  
(worth RM 269 each)

\*Terms and Conditions Apply

Scan and Watch



### Low Wee Keong

- Ex-aircraft Engineer
- Malaysian YouTuber on "Blind in the Kitchen"



## CONTENTS

---

<b>Corporate Information</b>	<b>2</b>
<b>5 - Year Group Financial Highlights</b>	<b>3</b>
<b>Notice of Annual General Meeting</b>	<b>4 - 5</b>
<b>Message from the Executive Chairman</b>	<b>6 - 9</b>
<b>Directors' Report</b>	<b>10 - 16</b>
<b>Independent Auditors' Report</b>	<b>17 - 19</b>
<b>Financial Statements</b>	<b>20 - 86</b>
Statements of Financial Position	20 - 21
Statements of Comprehensive Income	22 - 23
Consolidated Statement of Changes in Equity	24
Statement of Changes in Equity	25
Statements of Cash Flows	26 - 28
Notes to the Financial Statements	29 - 86
<b>Statement by Directors</b>	<b>87</b>
<b>Statutory Declaration</b>	<b>87</b>
<b>Appendix</b>	<b>88 - 89</b>
<b>Form of Proxy</b>	<b>Enclosed</b>

## CORPORATE INFORMATION

---

BOARD OF DIRECTORS	: Whang Shang Ying <i>Executive Chairman</i>
	Khoo Heng Suan <i>Deputy Executive Chairman</i>
	Datin Shelina binti Razaly Wahi
	Mohd Fazli bin Zainal
	Mah Kim Loong Leslie
	Quick Back Heng @ Kuek Bak Heng
SECRETARY	: Thian Yew Fong <i>MAICSA 7011924</i> <i>SSM PC No. 202008001039</i>
AUDITORS	: Mazars PLT <i>Chartered Accountants</i>
SOLICITORS	: Adnan Sundra & Low
PRINCIPAL BANKERS	: CIMB Bank Berhad Malayan Banking Berhad RHB Bank Berhad
REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS	: Wisma DLS, No.6, Jalan Jurunilai U1/20, Hicom-Glenmarie Industrial Park, 40150 Shah Alam, Selangor Darul Ehsan. <a href="http://www.lamsoon.com.my">www.lamsoon.com.my</a>
SHARE REGISTRAR	: Boardroom Share Registrars Sdn. Bhd., 11 <sup>th</sup> Floor, Menara Symphony No. 5 Jalan Prof. Khoo Kay Kim Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan. Tel. No: 603-7890 4700

## 5 - YEAR GROUP FINANCIAL HIGHLIGHTS

	Financial Years Ended 31 <sup>st</sup> December (RM Million)				
	2016 (Restated)	2017 (Restated)	2018 (Restated)	2019	2020
Revenue	2,052	2,259	2,194	2,155	2,422
Profit Before Tax	145	173	156	157	214
Profit Attributable to Owners of the Company	111	130	118	119	157
Equity Attributable to Owners of the Company	1,189	1,254	1,308	1,363	1,466
Net Tangible Assets Per Share (Sen)	552	583	608	633	682
Earnings Per Share (Sen)	51.5	60.4	55.0	55.6	73.3
Net Dividend Per Share (Sen)	30.0	30.0	30.0	19.0	35.0



## NOTICE OF ANNUAL GENERAL MEETING

---

**NOTICE IS HEREBY GIVEN** that the 39<sup>th</sup> Annual General Meeting of LAM SOON (M) BERHAD will be conducted entirely through live streaming from the broadcast venue at Symphony Square Auditorium, 3A Floor, No. 5 Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 23 June 2021 at 2.30 p.m. for the following purposes:

### AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2020 together with the Reports of the Directors and Auditors thereon.  
*(Please refer to Explanatory Note 1)*
2. To approve the payment of the following dividends for the financial year ended 31 December 2020:
  - i) A Final Single Tier Dividend of 15.0%. **(Resolution 1)**
  - ii) A Special Single Tier Dividend of 5.0%. **(Resolution 2)**
3. To approve the payment of Directors' fees for the financial year ended 31 December 2020. **(Resolution 3)**
4. To re-elect the following Directors who retire by rotation in accordance with Article 78 of the Constitution of the Company and being eligible, offer themselves for re-election:
  - (i) Mr. Whang Shang Ying **(Resolution 4)**
  - (ii) Mr. Mah Kim Loong Leslie **(Resolution 5)**
5. To re-appoint Mazars PLT as Auditors for the ensuing year and to authorise the Directors to fix their remuneration. **(Resolution 6)**
6. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016 and the Company's Constitution.

### BY ORDER OF THE BOARD

**THIAN YEW FONG**  
MAICSA 7011924  
SSM PC No. 202008001039  
Company Secretary

Shah Alam  
1 June 2021

## NOTICE OF ANNUAL GENERAL MEETING (cont'd)

---

### NOTES:

- i) *The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairperson of the Meeting to be present at the main venue of the meeting.*

*Shareholders **WILL NOT BE ALLOWED** to attend this 39<sup>th</sup> Annual General Meeting ("AGM") in person at the Broadcast Venue on the day of the meeting.*

*Shareholders are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at this AGM via the Remote Participation and Voting facilities provided by Boardroom Share Registrars Sdn Bhd via its online website at <https://boardroomlimited.my>*

- ii) *A member entitled to attend and vote at the annual general meeting is entitled to appoint a proxy instead of him. A proxy need not be a member of the Company. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.*
- iii) *The instrument appointing the proxy must be deposited at the office of the Company's Share Registrar, Boardroom Share Registrars Sdn Bhd, at 11<sup>th</sup> Floor, Menara Symphony, No. 5 Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan or email to [bsr.helpdesk@boardroomlimited.com](mailto:bsr.helpdesk@boardroomlimited.com) not less than 48 hours before the time for holding the meeting or adjourned meeting.*

### EXPLANATORY NOTE:

#### 1. Explanatory note on Audited Financial Statements:

The Audited Financial Statements laid at this meeting pursuant to Section 340 of the Companies Act, 2016 are meant for discussion only. It does not require shareholders' approval, and therefore, shall not be put forward for voting.

# MESSAGE FROM THE EXECUTIVE CHAIRMAN

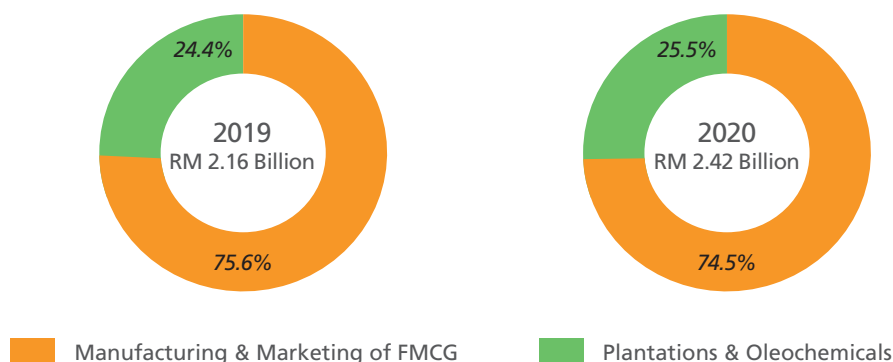
## INTRODUCTION

On behalf of the Board of Directors, I am pleased to present the Annual Report of LAM SOON (M) BERHAD for the financial year ended 31 December 2020.

2020 was marked by two important events, the global spread of coronavirus (COVID-19) and extreme volatility in Crude Palm Oil (CPO) prices. The Group being largely palm-oil based is cognisant of the implications. Hence, the management adopted cautious and prudent approach to hedge the CPO position, and had largely benefited from the rise in CPO prices.

We are pleased to advise the shareholders that consolidated profit before tax has increased from RM 157.37 million to RM 214.37 million in 2020, being the highest in the history of the company. This was achieved on the back of a 12.0% increase in group revenue to RM 2.42 billion in 2020 (2019: RM 2.16 billion). Both Fast Moving Consumer Goods (FMCG) segment and Plantations & Oleochemicals segment contributed to this positive result. At Company level, dividends received from subsidiaries, associates and other investments, increased to RM 93.11 million (2019: RM 89.54 million); this culminated in higher profit before tax for the year at RM 89.58 million (2019: RM 88.05 million).

## REVENUE BY BUSINESS ACTIVITY



## FAST MOVING CONSUMER GOODS (FMCG)

### Lam Soon Edible Oils Sdn Bhd (LSEO)

The 1<sup>st</sup> Movement Control Order (MCO) period was announced between March and June 2020. It caused an immediate boost in demand for cooking oils, fats and hand sanitisers, which drove up sales for LSEO. This was followed by further demand spikes arising from the end of MCO and the reimposition of Conditional MCO (CMCO) in October 2020. As a result, LSEO sales grew by 11.2% to reach RM 1.79 billion (2019: RM 1.61 billion). Combined with favourable hedging of raw materials (explained above), LSEO delivered profit before tax of RM 114.71 million, a commendable increase of 58.9% (2019: RM 72.21 million).

### Southern Lion Sdn Bhd (SLSB)

SLSB, your Company's 50% associate, managed to achieve revenue of RM 639.76 million, an increase of 3.0% over the previous year. The Lion Fair in the second half of 2020 resonated with consumers via recalibrated trade mechanics that appealed to the 'new normal sentiments'. SLSB revised its marketing strategy to re-position itself and expand market share: profit after tax for the year was RM 30.78 million (2019: RM 47.19 million), and profit contribution from SLSB to our Group has consequently reduced to RM 15.39 million (2019: RM 23.60 million).

TOP detergent was recognised as the Gold Award recipient within Household Products Category at the prestigious 2020 Putra Brand Awards. 2020 also saw the successful relaunching of TOP Blooming along with newly launched TOP Silky Miracle (new entry into "softening alike" segment of detergent category). In the oral care segment, Systema continues to increase its market share; it held on to its leadership within the tapered toothbrush segment. New SKUs in the mid-price and upper-economy price segments were introduced and collaborative engagements undertaken with dental professionals.

### Marketing Activities

With Malaysians confined at home for extended periods, there was a high surge in purchases for home cooking and baking for in-home consumption. The extra expenditure provided a good impetus of growth to the Group's leading brands in cooking oils, margarine and spread, sauces, etc., as well as for Lee Kum Kee sauces and Arla range of dairy products which we distribute. In addition, the Group's popular **Antabax** personal care brand experienced a stupendous growth amid the need for anti-bacterial products during the pandemic.

Thanks to the extensive long-term investment into brand building initiatives, LSEO managed to outperform the industry average based on Nielsen Malaysia Retail Index across multiple categories. Core categories such as cooking oil, margarine and sauces registered double digits growth against national growth of 5.1%, for dry grocery, while both household and personal care registered growth against nationwide contraction in these categories.

The following adds to the growing list of accolades and awards received by our various brands:

<u>Brands</u>	<u>Awards</u>
<i>Knife</i>	2020 Reader's Digest Trusted Brand Award (Platinum) 2020 Brand Laureate Award (Most Iconic Brand - Cooking Oil)
<i>Cap Buruh</i>	2020 Reader's Digest Trusted Brand Award (Gold)
<i>Naturel</i>	2020 Reader's Digest Trusted Brand Award (Gold) 2020 Brand Laureate Award (Best Choice Award in Consumer – Olive Oil) 2020 Baby Talk & Mama Papa Readers' Choice Awards 2020 Natural Health Reader's Choice Awards*
<i>Antabax</i>	2020 Brand Laureate Award (Brand Influencer – Derma Protection Solutions) 2020 Watsons HWB Awards (Most Wanted Antibacterial Wipes)

\*Natural Health Magazine

To amplify our brand presence and engagement with the customers and consumers, LSEO intensified promotional activities in its key online customers. During the 10 km radius restriction of movement, we leveraged on our nationwide branch network to meet the surge of demand from customers with localised distribution centres.

### Manufacturing Activities

Amid a year of unprecedented challenges with global pandemic, many sectors of the economy have been negatively impacted. During the MCO, many industries were not allowed to operate, while those allowed must do so at 50% reduction to workforce; this created great disruption to the supply chain. The factory management adapted as best as it could, demonstrating its focus and resilience to fulfil orders and pursue cost competitiveness, so as to ensure our products continue to be available in the market.

We remain uncompromising in our commitment for product quality and food safety. To these are added the safety and well-being of staff during the pandemic. In 2020, Teluk Panglima Garang (TPG) factory successfully upgraded its HACCP certification to the latest version. Moreover, it achieved the recertification of ISO 9001 and ISO14001. On its part, the Pasir Gudang (PSG) factory successfully upgraded the current integrated Food Safety Management System [FSSC 22000 (ISO/TS 22002-1)] from version 4.1 to version 5. Likewise, the systems of Halal, MSPO and RSPO Supply Chain certifications are well-maintained.

The TPG plant has commissioned a brand-new cartoning machine with automatic case packer for its Liquid Dish wash line, so as to ensure improved production line efficiency and productivity. Other successful initiatives include the overhaul of Oil Packing Line 1 wraparound machine and Line 4 filling machine. PSG plant has installed a pattern matching smart camera system for Naturel margarine packing line for automated inspection.

To reduce the environmental impact as well as cost containment, TPG plant commenced the installation of transparent roof type at the production packing area to create a conducive working environment for employees.

### **PLANTATIONS & OLEOCHEMICALS**

#### **Lam Soon Plantations Sdn Bhd (LSPSB)**

Overall, LSPSB group achieved significant increase in revenue of RM 618.50 million in 2020 (2019: RM 525.95 million). LSPSB group profit before tax was at RM 76.33 million, an increase of 59.9% over previous year's RM 47.75 million.

At the company level, profit before tax was reported at RM 55.97 million (2019: RM 30.89 million). This was due to the timely sale of CPO, resulting in a much higher average selling price of RM 2,830/MT as compared with RM 2,120/MT in 2019.

#### **Dara-Lam Soon Sdn Bhd (DLSSB)**

For the same reason, DLSSB achieved a profit before tax at company level of RM 42.22 million, an increase of 67.7% over last year's results of RM 25.18 million.

DLSSB group being a 40%-owned associate, contributed a net profit of RM 12.94 million to the Group results, an increase of 62.4% over previous year's RM 7.97 million.

#### **Pacific Oleochemicals Sdn Bhd (POC)**

POC achieved higher growth in both sales volume and revenue in 2020. Revenue increased from RM 463.97 million to RM 535.99 million and profit before tax achieved was RM 34.50 million, an increase of 9.8% over previous year of RM 31.43 million.

POC operated at full capacity, despite challenges encountered under COVID-19. The sales volume increased from 125,280 MT in previous year to 129,310 MT in 2020.

Over the years, POC has invested in new plants and upgraded its production capacities. The new beading plant is a state-of-the-art packaging line with robotic palletisation system. The drumming facility is fully automated for improved operational efficiency.

Today, POC is recognised by international well-known companies as the preferred reliable partner for on-time delivery and consistent high-quality, tailored-made fatty acid and refined glycerine. Its high-quality oleic acid is used by many reputable customers in the manufacturing for a wide range of oleic acid derivatives.

In October 2020, POC was awarded "MSOSH OSH GOLD 2 AWARD WINNER FOR 2019" under the category of Manufacturing & Chemical Sector by MALAYSIAN SOCIETY FOR OCCUPATIONAL SAFETY AND HEALTH.

POC is certified with all the international standards set out as below:

- ISO 9001 (Quality Management System)
- ISO 14001 (Environmental Quality Management)
- OHSAS 18001 (Occupational Safety and Health Standards)
- FSSC 22000 (Food Safety System Certification)
- RSPO Supply Chain Certificate
- Good Manufacturing Practice GMP+ B2 (Production of Feed ingredients).

Our products are all Halal and Kosher certified.

In 2020, we successfully upgraded the integrated FSSC (Food Safety System Certification) from version 4.1 to 5.

### **SUSTAINABILITY AND COMMUNITY INITIATIVES**

Your Group is committed to continuously improve the environment and provide better living conditions for our workers. Roundtable for Sustainable Palm Oil (RSPO) certified products (mass balance model) constituted 8.6% of POC total sales volume (in MT) in 2020 as compared to 3.7% in 2019. Guided by our sustainability policy, POC has commissioned a solar photovoltaic system at its Pasir Gudang office location in December 2020. The main benefit of using solar panel system is that it is a renewable energy source and can be accessible every day. This has allowed POC to generate cost savings on energy consumption. It is moreover supported with 100% Green Investment Tax Allowance and 100% Capital Allowance from Malaysian Investment Development Authority (MIDA).

### **SUSTAINABILITY AND COMMUNITY INITIATIVES (cont'd)**

For the first 4 months in 2021, by generating sufficient self-sustaining energy, POC contributed to positive environmental improvement with reduction of carbon dioxide generation by 38.2 tonnes, or around 10 tonnes reduction per month.

Likewise, LSPSB palm oil mill in Sabah will invest in a Biogas Plant in 2021 to minimise emission of greenhouse gas. When this plant is fully commissioned, the gas will be tapped to run a gas engine to produce electricity, thereby replacing fossil fuel with renewable energy and reducing methane gas emission significantly.

A total of six (6) blocks of houses were constructed in your Group's plantation estates (2 blocks located at Lahad Datu, Sabah; 4 blocks located at Muadzam Shah, Pahang). Each block consists of four units of houses and each house comes with three rooms and two bathrooms where it houses six workers. Our workers' quarters are provided with 24 hours electricity and treated water.

### **PROSPECTS**

Bank Negara Malaysia reported that the Malaysian economy remains on track for a recovery in 2021, supported by external and domestic demand. In its annual Economic and Monetary Review, it was also mentioned that gross domestic product may expand between 6.0% to 7.0% in 2021. Unemployment remains highly uncertain in 2021, having started with 4.9% in January (increase of 0.1% versus December 2020), after reaching a 20-year high of 5.3% in May 2020.

Retail Group Malaysia has revised downwards its 2021 retail sales growth projection to 4.1% from 4.9% previously, mainly due to the re-implementation of the MCO in January 2021.

Given unemployment, the possibility of ongoing MCOs and the challenges facing all retail segments (thus negatively impacting consumer confidence), we are cautious on the outlook for 2021.

### **DIVIDENDS**

During the year, your Company paid a single tier interim dividend of 15.0 sen per share amounting to a net payment of RM 32.21 million for the financial year ended 31 December 2020 (2019: 9.0 sen per share, RM 19.33 million).

In view of the improved performance, your Board is proposing for shareholders' approval at the forthcoming Annual General Meeting, the payment of a Final and a Special dividend as follows:

- a Final single tier dividend of 15.0 sen per share, amounting to RM32.21 million (2019: 10.0 sen per share, RM21.47 million); and
- a Special single tier dividend of 5.0 sen per share, amounting to RM 10.74 million (2019: nil)

The proposed Final and Special single tier dividends will bring the total net dividend payments for the financial year ended 31 December 2020 to 35.0 sen per share or RM 75.16 million (2019: 19.0 sen per share or RM 40.80 million).

### **APPRECIATION**

On behalf of my fellow Directors, I would like to take this opportunity to record our sincere thanks and appreciation to Y. Bhg. Lt Jen Dato' Sri Che Akmar bin Md Noor TUDM (B) for his contributions during his tenure on the Board.

On behalf of the Board, we wish to convey our appreciation to all shareholders for the confidence and trust accorded to us. The ability of the Group to continue pursuing excellence on all fronts despite the challenging times is a testament to the strong foundation of trust and confidence that has been continuously built upon by all our stakeholders. Strong leadership supported by a loyal workforce had stayed united, dedicated, and committed while maintaining a sense of perspective to meet the needs of customers and showing trust and respect for all.

I would also like to express my appreciation to my fellow Board members for their support and invaluable advice throughout the year.

**Whang Shang Ying**  
Executive Chairman

21 May 2021

# DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment and property holding.

The principal activities of the subsidiaries are indicated in Note 9 to the financial statements.

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

## RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	168,596	88,498
Attributable to:		
Owners of the Company	157,336	88,498
Non-controlling interests	11,260	-
	168,596	88,498

## DIVIDENDS

The amounts of dividends paid and declared by the Company since the end of the previous financial year were as follows:

	RM'000
In respect of the financial year ended 31 December 2019:	
- Final single-tier dividend of 10 sen per share, declared on 26 August 2020 and paid on 15 October 2020	21,472
In respect of the financial year ended 31 December 2020:	
- Interim single-tier dividend of 15 sen per share, declared on 18 December 2020 and paid on 9 February 2021	32,208
	53,680

The directors now recommend the payment of a final single-tier dividend of 15 sen per share and a special single-tier dividend of 5 sen per share amounting to a total of RM42,944,002 for the financial year ended 31 December 2020, subject to approval of the shareholders at the forthcoming annual general meeting of the Company. The financial statements for the current financial year do not reflect those proposed dividends. Such dividends, if approved, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2021.

## **DIRECTORS' REPORT** (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### **ISSUE OF SHARES AND DEBENTURES**

There were no issuance of shares or debentures during the financial year.

### **SHARE OPTIONS**

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

### **RESERVES AND PROVISIONS**

All material transfers, if any, to or from reserves and provisions during the financial year are disclosed in the financial statements.

### **ULTIMATE HOLDING COMPANY**

The directors regard Lam Soon Cannery Private Limited, a company incorporated in the Republic of Singapore, as the ultimate holding company.

### **SUBSIDIARIES**

Details of the subsidiaries are set out in Note 9 to the financial statements. There is no qualified auditors' report on the financial statements of the subsidiaries for the financial year in which this report is made.

As at the end of the financial year, the subsidiaries did not hold any shares in the ultimate holding company or in other related corporations.

### **DIRECTORS**

The directors in office during the period commencing from the beginning of the financial year to the date of this report are:

Mr. Whang Shang Ying

Mr. Khoo Heng Suan

Mr. Quick Back Heng @ Kuek Bak Heng

Mr. Leslie Mah Kim Loong

Y. Bhg. Datin Shelina binti Razaly Wahi

Encik Mohd Fazli bin Zainal

Encik Zainal Abidin bin Jamal

Y. Bhg. Lt Jen Dato' Sri Che Akmar bin Md Noor TUDM (B)

(Resigned on 22 January 2020)

(Resigned on 18 December 2020)

The names of the directors of the Company's subsidiaries who served on the respective board of the subsidiaries since the beginning of the financial year to the date of this report are disclosed in the Appendix to the financial statements.

## DIRECTORS' REPORT (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### DIRECTORS' INTERESTS IN SHARES

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

	<----- Number of ordinary shares ----->			
	At 1-1-2020	Bought	Sold	At 31-12-2020
<b>The Company</b>				
Mr. Whang Shang Ying - deemed interest	111,814,812	21,000,000	-	132,814,812
Mr. Khoo Heng Suan - direct interest	23,000	-	-	23,000
- deemed interest	165,000	-	-	165,000
Mr. Quick Back Heng @ Kuek Bak Heng - direct interest	110,000	-	-	110,000
<b>Lam Soon Cannery Private Limited (Ultimate holding company)</b>				
Mr. Whang Shang Ying - direct interest	71,387,108	-	-	71,387,108
<b>Lam Soon Strategic Sdn. Bhd. (Immediate holding company)</b>				
Mr. Whang Shang Ying - direct interest	84,836	11,702	-	96,538
- deemed interest	428,416	66,678	-	495,094
Mr. Khoo Heng Suan - deemed interest	29,000	5,000	-	34,000
Mr. Quick Back Heng @ Kuek Bak Heng - direct interest	13,000	800	-	13,800
<b>Subsidiaries of the immediate holding company</b>				
<b>Alpha Management Services Sdn. Bhd.</b>				
Mr. Whang Shang Ying - deemed interest	1,999,996	-	-	1,999,996
Mr. Khoo Heng Suan - direct interest	4	-	-	4

## DIRECTORS' REPORT (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### DIRECTORS' INTERESTS IN SHARES (cont'd)

	<----- Number of ordinary shares ----->			
	At 1-1-2020	Bought	Sold	At 31-12-2020
<b>Lam Soon Management Services Sdn. Bhd.</b>				
Mr. Whang Shang Ying - deemed interest	79,999	-	-	79,999
Mr. Khoo Heng Suan - direct interest	1	-	-	1
<b>Dara-Lam Soon Sdn. Bhd.</b>				
Mr. Whang Shang Ying - deemed interest	51,000,000	-	-	51,000,000
<b>DLS Properties Sdn. Bhd.</b> (Subsidiary of Dara-Lam Soon Sdn. Bhd.)				
Mr. Whang Shang Ying - deemed interest	9,070,000	-	-	9,070,000
Mr. Khoo Heng Suan - deemed interest	60,000	-	-	60,000
<b>Urbanspace Sdn. Bhd.</b>				
Mr. Whang Shang Ying - deemed interest	26,465,000	2,644,737	-	29,109,737
<b>Asas Awana Sdn. Bhd.</b> (Subsidiary of Urbanspace Sdn. Bhd.)				
Mr. Whang Shang Ying - deemed interest	1,000,000	-	-	1,000,000
<b>Subsidiaries of the Company</b>				
<b>Lam Soon Plantations Sdn. Bhd.</b>				
Mr. Whang Shang Ying - direct interest	9,075,360	-	-	9,075,360
- deemed interest	224,273,313	-	-	224,273,313
Mr. Khoo Heng Suan - deemed interest	15,731,360	-	-	15,731,360

## DIRECTORS' REPORT (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### DIRECTORS' INTERESTS IN SHARES (cont'd)

	<----- Number of ordinary shares ----->			
	At 1-1-2020	Bought	Sold	At 31-12-2020
<b>Lam Soon Edible Oils Sdn. Bhd.</b>				
Mr. Whang Shang Ying - deemed interest	111,694,294	-	-	111,694,294
Mr. Khoo Heng Suan - direct interest	2,000	-	-	2,000
<b>Subsidiaries of Lam Soon Plantations Sdn. Bhd.</b>				
<b>Pacific Oleochemicals Sdn. Bhd.</b>				
Mr. Whang Shang Ying - deemed interest	100,000,000	-	-	100,000,000
<b>LS Cyber DC Sdn. Bhd.</b>				
Mr. Whang Shang Ying - deemed interest	45,000,000	5,000,000	-	50,000,000
<b>Pacoleo Pte. Ltd.</b>				
Mr. Whang Shang Ying - deemed interest	2	-	-	2
<b>Subsidiaries of Lam Soon Edible Oils Sdn. Bhd.</b>				
<b>LM Services Sdn. Bhd.</b>				
Mr. Whang Shang Ying - deemed interest	10,000	-	-	10,000
<b>Lam Soon Trading Sdn. Bhd.</b>				
Mr. Whang Shang Ying - deemed interest	2,785,000	-	-	2,785,000

By virtue of their interests in shares in the Company, immediate and ultimate holding companies, Mr. Whang Shang Ying, Mr. Khoo Heng Suan and Mr. Quick Back Heng @ Kuek Bak Heng are deemed to have interests in shares of all subsidiaries to the extent the Company, immediate and ultimate holding companies have an interest.

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.

### DIRECTORS' BENEFITS

Neither during nor at the end of the financial year was the Company a party to any arrangements whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefits (other than included in the aggregate amount of emoluments received or due and receivable by the directors as shown in the financial statements or the fixed salary of a full time employee of the Company as shown in Note 30 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to have arisen from transactions with companies in which certain directors of the Company have financial interests as disclosed in Note 35 to the financial statements.

No other benefit or remuneration was paid or payable to the directors.

### INDEMNITY AND INSURANCE COSTS

During the financial year, the total amount of indemnity coverage and insurance premium paid for the directors and officers of the Group are RM10,000,000 and RM33,217 respectively.

### OTHER INFORMATION

- (a) Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain the action taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and adequate allowance had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise in the ordinary course of business their values as shown in the accounting records 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:
- (i) which would render the amount written off as bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
  - (ii) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or
  - (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (c) 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.

## **DIRECTORS' REPORT** (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### **OTHER INFORMATION (cont'd)**

- (d) No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due.
- (e) At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the respective financial statements misleading.
- (f) In the opinion of the directors:
  - (i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
  - (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

### **AUDITORS**

Auditors' remuneration is set out in Note 30 to the financial statements.

The auditors, Mazars PLT, Chartered Accountants, have expressed their willingness to accept re-appointment.

To the extent permitted by laws, the Company has agreed to indemnify its auditors, as part of the terms of its audit engagement, against claims arising from the audit. No payment has been made to indemnify the auditors for the current financial period.

### **APPROVAL OF THE DIRECTORS' REPORT**

This report is approved by the board of directors, and signed on behalf of the board of directors in accordance with a directors' resolution.

**WHANG SHANG YING**  
Director

**KHOO HENG SUAN**  
Director

Date: 21 May 2021

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LAM SOON (M) BERHAD (Incorporated in Malaysia)

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the financial statements of Lam Soon (M) Berhad, which comprise the statements of financial position as at 31 December 2020 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 20 to 86.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") 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 ("ISA"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Independence and Other Ethical Responsibilities*

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

### *Information Other than the Financial Statements and Auditors' Report Thereon*

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

### *Responsibilities of the Directors for the Financial Statements*

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with MFRS, IFRS 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.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LAM SOON (M) BERHAD (cont'd)

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 ISA 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 ISA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 9 to the financial statements.

**Other Matter**

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

MAZARS PLT  
201706000496 (LLP0010622-LCA)  
AF 001954  
Chartered Accountants

Kuala Lumpur

Date: 21 May 2021

CHONG FAH YOW  
03004/07/2022 J  
Chartered Accountant

# STATEMENTS OF FINANCIAL POSITION

31 DECEMBER 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	3	476,866	490,887	470	509
Prepaid lease payment	4	3,010	3,094	3,010	3,094
Investment properties	5	80,026	82,491	67,581	70,568
Land held for property development	6	62,266	62,266	-	-
Right-of-use assets	7	20,640	11,388	349	-
Intangible assets	8	2,572	2,572	-	-
Investments in subsidiaries	9	-	-	379,689	379,689
Investments in associates	10	138,215	131,849	11,135	11,135
Other investments	11	1,083	1,095	331	343
Deferred tax assets	12	5,959	4,046	-	-
		<b>790,637</b>	<b>789,688</b>	<b>462,565</b>	<b>465,338</b>
<b>CURRENT ASSETS</b>					
Inventories	13	340,745	287,588	-	-
Biological assets	14	2,239	1,684	-	-
Trade and other receivables	15	311,470	285,198	328	364
Amounts owing by subsidiaries	9	-	-	262	268
Amount owing by immediate holding company	16	2	-	-	-
Amount owing by an associate	10	14,970	43,139	-	-
Amounts owing by related companies	17	5,052	4,719	1	3
Short term investments	18	585,914	487,790	425,329	355,377
Current tax assets		197	20	-	-
Derivatives	19	2,796	2,068	-	-
Short term deposits	20	26,279	18,739	-	210
Cash and bank balances	21	16,329	14,322	251	144
		<b>1,305,993</b>	<b>1,145,267</b>	<b>426,171</b>	<b>356,366</b>
<b>TOTAL ASSETS</b>		<b>2,096,630</b>	<b>1,934,955</b>	<b>888,736</b>	<b>821,704</b>
<b>EQUITY</b>					
Share capital	22	214,720	214,720	214,720	214,720
Reserves	23	1,251,524	1,147,880	635,731	600,925
Equity attributable to owners of the Company		<b>1,466,244</b>	<b>1,362,600</b>	<b>850,451</b>	<b>815,645</b>
Non-controlling interests		87,774	83,935	-	-
<b>TOTAL EQUITY</b>		<b>1,554,018</b>	<b>1,446,535</b>	<b>850,451</b>	<b>815,645</b>

## STATEMENTS OF FINANCIAL POSITION (cont'd)

31 DECEMBER 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>NON-CURRENT LIABILITIES</b>					
Lease liabilities	7	14,925	8,252	271	-
Deferred tax liabilities	24	25,452	23,640	1,641	1,642
		40,377	31,892	1,912	1,642
<b>CURRENT LIABILITIES</b>					
Trade and other payables	25	253,860	200,198	36,125	4,353
Amount owing to a subsidiary	9	-	-	2	-
Amount owing to immediate holding company	16	-	12	-	-
Amount owing to an associate	10	98,230	65,698	-	-
Amounts owing to related companies	17	16,222	16,621	2	1
Bank borrowings	26	110,453	164,322	-	-
Lease liabilities	7	6,260	3,374	84	-
Derivatives	19	213	272	-	-
Current tax liabilities		16,997	6,031	160	63
		502,235	456,528	36,373	4,417
<b>TOTAL LIABILITIES</b>		<b>542,612</b>	<b>488,420</b>	<b>38,285</b>	<b>6,059</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,096,630</b>	<b>1,934,955</b>	<b>888,736</b>	<b>821,704</b>

The accompanying notes form an integral part of the financial statements

## STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue	27	2,422,021	2,155,201	99,290	95,172
Cost of sales	28	(2,002,717)	(1,801,853)	(3,923)	(3,834)
Gross profit		419,304	353,348	95,367	91,338
Other income		13,236	15,591	956	2,254
Selling and distribution expenses		(120,797)	(121,614)	-	-
Administrative and general expenses		(120,440)	(112,029)	(6,731)	(5,540)
Finance costs	29	(5,202)	(8,564)	(15)	-
Share of results of associates (net of tax)		28,272	30,633	-	-
<b>Profit before tax</b>	30	214,373	157,365	89,577	88,052
Tax expense	31	(45,777)	(31,402)	(1,079)	(930)
<b>Profit for the financial year</b>		168,596	125,963	88,498	87,122
<b>Other comprehensive (loss)/income, net of tax</b>					
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Fair value (loss)/gain on equity investments at fair value through other comprehensive income ("FVTOCI")		(12)	13	(12)	13
<b>Total other comprehensive (loss)/income</b>		(12)	13	(12)	13
<b>Total comprehensive income for the financial year</b>		168,584	125,976	88,486	87,135

## STATEMENTS OF COMPREHENSIVE INCOME (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Profit for the financial year attributable to:</b>					
Owners of the Company		157,336	119,363	88,498	87,122
Non-controlling interests		11,260	6,600	-	-
		<b>168,596</b>	<b>125,963</b>	<b>88,498</b>	<b>87,122</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		157,324	119,376	88,486	87,135
Non-controlling interests		11,260	6,600	-	-
		<b>168,584</b>	<b>125,976</b>	<b>88,486</b>	<b>87,135</b>
Earnings per ordinary share attributable to owners of the Company (sen)					
- Basic	32	73.27	55.59		
Net dividend per ordinary share (sen)					
- distribution during the financial year		25.00	30.00		
- proposed for the financial year					
- Final		15.00	10.00		
- Special		5.00	-		

The accompanying notes form an integral part of the financial statements

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Group 2020	Attributable to owners of the Company					Total equity RM'000
	Share capital RM'000	Capital reserve RM'000	Exchange translation reserve RM'000	Equity investment reserve RM'000	Distributable	
At 1 January 2020	214,720	196,909	2	(2,788)	953,757	1,362,600
Fair value loss on equity investments at FVTOCI	-	-	-	(12)	-	(12)
Total other comprehensive loss for the financial year	-	-	-	(12)	-	(12)
Profit for the financial year	-	-	-	-	157,336	157,336
Total comprehensive (loss)/income for the financial year	-	-	-	(12)	157,336	157,324
Transactions with owners: - Dividends of the Company - Dividends of subsidiaries	-	-	-	-	(53,680)	(53,680)
	-	-	-	-	-	(7,421)
	-	-	-	-	(53,680)	(53,680)
At 31 December 2020	214,720	196,909	2	(2,800)	1,057,413	1,466,244
	214,720	141,062	2	(2,801)	954,657	1,307,640
Fair value gain on equity investments at FVTOCI	-	-	-	13	-	13
Total other comprehensive income for the financial year	-	-	-	13	-	13
Profit for the financial year	-	-	-	-	119,363	119,363
Total comprehensive income for the financial year	-	-	-	13	119,363	119,376
Issuance of bonus shares by a subsidiary	-	55,847	-	-	(55,847)	-
Transactions with owners: - Dividends of the Company - Dividends of subsidiaries	-	-	-	-	(64,416)	(64,416)
	-	-	-	-	-	(5,295)
	-	-	-	-	(64,416)	(64,416)
At 31 December 2019	214,720	196,909	2	(2,788)	953,757	1,362,600

The accompanying notes form an integral part of the financial statements

## STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Company	<---- Non-distributable---->		Distributable	Total equity RM'000
	Share capital RM'000	Equity investment reserve RM'000	Retained profits RM'000	
At 1 January 2019	214,720	197	578,009	792,926
Other comprehensive income for the financial year	-	13	-	13
Profit for the financial year	-	-	87,122	87,122
Dividends (Note 33)	-	-	(64,416)	(64,416)
At 31 December 2019	214,720	210	600,715	815,645
Other comprehensive loss for the financial year	-	(12)	-	(12)
Profit for the financial year	-	-	88,498	88,498
Dividends (Note 33)	-	-	(53,680)	(53,680)
At 31 December 2020	214,720	198	635,533	850,451

The accompanying notes form an integral part of the financial statements

## STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax	214,373	157,365	89,577	88,052
Adjustments for:				
Amortisation of prepaid lease payment	84	84	84	84
Bad debts written off	314	379	-	-
Depreciation of property, plant and equipment	40,512	39,700	88	85
Depreciation of investment properties	2,516	1,316	2,987	2,987
Depreciation of right-of-use assets	6,710	6,019	87	-
Gain from change in fair value of biological assets	(555)	(656)	-	-
Gratuity and retirement benefits	2,211	2,960	88	-
Impairment loss on trade receivables	396	125	-	-
Inventories written (back)/down	(5,500)	2,645	-	-
Inventories written off	2,587	3,184	-	-
Net gain on disposal of property, plant and equipment	(276)	(156)	-	-
Net gain on redemption of short term investments	-	(1,645)	-	(985)
Net fair value loss on short term investments	1,705	70	1,579	150
Net fair value gain on derivatives	(787)	(1,111)	-	-
Net unrealised loss on foreign exchange	180	141	-	-
Provision of COVID-19 expenses	498	-	-	-
Property, plant and equipment written off	757	767	1	-
Share of results of associates	(28,272)	(30,633)	-	-
Write back of impairment loss on trade receivables	-	(32)	-	-
Dividend income	(6)	(9)	(82,641)	(77,887)
Dividend income from short term investments	(15,508)	(17,951)	(10,465)	(11,649)
Interest income	(890)	(994)	(10)	(14)
Interest expenses	5,202	8,564	15	-
Operating profit before working capital changes	226,251	170,132	1,390	823
Changes in inventories	(50,244)	(32,419)	-	-
Changes in receivables	514	(13,469)	38	3
Changes in payables	50,963	(369)	(521)	(133)
Cash generated from operations	227,484	123,875	907	693
Interest received	-	7	-	-
Interest paid	(984)	(510)	(15)	-
Net tax paid	(35,089)	(26,058)	(983)	(1,119)
Net cash generated from/(used in) operating activities	191,411	97,314	(91)	(426)

## STATEMENTS OF CASH FLOWS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Additions to land held for development	-	(1,911)	-	-
Purchase of property, plant and equipment	(27,665)	(69,698)	(50)	-
Purchase of investment properties	(51)	(14,270)	-	-
Purchase of short term and other investments	(99,829)	(21,402)	(71,531)	(24,632)
Proceeds from disposal of property, plant and equipment	693	647	-	-
Distributions received from subsidiaries upon liquidation	-	15,780	-	-
Repayment from subsidiaries	-	-	6	-
Interest received	890	987	10	14
Dividends received from subsidiaries	-	-	71,890	62,368
Dividends received from associates	21,965	22,038	10,745	15,510
Dividends received from short-term and other investments	15,514	17,960	10,471	11,658
Net cash (used in)/generated from investing activities	(88,483)	(49,869)	21,541	64,918
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Net (repayment)/drawdown of bank borrowings (Note a)	(53,869)	36,869	-	-
Lease payment	(6,401)	(5,781)	(81)	-
Dividends paid to shareholders of the Company	(21,472)	(64,416)	(21,472)	(64,416)
Dividends of subsidiaries paid to non-controlling interests	(7,421)	(5,295)	-	-
Interest paid	(4,218)	(8,054)	-	-
Net cash used in financing activities	(93,381)	(46,677)	(21,553)	(64,416)
NET CHANGES IN CASH AND CASH EQUIVALENTS	9,547	768	(103)	76
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	33,061	32,293	354	278
CASH AND CASH EQUIVALENTS CARRIED FORWARD	42,608	33,061	251	354

## STATEMENTS OF CASH FLOWS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Represented by:				
SHORT TERM DEPOSITS	26,279	18,739	-	210
CASH AND BANK BALANCES	16,329	14,322	251	144
	42,608	33,061	251	354

Note (a):

### *Reconciliation of liabilities arising from financing activities*

	Group	
	2020 RM'000	2019 RM'000
At beginning of financial year	164,322	127,453
<i>Cash flows:</i>		
Drawdown of bank borrowings	452,416	476,705
Repayment of bank borrowings	(506,285)	(439,836)
Interest paid	(4,218)	(8,054)
<i>Non-cash changes:</i>		
Interest expenses	4,218	8,054
At end of financial year	110,453	164,322

The accompanying notes form an integral part of the financial statements

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 1. GENERAL INFORMATION

Lam Soon (M) Berhad (the "Company") is a public limited company incorporated and domiciled in Malaysia. The address of the registered office and principal place of business of the Company is disclosed on page 2.

The ultimate holding company is Lam Soon Cannery Private Limited, a company incorporated in the Republic of Singapore.

The immediate holding company is Lam Soon Strategic Sdn Bhd, a company incorporated in Malaysia which holds 61.7% (2019: 51.9%) of the issued and paid-up share capital of the Company.

The Company is principally engaged in investment and property holding. The principal activities of the subsidiaries are disclosed in Note 9.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

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

The measurement bases applied in the preparation of the financial statements include historical cost, recoverable value, realisable value and fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market condition (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

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

The fair value measurement of the Group and of the Company at the reporting date is disclosed in Note 38.

The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency. Unless otherwise indicated, the amounts in these financial statements have been rounded to the nearest thousand (RM'000).

### (b) Application of new or amended standards

In current financial year, the Group and the Company have applied a number of Amendments to MFRSs ("Amendments") that become effective mandatorily for the financial periods beginning on or after 1 January 2020.

The adoption of the Amendments does not have significant impact on the financial statements of the Group and of the Company.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (c) Standards issued that are not yet effective

The Group and the Company have not applied the following Amendments which are relevant to the Group and the Company that have been issued by the MASB but are not yet effective:

		<i>Effective Date</i>
Amendments to MFRS 16	Covid 19 – Related Rent Concessions	1 June 2020
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16	Interest Rate Benchmark Reform - Phase 2	1 January 2021
Amendments to MFRS 16	Covid 19 – Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to MFRS 1, MFRS 9 and MFRS 141	Annual Improvements to MFRS Standards 2018 – 2020	1 January 2022
Amendments to MFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 101	Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108	Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The adoption of the above Amendments are not expected to have significant impact on the financial statements of the Group and of the Company.

#### (d) Significant accounting judgements and estimates

The preparation of financial statements requires management to exercise judgement in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the end of the reporting period, and reported amounts of income and expenses during the financial year.

Although these estimates are based on management's best knowledge of current events and actions, historical experiences and various other factors, including expectations for future events that are believed to be reasonable under the circumstances, actual results may ultimately differ from these estimates.

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

There are no critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements.

The key assumptions concerning the future and other key sources associated with estimation uncertainty at the reporting date that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities are as follows:

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (d) Significant accounting judgements and estimates (cont'd)

- (i) Depreciation and useful lives of property, plant and equipment and investment properties

The cost of plant and machinery for the manufacturing of the Group's palm oil related products and other consumer products is depreciated on a straight-line basis over the assets' useful lives. The management estimated the useful lives of these plant and machinery to be between 10 and 33 years. These are common life expectancies applied in the industry. The management estimates the useful lives of investment properties to be 5 to 92 years.

Any changes in the expected level of usage, physical wear and tear and technological development could impact the economic useful lives and the residual values of these assets, and therefore, future depreciation charges may be revised.

- (ii) Bearer plants

Bearer plants comprise pre-cropping expenditure incurred from land clearing to the point of maturity. Such expenditure is capitalised and is depreciated on a straight-line basis at maturity of the crop over the economic useful lives of the crop. Depreciation of mature bearer plants was computed based on the straight-line basis over the remaining useful lives of 22 years.

- (iii) Biological assets

The Group carries their biological assets at fair value with changes in fair value being recognised in profit or loss. The determination of the fair value of the biological assets requires the use of estimates on the projected harvest quantities and market price of fresh fruit bunches ("FFB") as at the reporting date. The carrying amount and key assumptions used to determine the fair value of the biological assets are further disclosed in Note 14.

- (iv) Impairment of investments in subsidiaries and associates

Investment in subsidiaries and associates are assessed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, an estimation of their recoverable amount is required.

Estimating the recoverable amount requires management to make an estimate of the expected future cash flows from the subsidiaries and associates and also choose a suitable discount rate in order to calculate the present value of those cash flows.

- (v) Impairment of inventories

Inventories are stated at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected selling prices.

Inventories are reviewed on a regular basis and the Group will make an impairment loss for excess or obsolete inventories based primarily on historical trends and management estimates of expected and future product demand and related pricing.

Demand levels, technological advances and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories and additional impairment losses for slow-moving inventories may be required.

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (d) Significant accounting judgements and estimates (cont'd)

##### (vi) Determining the loss allowance for trade receivables

Management assesses the expected credit losses ("ECL") for trade receivables at each reporting date. Credit losses are the difference between the contractual cash flows that are due to the entity and the cash flows that it actually expects to receive. Management applies simplified approach of MFRS 9 *Financial Instruments* in assessing the impairment of trade receivables.

In determining the ECL, management uses historical credit loss experience for trade receivables to estimate the ECL. Management is not only required to consider historical information that is adjusted to reflect the effects of current conditions and information that provides objective evidence that trade receivables are impaired in relation to incurred losses, but management is also considering, when applicable, reasonable and supportable information that may include forecasts of future economic conditions when estimating the ECL, on an individual and collective basis.

The need to consider forward-looking information means that management exercises considerable judgement as to how changes in macroeconomic factors will affect the ECL on trade receivables.

The ECL on trade receivables as at current reporting date is primarily based upon the historical credit loss experience.

##### (vii) Determining the loss allowance for non-trade receivables

Management assesses the ECL for receivables (other than trade receivables) at each reporting date. Credit losses are the difference between the contractual cash flows that are due to the entity and the cash flows that it actually expects to receive.

In determining the ECL, management assesses whether there has been any significant increase in credit risk since initial recognition of a receivable. Where there has not been a significant increase in credit risk since initial recognition, management determines the loss allowance by estimating an amount equal to 12-month ECL of that receivable. For those credit exposures for which there has been a significant increase in the likelihood or risk of a default occurring since initial recognition (instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring), management measures a loss allowance for credit losses expected over the remaining life of that receivable. Management exercise considerable judgement in these estimations, using historical credit loss experience as well as reasonable and supportable information that may include forecasts of future economic conditions when estimating the ECL.

##### (viii) Income taxes

Significant estimation is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (d) Significant accounting judgements and estimates (cont'd)

##### (ix) Recognition of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unutilised tax losses to the extent that it is probable that taxable profits will be available in future against which the deductible temporary differences and tax losses can be utilised.

Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

##### (x) Fair value of financial instruments

Where fair values of financial instruments recorded on the statements of financial position cannot be derived from active markets, they are determined using valuation techniques, including the discounted cash flow model. The inputs to these models are derived from observable market data where possible, but where this is not feasible, a degree of judgement is required in establishing the fair values.

The judgements include considerations of liquidity and model inputs regarding the future financial performance of the investee, the risk profile and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

##### (xi) Lease liabilities

Management estimates the lease term as the non-cancellable period of a lease together with both periods covered by an option to extend the lease and an option to terminate the lease. In assessing whether it is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, management exercises judgement by considering all relevant facts and circumstances that create an economic incentive to exercise the option to extend the lease, or not to exercise the option to terminate the lease.

Management measures the lease liability as the present value of the lease payments that are not paid at commencement date. The lease payments are discounted using the incremental borrowing rate.

The lease terms and discount rate are determined using certain assumptions and they represents management's best estimation. The assumptions on which it is based relate to the future. Actual outcome may be different from the estimation and the variation could be material.

#### (e) Investments in subsidiaries

In the Company's separate financial statements, investment in subsidiaries is measured at cost less impairment losses, if any. Impairment losses are charged to profit or loss.

On disposal, the difference between the net disposal proceeds and the carrying amount of the subsidiary disposed of is recognised in profit or loss.

#### (f) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries controlled by the Company made up to the end of the financial year.

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (f) Basis of consolidation (cont'd)

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

- (i) power over the entity;
- (ii) exposure, or rights, to variable returns from its involvement with the entity; and
- (iii) the ability to use its power over the entity to affect the amount of the investor's returns.

Potential voting rights are considered when assessing control only if the rights are substantive.

The Company reassesses whether it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of an investee shall begin from the date the Company obtains control of the entity and cease when the Company loses control of the investee.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

All intra-group balances, transactions, income and expenses are eliminated in full on consolidation and the consolidated financial statements reflect external transactions only.

The Company attributes the profit or loss and each component of other comprehensive income to the owners of the Company and to the non-controlling interests. The Company also attributes total comprehensive income to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

#### *Changes of interests in subsidiaries*

The changes of interest in subsidiaries that do not result in a loss of control are treated as equity transactions between the Group and non-controlling interest holders. Any gain or loss arising from equity transactions is recognised directly in equity.

#### *Loss of control*

When the Company loses control of subsidiaries:

- (i) It derecognises the assets and liabilities, non-controlling interests, and other amounts previously recognised in other comprehensive income relating to the former subsidiaries.
- (ii) It recognises any gain or loss in profit or loss attributable to the Group, which is calculated as the difference between (i) the aggregate of the fair value of the consideration received, if any, from the transaction, event or circumstances that resulted in the loss of control; plus any investment retained in the former subsidiaries at its fair value at the date when control is lost; and (ii) the net carrying amount of assets, liabilities, goodwill and any non-controlling interests attributable to the former subsidiaries at the date when control is lost.
- (iii) It recognises any investment retained in the former subsidiaries at its fair value when control is lost and subsequently accounts for it and for any amounts owed by or to the former subsidiaries in accordance with relevant MFRS. That fair value shall be regarded as the fair value on initial recognition of a financial asset in accordance with MFRS 9 or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (g) Business combination

The Group accounts for each business combination by applying the acquisition method.

The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer.

The Group accounts for acquisition related costs as expenses in the periods in which the costs are incurred and the services are received.

The Group measures at the acquisition date, components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation of either: (i) fair value; or (ii) the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets.

On the date of acquisition, goodwill is measured as the excess of (a) over (b) below:

- (a) The aggregate of: (i) the fair value of consideration transferred; (ii) the amount of any non-controlling interest in the acquiree; and (iii) in a business combination achieved in stages, the fair value of the Group's previously held equity interest in the entity.
- (b) The net fair value of the identifiable assets acquired and the liabilities assumed.

A business combination in which the amount in (b) above exceeds the aggregate of the amounts in (a) above, the Group recognises the resulting gain ("negative goodwill") directly in profit or loss on the acquisition date.

#### (h) Investments in associates

An associate is an entity in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the entity, but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has significant influence.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised at cost and adjusted thereafter for post-acquisition changes in the Group's share of net assets of the associates.

The Group's share of net profit or loss and changes recognised directly in the other comprehensive income of the associates are recognised in the consolidated profit or loss and consolidated statement of comprehensive income, respectively.

An investment in an associate is accounted for using the equity method from the date on which the Group obtains significant influence until the date the Group ceases to have a significant influence over the associate.

Goodwill relating to an associate is included in the carrying value of the investment and it is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment.

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (h) Investments in associates (cont'd)

Discount on acquisition is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

Unrealised gains or losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates.

Equity accounting is discontinued when the carrying amount of the investment in an associate diminishes by virtue of losses to zero, unless the Group has legal or constructive obligations or made payments on behalf of the associate.

The results and reserves of associates are accounted for in the consolidated financial statements based on audited financial statements made up to the end of the financial year and prepared using accounting policies that conform to those used by the Group for like transactions in similar circumstances.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate is recognised at fair value on the date when significant influence is lost. Any gain or loss arising from the loss of significant influence over an associate is recognised in profit or loss.

When changes in the Group's interest in an associate that do not result in a loss of significant influence, the retained interests in the associate are not remeasured. Any gain or loss arising from the changes in the Group's interests in the associate is recognised in profit or loss.

Where the Group or its subsidiaries transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

In the Company's separate financial statements, investments in associates are measured at cost less impairment losses, if any. Impairment losses are recognised in profit or loss.

On disposal, the difference between the net disposal proceeds and the carrying amount of the associate disposed of is recognised in profit or loss.

#### (i) Property, plant and equipment

##### (i) Measurement basis

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the assets.

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

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

##### (i) Measurement basis (cont'd)

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from their use or disposal. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

Bearer plants (which include mature and immature oil palm plantations) are living plants that are used in the production or supply of agriculture produce for more than one period and have remote likelihood of being sold as agriculture produce, except for incidental scrap sales. Bearer plants have an average life cycle of 25 years with the first 3 years as immature bearer plants and the remaining years as mature bearer plants. The immature bearer plants are measured at cost whilst matured bearer plants are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes plantation expenditure, which represents the total cost incurred from land clearing to the point of harvesting.

Bearer plants are derecognised upon disposal or when no future economic benefits are expected to flow to the entity. Any gain or loss arising on derecognition of the bearer plants is recognised in profit or loss.

##### (ii) Depreciation

Freehold land and capital work-in-progress are not depreciated. Leasehold land is depreciated over the period of the respective leases which ranged between 27 to 92 years.

Depreciation is calculated to write off the depreciable amount of other property, plant and equipment on a straight-line basis over their estimated useful lives. Depreciable amount is determined after deducting the residual value from the cost.

The principal annual rates used for this purpose are:

Buildings	3%
Plant, machinery and tanks	3% - 10%
Roads and culverts	10%
Motor vehicles	20%
Furniture, fittings and equipment	5% - 20%
Renovation	3%

Immature bearer plants are not depreciated until it is classified as mature bearer plants upon commencement of commercial production. The mature bearer plants are depreciated over its remaining useful lives of 22 years on a straight-line basis.

The residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each reporting date.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

#### (j) Investment properties

Investment properties are properties held to earn rental income or for capital appreciation or both rather than for use in the production or supply of goods or services or for administrative purposes, or sale in the ordinary course of business.

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (j) Investment properties (cont'd)

##### (i) Measurement basis

Investment properties are stated at cost less accumulated depreciation and impairment losses, if any.

The cost of investment properties includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Investment properties are derecognised upon disposal or when the investment properties are permanently withdrawn from use and no future economic benefits are expected from their disposal. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

##### (ii) Depreciation

Freehold land and capital work-in-progress are not depreciated. Leasehold land are depreciated over the period of the respective leases which ranged between 56 to 92 years.

Depreciation is calculated to write off the depreciable amount of buildings on a straight-line basis to their residual values over their expected useful lives.

The principal annual rates used for this purpose are:

Buildings	3%
Warehouse equipment	10% - 20%

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

#### (k) Land held for property development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified under non-current assets and is stated at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment loss is in accordance with Note 2(q).

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (l) Leases

##### *The Group as Lessee*

Right-of-use assets and corresponding lease liabilities are recognised with respect to all lease agreements, except for short-term leases and leases of low value assets.

For short-term leases (i.e. leases with a lease term of 12 months or less) and leases of low value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the lease commencement date, discounted using the rate implicit in the lease or incremental borrowing rate, where applicable. Lease payments included in the measurement of the lease liability comprise: (i) fixed lease payments, less lease incentives; (ii) variable lease payments based upon an index or a rate; and (iii) payments of penalties for terminating the lease.

The right-of-use assets comprise the corresponding lease liability, lease payments made at or before the lease commencement date and initial direct costs. Whenever there is an obligation to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the agreed condition, a provision is recognised. These costs are included in the related right-of-use assets.

Right-of-use assets are measured at cost less accumulated depreciation and impairment losses. They are depreciated over the shorter period of lease term and useful life of the underlying assets. The depreciation starts on the lease commencement date. The depreciation periods and depreciation method are reviewed, and adjusted if appropriate, at each reporting date.

Variable lease payment (not based upon an index or a rate) are recognised as an expense in the period in which it is incurred.

##### *The Group as Lessor*

Leases are classified as finance leases or operating leases. Whenever the lease transfers substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the lease term. Initial direct costs incurred are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the net investment in the leases. Finance lease income is allocated to reporting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases.

#### (m) Intangible assets

##### *Goodwill*

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any.

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (m) Intangible assets (cont'd)

##### *Trademark and Licence*

Trademark and licence are recognised as intangible assets if it is possible that the future economic benefits that are attributable to such assets will flow to the enterprise and can be measured reliably.

The useful life of the licence is estimated to be indefinite because once registered, the Group is able to sell its product to the European countries indefinitely.

Intangible assets with indefinite useful lives 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.

#### (n) Biological assets

Biological assets comprises oil palms.

Biological assets are measured at fair value less costs to sell. Costs to sell include all incremental costs that would be necessary to sell the biological assets. Changes in fair value are recognised in profit or loss.

Oil palm trees are bearer plants, while produce that grows on mature plantations (FFB) is biological assets until the point of harvest. Harvested FFB is transferred to inventory at fair value less costs to sell when harvested.

#### (o) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the first-in-first-out basis or the weighted average basis, depending on the nature of the inventories.

In the case of finished goods and work-in-progress, cost comprises materials, direct labour, other direct charges and an appropriate proportion of factory overheads based on the normal production capacity.

Net realisable value represents the estimated selling price in the ordinary course of business, less selling and distribution costs and all other estimated cost to completion.

#### (p) Financial instruments

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

Financial assets and financial liabilities are recognised when an entity becomes a party to the contractual provisions of an instrument.

Financial assets and financial liabilities are initially recognised at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities on initial recognition.

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (p) Financial instruments (cont'd)

##### *Financial Assets*

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

##### *Subsequent Measurement*

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are measured subsequently in the following manners:

- at amortised cost (debt instruments); or
- at fair value through other comprehensive income ("FVTOCI"), with recycling of cumulative gains and losses (debt instruments); or
- designated at FVTOCI, without recycling of cumulative gains and losses (equity instruments); or
- at fair value through profit or loss ("FVTPL").

##### *Financial Assets at Amortised Cost*

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

##### *Equity Instruments Designated at FVTOCI*

Upon initial recognition, management may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that the entity manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative instrument (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in a reserve in equity. Equity instruments designated at FVTOCI are not subject to impairment assessment.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)****(p) Financial instruments (cont'd)***Financial Assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL, including but not limited to:

- Debt instruments that are designated at FVTPL, if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.
- Derivative instruments.

Financial assets at FVTPL are measured at fair value, with fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

*Impairment of Financial Assets*

Loss allowance is recognised for ECL for all debt instruments not held at FVTPL, i.e. financial assets at amortised cost or FVTOCI and receivables, lease receivables, contract assets, loan commitments and financial guarantee contracts.

ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that are expected 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. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial asset.

Management measures the loss allowance of trade receivables and lease receivables at an amount equal to their lifetime ECL (i.e. simplified approach). The ECL on these financial assets are estimated based on historical credit loss experience, and where appropriate, adjusted for forward-looking factors specific to the debtors and the economic environment.

For all other financial assets at amortised cost, where credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL is provided for credit losses that result from default events that are possible within 12 months after the reporting date. For those credit exposures for which there has been a significant increase in the likelihood or risk of a default occurring since initial recognition (instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring), a loss allowance is required for credit losses expected over the remaining life of the financial assets.

*Derecognition of Financial Assets*

A financial asset is derecognised only when the contractual rights to the cash flows from the financial asset expire; or when the financial asset is transferred and substantially all the risks and rewards of ownership of the financial asset are transferred to another party.

If the entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control a transferred financial asset, the entity recognises its retained interest in the financial asset and an associated liability for amounts it may have to pay. If the entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the entity continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (p) Financial instruments (cont'd)

##### *Derecognition of Financial Assets (cont'd)*

On derecognition of a financial asset measured at amortised cost, the difference between the financial asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. On derecognition of an investment in a debt instrument classified at FVTOCI, the cumulative gain or loss previously accumulated in the reserve is reclassified to profit or loss. On derecognition of an investment in equity instrument classified at FVTOCI, the cumulative gain or loss previously accumulated in the reserve is transferred to retained earnings.

##### *Financial Liabilities and Equity Instruments*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### *Equity Instrument*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Equity instruments issued are recognised at the proceeds received. Costs incurred directly attributable to the issuance of the equity instruments are accounted for as a deduction from equity.

Repurchase of own equity instruments is deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of own equity instruments.

Equity dividends are recognised as a liability when they become legally payable. Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which dividends are approved by shareholders. A corresponding amount is recognised in equity.

##### *Financial Liabilities*

All financial liabilities are subsequently measured at FVTPL or at amortised cost.

##### *Financial Liabilities at Amortised Cost*

Financial liabilities that are not:

- contingent consideration of an acquirer in a business combination;
- held-for-trading; or
- designated as at FVTPL

are subsequently measured at amortised cost using the effective interest method.

##### *Effective Interest Method*

The effective interest method is a method of calculating the amortised cost of a debt instrument or a financial liability by allocating interest income/expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts/payments (including all fees and points paid that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of a debt instrument or a financial liability, to the amortised cost of the debt instrument or the financial liability.

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (p) Financial instruments (cont'd)

##### *Derecognition of Financial Liabilities*

Financial liabilities are derecognised when, and only when, the obligations under the liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

When an existing financial liability is replaced by another financial liability from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability.

##### *Derivative Financial Instruments*

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently measured at fair value. The resulting gain or loss is recognised in profit or loss, unless the derivative is designated and effective as a hedging instrument.

##### *Offsetting of Financial Instruments*

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

#### (q) Impairment of non-financial assets

##### (i) Intangible assets

Intangible assets are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the intangible assets may be impaired.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units that are expected to benefit from synergies of the business combination.

An impairment loss is recognised when the carrying amount of the cash-generating unit, including the goodwill, exceeds the recoverable amount of the cash-generating unit. Recoverable amount of the cash-generating unit is the higher of the cash-generating unit's fair value less cost to sell and its value in use.

The total impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the cash-generating unit and then to the other assets of the cash-generating unit proportionately on the basis of the carrying amount of each asset in the cash-generating unit.

Impairment loss recognised on goodwill is not reversed in the event of an increase in recoverable amount in subsequent periods.

##### (ii) Non-financial assets

Property, plant and equipment, prepaid lease payment, investment properties, land held for property development, right-of-use assets, investments in subsidiaries and associates are assessed at each reporting date to determine whether there is any indication of impairment.

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (q) Impairment of non-financial assets (cont'd)

##### (ii) Non-financial assets (cont'd)

If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's fair value less cost to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset.

Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

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

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

Any reversal of an impairment loss as a result of a subsequent increase in recoverable amount should not exceed the carrying amount that would have been determined (net of amortisation or depreciation, if applicable) had no impairment loss been previously recognised for the asset.

#### (r) Revenue and other income recognition

Revenue from a contract with a customer is recognised when control of the goods or services are transferred to the customer. Revenue is measured based on the consideration specified in the contract to which the entity expects to be entitled in exchange for transferring the goods or services to the customer, excluding amounts collected on behalf of third parties.

If a contract with a customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

The Group accepts return of goods from customers arising from customary business practices that give rise to variable consideration. In estimating the variable consideration, the Group uses the expected value method to predict the sales returns. Management relies on historical purchasing patterns and product returns of customers, including seasonal trends, to develop its expectation.

- (i) Revenue from sale of goods is recognised at the point in time when control of the goods is transferred to the customers, generally upon delivery of goods. A corresponding receivable is recognised for the consideration that is unconditional when only the passage of time is required before the payment is due. There is no element of significant financing component on the Group's revenue transactions as customers are required to pay within a credit term of 7 to 90 days.
- (ii) Interest income is recognised using the effective interest method.
- (iii) Rental income is recognised on a straight-line basis over the lease terms.
- (iv) Dividend income from investments is recognised in profit or loss as and when the right to receive is established.
- (v) Management income and commission income are recognised when the services have been rendered.
- (vi) Royalty income is recognised on an accrual basis in accordance with the licensing agreements.

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (s) Taxation

The income tax expense represents the aggregate amount of current tax and deferred tax.

Current tax and deferred tax are recognised in profit or loss. Current tax and deferred tax are recognised in other comprehensive income or directly in equity, if the tax relates to items that are recognised in other comprehensive income or directly in equity. Where deferred tax arises from a business combination, the tax effect is included in the accounting for the business combination.

##### *Current Tax*

Current tax is the expected income tax payable on the taxable profit for the financial year, estimated using the tax rates enacted or substantially enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future payment to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable.

##### *Deferred Tax*

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, which is accounted for using the liability method.

A deferred tax liability is recognised for taxable temporary differences. A deferred tax asset is only recognised for deductible temporary differences and unutilised tax credit to the extent that it is probable that taxable profit will be available in future against which the deductible temporary differences and unutilised tax credit can be utilised.

No deferred tax is recognised for temporary differences arising from the initial recognition of: (i) goodwill, or (ii) an asset or liability (which is not in a business combination) at the time of the transaction that affects neither accounting profit nor taxable profit.

Deferred taxes are measured based on tax consequences that would follow from the manner in which the asset or liability is expected to be recovered or settled, and based on the tax rates enacted or substantively enacted at the reporting date that are expected to apply to the period when the asset is realised or when the liability is settled.

#### (t) Borrowing costs

Borrowing costs incurred on assets under development that take a substantial period of time for completion are capitalised into the carrying value of the assets. Capitalisation of borrowing costs commence when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred and ceases when the asset is completed or during extended periods when active development is interrupted.

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

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (u) Employee benefits

##### (i) Short term employee benefits

Wages, salaries, paid annual leave, paid sick leave, maternity leave, bonuses and non-monetary benefits are recognised as an expense in the period in which the associated services are rendered by employees.

##### (ii) Defined contribution plans

The Company and its Malaysian subsidiaries pay monthly contributions to the Employees Provident Fund ("EPF") which is a defined contribution plan.

The legal or constructive obligation of the Company and its Malaysian subsidiaries is limited to the amount that they agree to contribute to the EPF. The contributions to the EPF are charged to profit or loss in the period to which they relate.

##### (iii) Retirement benefits

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group at the end of the reporting period.

#### (v) Foreign currencies

##### (i) Functional currency

Functional currency is the currency of the primary economic environment in which an entity operates.

The financial statements of each entity within the Group are measured using their respective functional currency.

##### (ii) Transactions and balances in foreign currencies

Transactions in currencies other than the functional currency ("foreign currencies") are translated to the functional currency at the rate of exchange ruling at the date of the transaction.

Monetary items denominated in foreign currencies at the reporting date are translated at foreign exchange rates ruling at that date.

Non-monetary items which are measured in terms of historical costs denominated in foreign currencies are translated at foreign exchange rates ruling at the date of the transaction.

Non-monetary items which are measured at fair values denominated in foreign currencies are translated at the foreign exchange rates ruling at the date when the fair values were determined.

Exchange differences arising on the settlement of monetary items and the translation of monetary items are included in profit or loss for the period.

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (v) Foreign currencies (cont'd)

##### (ii) Transactions and balances in foreign currencies (cont'd)

When a gain or loss on a non-monetary item is recognised directly in other comprehensive income, any corresponding exchange gain or loss is recognised directly in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any corresponding exchange gain or loss is recognised in profit or loss.

##### (iii) Translation of foreign operations

For consolidation purposes, all assets and liabilities of foreign operations that have a functional currency other than RM (including goodwill and fair value adjustments arising from the acquisition of the foreign operations) are translated at the exchange rates ruling at the reporting date.

Income and expense items are translated at exchange rates approximating those ruling on transaction dates.

All exchange differences arising from the translation of the financial statements of foreign operations are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in profit or loss.

#### (w) Provisions

Provisions are recognised when the entity has a present obligation (legal or constructive) as a result of a past event, when it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, a provision represents the present value of those estimated future cash flows.

When some or all of the cash flows required to settle a provision are expected to be recovered from a third party, an asset is recognised if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

#### (x) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and deposits which are short term, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 3. PROPERTY, PLANT AND EQUIPMENT

Group 2020	Freehold land and buildings RM'000	Leasehold land and buildings RM'000	Plant, machinery and tanks RM'000	Roads and culverts RM'000	Motor vehicles RM'000	Furniture, fittings and equipment RM'000	Renovation RM'000	Capital work-in- progress RM'000	Bearer plants RM'000	Total RM'000
<b>Cost</b>										
At 1 January	247	395,146	508,839	14,405	56,625	78,313	7,511	20,701	67,497	1,149,284
Additions	-	751	4,210	-	2,577	2,481	147	13,194	4,305	27,665
Disposals	-	-	(9,076)	-	(1,499)	(13)	-	-	-	(10,588)
Write-offs	-	-	(3,118)	-	(369)	(1,587)	-	(261)	-	(5,335)
Reclassification	-	27,002	951	-	-	2,224	-	(30,177)	-	-
At 31 December	247	422,899	501,806	14,405	57,334	81,418	7,658	3,457	71,802	1,161,026
<b>Accumulated depreciation</b>										
At 1 January	246	99,311	436,771	9,102	41,096	54,921	1,902	-	14,923	658,272
Charge for the financial year	-	10,493	16,478	985	4,132	5,522	208	-	2,694	40,512
Disposals	-	-	(8,840)	-	(1,320)	(11)	-	-	-	(10,171)
Write-offs	-	-	(3,109)	-	(355)	(1,114)	-	-	-	(4,578)
At 31 December	246	109,804	441,300	10,087	43,553	59,318	2,110	-	17,617	684,035
<b>Accumulated impairment losses</b>										
At 1 January/31 December	-	-	125	-	-	-	-	-	-	125
<b>Net carrying amount</b>										
At 31 December	1	313,095	60,381	4,318	13,781	22,100	5,548	3,457	54,185	476,866

# NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

Group 2019	Freehold land and buildings RM'000	Leasehold land and buildings RM'000	Plant, machinery and tanks RM'000	Roads and culverts RM'000	Motor vehicles RM'000	Furniture, fittings and equipment RM'000	Renovation RM'000	Capital work-in- progress RM'000	Bearer plants RM'000	Total RM'000
<b>Cost</b>										
At 1 January	247	266,864	504,576	14,405	50,771	70,396	6,402	148,359	111,374	1,173,394
Additions	-	19,897	7,877	-	6,168	3,560	846	24,693	6,657	69,698
Disposals	-	-	(4,338)	-	(2,297)	(13)	-	(107)	-	(6,755)
Write-offs	-	(98)	(1,758)	-	(149)	(1,022)	-	(668)	(50,534)	(54,229)
Reclassification	-	138,273	4,442	-	2,132	6,466	263	(151,576)	-	-
Transfer to investment properties (Note 5)	-	(29,790)	(1,960)	-	-	(1,074)	-	-	-	(32,824)
At 31 December	247	395,146	508,839	14,405	56,625	78,313	7,511	20,701	67,497	1,149,284
<b>Accumulated depreciation</b>										
At 1 January	246	96,842	427,192	8,118	39,313	51,389	1,705	-	62,192	686,997
Charge for the financial year	-	9,473	16,690	984	3,898	5,193	197	-	3,265	39,700
Disposals	-	-	(4,290)	-	(1,966)	(8)	-	-	-	(6,264)
Write-offs	-	(98)	(1,737)	-	(149)	(944)	-	-	(50,534)	(53,462)
Transfer to investment properties (Note 5)	-	(6,906)	(1,084)	-	-	(709)	-	-	-	(8,699)
At 31 December	246	99,311	436,771	9,102	41,096	54,921	1,902	-	14,923	658,272
<b>Accumulated impairment losses</b>										
At 1 January/31 December	-	-	125	-	-	-	-	-	-	125
<b>Net carrying amount</b>										
At 31 December	1	295,835	71,943	5,303	15,529	23,392	5,609	20,701	52,574	490,887

Property, plant and equipment includes right-of-use assets of RM313,095,000 (2019: RM295,835,000) which are presented together with the owned assets of the same class as the underlying assets.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

Company 2020	Motor vehicles RM'000	Furniture, fittings and equipment RM'000	Renovation RM'000	Total RM'000
<b>Cost</b>				
At 1 January	236	249	288	773
Additions	-	50	-	50
Write-offs	-	(2)	-	(2)
At 31 December	236	297	288	821
<b>Accumulated depreciation</b>				
At 1 January	153	86	25	264
Charge for the financial year	47	32	9	88
Write-offs	-	(1)	-	(1)
At 31 December	200	117	34	351
<b>Net carrying amount</b>				
At 31 December	36	180	254	470
<b>2019</b>				
<b>Cost</b>				
At 1 January/31 December	236	249	288	773
<b>Accumulated depreciation</b>				
At 1 January	106	56	17	179
Charge for the financial year	47	30	8	85
At 31 December	153	86	25	264
<b>Net carrying amount</b>				
At 31 December	83	163	263	509

### 4. PREPAID LEASE PAYMENT

Group/Company	Short term leasehold land	
	2020	2019
	RM'000	RM'000
<b>Cost</b>		
At 1 January/31 December	4,275	4,275
<b>Accumulated amortisation</b>		
As 1 January	1,181	1,097
Charge for the financial year	84	84
At 31 December	1,265	1,181
<b>Net carrying amount</b>		
At 31 December	3,010	3,094

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 5. INVESTMENT PROPERTIES

Group 2020	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Warehouse equipment RM'000	Total RM'000
<b>Cost</b>					
At 1 January	7,854	35,088	54,502	3,034	100,478
Additions	-	-	-	51	51
At 31 December	7,854	35,088	54,502	3,085	100,529
<b>Accumulated depreciation</b>					
At 1 January	-	6,991	9,203	1,793	17,987
Charge for the financial year	-	634	1,566	316	2,516
At 31 December	-	7,625	10,769	2,109	20,503
<b>Net carrying amount</b>					
At 31 December	7,854	27,463	43,733	976	80,026
<b>2019</b>					
<b>Cost</b>					
At 1 January	1,672	28,498	23,214	-	53,384
Additions	6,182	-	8,088	-	14,270
Transfer from property, plant and equipment (Note 3)	-	6,590	23,200	3,034	32,824
At 31 December	7,854	35,088	54,502	3,034	100,478
<b>Accumulated depreciation</b>					
At 1 January	-	4,475	3,497	-	7,972
Charge for the financial year	-	520	796	-	1,316
Transfer from property, plant and equipment (Note 3)	-	1,996	4,910	1,793	8,699
At 31 December	-	6,991	9,203	1,793	17,987
<b>Net carrying amount</b>					
At 31 December	7,854	28,097	45,299	1,241	82,491

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 5. INVESTMENT PROPERTIES (cont'd)

Company 2020	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Total RM'000
<b>Cost</b>				
At 1 January/31 December	1,672	14,595	92,593	108,860
<b>Accumulated depreciation</b>				
At 1 January	-	3,395	34,897	38,292
Charge for the financial year	-	209	2,778	2,987
At 31 December	-	3,604	37,675	41,279
<b>Net carrying amount</b>				
At 31 December	1,672	10,991	54,918	67,581
<b>2019</b>				
<b>Cost</b>				
At 1 January/31 December	1,672	14,595	92,593	108,860
<b>Accumulated depreciation</b>				
At 1 January	-	3,186	32,119	35,305
Charge for the financial year	-	209	2,778	2,987
At 31 December	-	3,395	34,897	38,292
<b>Net carrying amount</b>				
At 31 December	1,672	11,200	57,696	70,568

The fair value of the freehold and leasehold land and buildings of the Group and of the Company as at 31 December 2020 were RM132,260,000 (2019: RM137,702,000) and RM129,931,000 (2019: RM129,931,000) respectively.

The fair value was based on a valuation carried out by a registered valuer of professional valuer firm to reflect the market value by "comparison method" of valuation. This method estimates the value of a property by comparing it to the prices of similar properties sold in similar locations within a recent period of time.

The directors are of the opinion that the fair value did not fluctuate significantly at the reporting date based on the following key assumptions:

- Comparison of the Group's investment properties with similar properties that were listed for sale within the same locality or other comparable localities; and
- Enquiries from relevant property valuers and real estate agents on market conditions and changing market trends.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 5. INVESTMENT PROPERTIES (cont'd)

The direct operating expenses of investment properties represent quit rent and assessment, depreciation, insurance, upkeep of premises, and security expenses as follows:

Group	2020 RM'000	2019 RM'000
- revenue generating	3,408	2,008
- non-revenue generating	177	160
	<b>3,585</b>	<b>2,168</b>
<b>Company</b>		
- revenue generating	3,662	3,590
- non-revenue generating	177	160
	<b>3,839</b>	<b>3,750</b>

### 6. LAND HELD FOR PROPERTY DEVELOPMENT

Group	2020 RM'000	2019 RM'000
Freehold/Leasehold land and buildings		
At 1 January	62,266	60,355
Additions	-	1,911
	<b>62,266</b>	<b>62,266</b>

### 7. LEASES

As a lessee	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Right-of-use assets				
Properties	18,508	10,010	349	-
Equipment	2,132	1,378	-	-
	<b>20,640</b>	<b>11,388</b>	<b>349</b>	<b>-</b>
Lease liabilities				
- Current	6,260	3,374	84	-
- Non-current	14,925	8,252	271	-
	<b>21,185</b>	<b>11,626</b>	<b>355</b>	<b>-</b>

The leases of properties are typically made for periods of 1 to 5 years with an option to renew the lease after that date. The leases do not impose any covenants.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 7. LEASES (cont'd)

The changes in lease liabilities (fixed lease payment) is as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Balance as at 1 January	11,626	-	-	-
Cash flows:				
Lease principal payment	(6,401)	(5,781)	(81)	-
Lease interest payment	(984)	(510)	(15)	-
Non cash:				
Effect of initial application of MFRS 16 Leases on 1 January 2019	-	12,137	-	-
Additions	16,000	5,270	436	-
Interest on lease liabilities (Note 29)	984	510	15	-
Loss on derecognition	(40)	-	-	-
	<b>21,185</b>	<b>11,626</b>	<b>355</b>	<b>-</b>

The lease payments associated to short-term leases or leases of low-value assets are recognised as an expense on a straight-line basis over the lease term. No right-of-use assets and lease liabilities are recognised for these leases.

Total cash outflows for leases during the current financial period (including fixed, variable, short-term and low-value assets lease payments) of the Group and of the Company amounted to RM8,288,000 and RM96,000 (2019 : RM7,688,000 and RM92,000) respectively.

### 8. INTANGIBLE ASSETS

Group	Goodwill	Trademark and licence	Total
2020	RM'000	RM'000	RM'000
At cost and net carrying amount			
At 1 January/31 December	1,972	600	2,572
2019			
At cost and net carrying amount			
At 1 January/31 December	1,972	600	2,572

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 8. INTANGIBLE ASSETS (cont'd)

#### (a) Impairment test for cash-generating unit ("CGU") containing goodwill

For the purpose of impairment testing, goodwill acquired in business combination has been allocated to the Group's CGU identified according to business segments as follows:

Group	2020 RM'000	2019 RM'000
Oil palm plantations	1,496	1,496
Manufacturing and trading	476	476
	<hr/>	<hr/>
	1,972	1,972

#### (b) Key assumptions used in value-in-use calculations

The recoverable amount of the CGUs are determined based on value-in-use calculations using cash flow projections based on latest financial budgets approved by the management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the growth rate stated below. The key assumptions used for value-in-use calculations are as follows:

Gross margins	-	18.82% to 50.81%
Growth rates	-	3.60% to 6.95%
Discount rates	-	5.57% and 6.71%
Risk free rate	-	3.96%

The following describes each key assumption on which the management has based its cash flow projections to undertake impairment testing of goodwill:

##### (i) Budgeted gross margins

The budgeted gross margins are based on the margin achieved in the year immediately before the budgeted year and are increased by growth rate to cater for expected improvements in efficiency.

##### (ii) Growth rates

The growth rates used are consistent with the long-term average growth rate for the respective industries.

##### (iii) Discount rates

The discount rates used are pre-tax and reflect specific risks relating to the relevant sectors.

##### (iv) Risk free rate

The risk free rate is based on the yield on a 5-year Malaysian government bond rate at the beginning of the budgeted year.

#### Sensitivity to changes in assumptions

With regard to the assessment of value-in-use, the directors believes that no reasonable possible changes in any of the above key assumptions would cause the carrying values of respective CGUs to materially exceed their recoverable amounts.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 9. INVESTMENTS IN SUBSIDIARIES

Company	2020 RM'000	2019 RM'000
Unquoted shares, at cost	380,215	380,215
Accumulated impairment losses	(526)	(526)
	<b>379,689</b>	<b>379,689</b>
Amounts owing by subsidiaries	262	268
Amount owing to a subsidiary	2	-

The amounts owing by subsidiaries represent unsecured advances which are interest-free and repayable on demand.

The amount owing to a subsidiary represent expenses paid on behalf which are repayable on demand.

The subsidiaries, all of which are incorporated in Malaysia with principal place of business in Malaysia, except where indicated are as follows:

Subsidiaries of the Company	Effective equity interest		Principal activities
	2020 %	2019 %	
Lam Soon Edible Oils Sdn. Bhd.	99.7	99.7	Processing and refining of palm oil, manufacturing, marketing, sales, trading and distribution of refined palm oil products, cooking oil, soap and detergent, fats, margarine and other consumer products
*Lam Soon Plantations Sdn. Bhd.	81.7	81.7	Cultivation of oil palm, processing and sale of crude palm oil and oil palm kernel
Rennes Properties Sdn. Bhd.	100.0	100.0	Letting out of properties
Lam Soon Commodities Sdn. Bhd.	100.0	100.0	Dormant
Lam Soon Food Industries Sdn. Bhd.	100.0	100.0	Dormant
Lam Soon Distribution Sdn. Bhd.	100.0	100.0	Dormant
<b>Subsidiaries of Lam Soon Edible Oils Sdn. Bhd.</b>			
Lam Soon Trading Sdn. Bhd.	99.8	99.8	Letting out of properties
LM Services Sdn. Bhd.	100.0	100.0	Provision of management services

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 9. INVESTMENTS IN SUBSIDIARIES (cont'd)

Subsidiaries of Lam Soon Plantations Sdn. Bhd.	Effective equity interest		Principal activities
	2020 %	2019 %	
* Pacific Oleochemicals Sdn. Bhd.	100.0	100.0	Manufacturing of distilled fatty acid, stearic acid, fractionated fatty acid and refined glycerine
* Pacoleo Pte. Ltd. (incorporated in the Republic of Singapore)	100.0	100.0	Dormant
* LS Cyber DC Sdn. Bhd.	100.0	100.0	Letting out of properties

\* Subsidiaries not audited by Mazars PLT.

#### Subsidiary that has material non-controlling interests

Details of the Group's subsidiary that has material non-controlling interests at the end of the reporting period are as follows:

Name of subsidiary	Proportion of ownership interests held by non-controlling interests		Profit allocated to non-controlling interests **		Carrying amount of non-controlling interests	
	2020	2019	2020	2019	2020	2019
			RM'000	RM'000	RM'000	RM'000
Lam Soon Plantations Sdn. Bhd.	18.25%	18.25%	11,044	6,695	86,706	82,985
Others			*	*	1,068	950
					<b>87,774</b>	<b>83,935</b>

\* Amounts are negligible.

\*\* Amounts before intra-group elimination.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 9. INVESTMENTS IN SUBSIDIARIES (cont'd)

Summarised financial information of the Group's subsidiary that has material non-controlling interests (amounts before intra-group elimination) is as follows:

	2020 RM'000	2019 RM'000
<u>Lam Soon Plantations Sdn. Bhd.</u>		
Current assets	305,521	255,553
Non-current assets	285,530	300,596
Current liabilities	61,322	48,575
Non-current liabilities	24,820	23,062
	<hr/>	<hr/>
Revenue	618,500	525,952
Total income	20,660	15,064
Total expenses	(578,643)	(504,333)
	<hr/>	<hr/>
Profit for the financial year	60,517	36,683
	<hr/>	<hr/>
Profit attributable to:		
- Owners of the Company	49,473	29,988
- Non-controlling interests	11,044	6,695
	<hr/>	<hr/>
Profit for the financial year	60,517	36,683
	<hr/>	<hr/>
Total comprehensive income attributable to:		
- Owners of the Company	49,473	29,988
- Non-controlling interests	11,044	6,695
	<hr/>	<hr/>
Total comprehensive income for the financial year	60,517	36,683
	<hr/>	<hr/>
Dividends paid to non-controlling interests	7,323	5,197
Net cash generated from operating activities	38,775	65,296
Net cash used in investing activities	(69)	(48,965)
Net cash used in financing activities	(36,741)	(26,912)
Net cash inflow/(outflow)	1,965	(10,581)

### 10. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Unquoted shares, at cost	62,605	62,605	11,135	11,135
Group's share of results	75,610	69,244	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	138,215	131,849	11,135	11,135

The amount owing by/(to) an associate represent trade receivables/payables which are subject to normal trade terms.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 10. INVESTMENTS IN ASSOCIATES (cont'd)

The associates, all of which are incorporated in Malaysia with principal place of business in Malaysia, are as follows:

Associate of the Company	Effective equity interest		Principal activities
	2020 %	2019 %	
*Southern Lion Sdn. Bhd.	50.0	50.0	Manufacturing of detergents and personal care products and the trading of oral and personal care products
<b>Associate of Lam Soon Plantations Sdn. Bhd.</b>			
Dara-Lam Soon Sdn. Bhd.	40.0	40.0	Cultivation of oil palms, processing and sale of crude palm oil and oil palm kernel

\* Associate not audited by Mazars PLT.

The associates are accounted for using equity method in the consolidated financial statements.

The Group does not have any share of the associates' contingent liabilities incurred jointly with other investor or any share of contingent liabilities that arise whereby the Group is severally liable for all or part of the liabilities of the associates.

The financial year of the associates end on 31 December.

Summarised financial information of the Group's material associates are set out below:

	2020 RM'000	2019 RM'000
<b>Southern Lion Sdn. Bhd.</b>		
Current assets	257,165	247,866
Non-current assets	71,030	74,290
Current liabilities	137,915	141,171
Revenue	639,761	621,144
Profit/Total comprehensive income for the financial year	30,784	47,191
Dividend paid	21,490	31,020

Reconciliation of summarised financial information of the associate to the carrying amount of interest in the associate:

	2020 RM'000	2019 RM'000
Net assets	190,280	180,985
Proportion of ownership interest held by the Group	50%	50%
Goodwill	95,140 135	90,493 135
Carrying amount of the Group's interest in the associate	95,275	90,628

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 10. INVESTMENTS IN ASSOCIATES (cont'd)

	2020 RM'000	2019 RM'000
<b>Dara-Lam Soon Sdn. Bhd.</b>		
Current assets	40,949	30,860
Non-current assets	56,222	58,047
Current liabilities	13,938	10,224
Non-current liabilities	4,044	3,813
	<hr/>	<hr/>
Revenue	94,900	77,345
Profit/Total comprehensive income for the financial year	32,348	19,931
	<hr/>	<hr/>
Dividend paid	28,050	16,320
	<hr/>	<hr/>

Reconciliation of summarised financial information of the associate to the carrying amount of interest in the associate:

	2020 RM'000	2019 RM'000
Adjusted net assets *	82,565	78,268
Proportion of ownership interest held by the Group	40%	40%
	<hr/>	<hr/>
Goodwill	33,026	31,307
	9,914	9,914
	<hr/>	<hr/>
Carrying amount of the Group's interest in the associate	42,940	41,221
	<hr/>	<hr/>

\* Including net assets sharing at 20% up to year 2004.

### 11. OTHER INVESTMENTS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<i>Equity instruments designated at FVTOCI</i>				
Quoted shares	308	341	308	341
Unquoted shares	775	754	23	2
	<hr/>	<hr/>	<hr/>	<hr/>
	1,083	1,095	331	343
	<hr/>	<hr/>	<hr/>	<hr/>

### 12. DEFERRED TAX ASSETS

	Group	
	2020 RM'000	2019 RM'000
At 1 January	4,046	4,380
Recognised in profit or loss	1,913	(334)
	<hr/>	<hr/>
At 31 December	5,959	4,046
	<hr/>	<hr/>

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 12. DEFERRED TAX ASSETS (cont'd)

The temporary differences on which deferred tax assets have been recognised are as follows:

	Group	
	2020 RM'000	2019 RM'000
(Taxable)/Deductible temporary differences		
- Between net carrying amount and tax written down value of property, plant and equipment	(3,760)	823
- Other deductible temporary differences	9,719	3,223
At 31 December	5,959	4,046

The following deferred tax assets have not been recognised:

	Group	
	2020 RM'000	2019 RM'000
Unutilised tax losses	3,200	5,489
Unabsorbed capital allowances	5,679	4,121
At 31 December	8,879	9,610

The unabsorbed capital allowances do not expire under the current tax legislation. The unutilised tax losses can be carried forward and will expire in the following year of assessment :

Year of assessment	Group	
	2020 RM'000	2019 RM'000
2025	3,200	5,489

Deferred tax assets have not been recognised in respect of the above items as it is not probable that future taxable profits will be available against which they may be utilised.

### 13. INVENTORIES

	Group	
	2020 RM'000	2019 RM'000
Raw materials	38,807	29,494
Work-in-progress	6,293	5,394
Finished goods	277,727	235,115
Consumables	17,340	17,024
Nursery stocks	578	561
	340,745	287,588

The cost of inventories recognised as an expense in cost of sales by the Group amounted to approximately RM1,972,577,000 (2019: RM1,775,720,000).

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 14. BIOLOGICAL ASSETS

	Group	
	2020 RM'000	2019 RM'000
At fair value		
At 1 January	1,684	1,028
Fair value changes	555	656
At 31 December	2,239	1,684
Physical quantity (Metric tonnes)	3,404	3,547
Total output per annum (Metric tonnes)	109,106	107,350

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

To arrive at the fair value of FFB prior to harvest, the management considered the oil content of the unripe FFB and derived the assumption that the net cash flow to be generated from FFB prior to more than 15 days to harvest to be negligible, therefore quantity of unripe FFB on bearer plants of up to 15 days prior to harvest was used for valuation purpose. The net present value of cash flows is then determined with reference to the market value of crude palm oil at the date of harvest, adjusted for cost to sell at the point of harvest. Costs to sell, which include harvesting and transport cost, are deducted in arriving at the net cash flow to be generated.

The change in fair value of the biological assets in each accounting period is recognised in profit or loss. The Group's biological assets were fair valued within Level 3 of the fair value hierarchy. Fair value assessments have been completed consistently using the same valuation techniques.

### 15. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Gross trade receivables	285,027	270,859	5	5
Less:				
Impairment losses	(473)	(3,034)	(5)	(5)
Other receivables	284,554	267,825	-	-
Deposits	20,630	11,298	176	165
Prepayments	3,852	3,463	138	137
	2,434	2,612	14	62
	311,470	285,198	328	364

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 15. TRADE AND OTHER RECEIVABLES (cont'd)

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
The currency exposure profile of trade receivables is as follows:				
RM	224,352	222,173	5	5
US Dollar	57,830	40,837	-	-
Chinese Renminbi ("Renminbi")	621	3,968	-	-
EURO	2,223	3,709	-	-
Pound Sterling ("GBP")	-	144	-	-
Singapore Dollar ("SGD")	1	28	-	-
	285,027	270,859	5	5

Trade receivables comprise amounts receivable from the sale of goods to customers and outstanding rentals receivable from tenants. All trade receivables are granted credit periods between 7 to 90 (2019: 7 to 120) days.

Other receivables and deposits which are unsecured and non-interest bearing together with prepayments arise from the normal business transactions of the Group. Other receivables are due to be received within twelve months while the deposits are refundable upon demand.

### 16. AMOUNT OWING BY/(TO) IMMEDIATE HOLDING COMPANY

The amount owing by/(to) immediate holding company represents expenses paid on behalf which are receivable/repayable on demand.

### 17. AMOUNTS OWING BY/(TO) RELATED COMPANIES

Related companies in the financial statements refer to companies within the Lam Soon Cannery Private Limited group of companies.

#### (a) Amounts owing by related companies

The amounts owing by related companies comprise:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Trade balances	3,375	2,553	-	-
Non-trade balances	1,677	2,166	1	3
	5,052	4,719	1	3

Trade balances are subject to normal trade terms while the non-trade balances mainly comprise advertising expenses and payment on behalf which are unsecured, interest-free and receivable on demand.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 17. AMOUNTS OWING BY/(TO) RELATED COMPANIES (cont'd)

(b) Amounts owing to related companies

The amounts owing to related companies comprise:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Trade balances	(15,704)	(15,413)	-	-
Non-trade balances	(518)	(1,208)	(2)	(1)
	(16,222)	(16,621)	(2)	(1)

Trade balances are subject to normal trade terms while the non-trade balances mainly comprise advertising expenses, insurance premium, management fee charges and rental expenses which are unsecured, interest-free and payable on demand.

### 18. SHORT TERM INVESTMENTS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<i>Designated at FVTPL</i>				
- Managed fund	585,914	487,790	425,329	355,377

Short term investments represent investments in a highly liquid money market.

The fund is mainly designed to manage free cash flows and to optimise working capital so as to provide a steady stream of income returns.

### 19. DERIVATIVES

Derivatives outstanding at reporting date are as follows:

Group	Contract amount	Assets	Liabilities
2020	RM'000	RM'000	RM'000
Non-hedging derivatives:			
Forward currency contracts	182,652	2,796	213
2019			
Non-hedging derivatives:			
Forward currency contracts	173,453	2,068	272

Derivatives at financial year end are presented at gross for management monitoring purposes.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 19. DERIVATIVES (cont'd)

Forward currency contracts

Forward currency contracts are used to manage the Group's anticipated transactions in US Dollar, SGD, GBP, EURO, Brunei Dollar ("BND") and Renminbi. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with the anticipated currency transaction.

### 20. SHORT TERM DEPOSITS

The short term deposits are placed with licensed banks and have maturity periods of less than one year. The effective interest rates of these deposits ranged between 1.35% to 2.95% (2019: 2.65% to 3.25%) per annum.

These deposits are readily convertible to cash and have insignificant risk of change in value.

### 21. CASH AND BANK BALANCES

The currency exposure profile of cash and bank balances is as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
RM	16,044	14,306	245	138
US Dollar	277	8	6	6
EURO	5	5	-	-
Others	3	3	-	-
	16,329	14,322	251	144

### 22. SHARE CAPITAL

	Group/Company	
	2020 RM'000	2019 RM'000
Issued share capital of 214,720,012 ordinary shares At 1 January/31 December	214,720	214,720

### 23. RESERVES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Non-distributable:				
Capital reserve	196,909	196,909	-	-
Exchange translation reserve	2	2	-	-
Equity investment reserve	(2,800)	(2,788)	198	210
Distributable:				
Retained profits	1,057,413	953,757	635,533	600,715
	1,251,524	1,147,880	635,731	600,925

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 23. RESERVES (cont'd)

#### *Capital reserve*

The capital reserve relates to the Group's portion of bonus shares issued by its subsidiaries through the capitalisation of the subsidiaries retained profits.

### 24. DEFERRED TAX LIABILITIES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 January	23,640	22,922	1,642	1,642
Recognised in profit or loss	1,812	718	(1)	-
At 31 December	25,452	23,640	1,641	1,642

The deferred tax liabilities comprise:

Taxable/(Deductible) temporary differences:

- between net carrying amount and tax written down value of property, plant and equipment	23,652	23,499	-	-
- between net carrying amount and tax written down value of investment properties	1,642	1,642	1,642	1,642
- other temporary differences	158	(1,501)	(1)	-
	25,452	23,640	1,641	1,642

### 25. TRADE AND OTHER PAYABLES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Trade payables	90,663	86,710	-	-
Other payables	15,506	19,534	12	14
Dividend payable	32,208	-	32,208	-
Deposits	1,945	1,887	2,037	1,799
Accruals	113,538	92,067	1,868	2,540
	253,860	200,198	36,125	4,353

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 25. TRADE AND OTHER PAYABLES (cont'd)

The currency exposure profile of trade payables is as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
RM	84,455	83,024	-	-
US Dollar	3,490	3,300	-	-
EURO	2,685	386	-	-
Others	33	-	-	-
	90,663	86,710	-	-

The currency exposure profile of other payables, dividend payable, deposits and accruals are as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
RM	162,730	112,865	36,125	4,353
US Dollar	299	488	-	-
Others	168	135	-	-
	163,197	113,488	36,125	4,353

Trade payables represent amounts outstanding from trade purchases. The normal credit periods granted by the trade payables ranged between 30 to 90 (2019: 30 to 90) days.

### 26. BANK BORROWINGS

	Group	
	2020 RM'000	2019 RM'000
Unsecured:		
- Banker's acceptance bearing effective interest rate between 2.21% to 3.75% (2019: 3.69% to 4.05%) per annum	110,453	104,322
- Revolving credits bearing effective interest rate between 3.12% to 4.25% (2019: 4.05% to 4.59%) per annum	-	60,000
	110,453	164,322

The revolving credits were fully settled during the financial year.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 27. REVENUE

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<i>Revenue from contracts with customers</i>				
Sales of goods	2,404,652	2,135,496	-	-
<i>Other revenue</i>				
Rental income	6,888	8,033	6,174	5,622
Dividend income	10,471	11,658	93,106	89,536
Interest income	10	14	10	14
	<b>2,422,021</b>	<b>2,155,201</b>	<b>99,290</b>	<b>95,172</b>
<i>Timing of transfer of revenue recognition</i>				
- At a point in time	2,404,652	2,135,496	-	-
<i>Disaggregation of revenue from contracts with customers</i>				
- Local sales	1,860,919	1,618,526	-	-
- Export sales	543,733	516,970	-	-
	<b>2,404,652</b>	<b>2,135,496</b>	<b>-</b>	<b>-</b>

### 28. COST OF SALES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cost of goods sold	1,994,947	1,795,100	-	-
Direct operating expenses	7,686	6,669	3,839	3,750
Amortisation of prepaid lease payment	84	84	84	84
	<b>2,002,717</b>	<b>1,801,853</b>	<b>3,923</b>	<b>3,834</b>

### 29. FINANCE COSTS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Interest expenses on:				
- Banker's acceptance	3,248	3,615	-	-
- Revolving credits	970	4,439	-	-
- Lease liabilities	984	510	15	-
	<b>5,202</b>	<b>8,564</b>	<b>15</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 30. PROFIT BEFORE TAX

Profit before tax is stated after charging:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Amortisation of prepaid lease payment	84	84	84	84
Auditors' remuneration				
- current financial year	329	336	83	80
- underprovision in prior financial year	5	-	3	-
Bad debts written off	314	379	-	-
Depreciation of property, plant and equipment	40,512	39,700	88	85
Depreciation of investment properties	2,516	1,316	2,987	2,987
Depreciation of right-of-use assets	6,710	6,019	87	-
Directors' fees				
- Directors of the Company	1,166	1,194	316	344
- Directors of the subsidiaries				
- current financial year	485	520	-	-
- underprovision in prior financial year	40	-	-	-
Directors' remuneration	16,295	13,626	-	-
Directors' post-employment benefits				
- defined contribution plan	1,290	1,061	-	-
Fair value loss on short term investments	1,707	192	1,579	150
Gratuity and retirement benefits	2,211	2,960	88	-
Impairment loss on trade receivables	396	125	-	-
Inventories written down	-	2,645	-	-
Inventories written off	2,587	3,184	-	-
Lease expenses for short-term leases and low-value assets	903	1,397	-	92
Loss on disposal of property, plant and equipment	-	20	-	-
Loss on foreign exchange				
- realised	-	7	-	-
- unrealised	254	141	-	-
Property, plant and equipment written off	757	767	1	-
Provision for COVID-19 expenses	498	-	-	-

and crediting:

Bad debts recovered	25	146	-	-
Dividend income from short-term investments	15,508	17,951	10,465	11,649
Fair value gain on short term investments	2	122	-	-
Gross dividend income from				
- subsidiaries	-	-	71,890	62,368
- associates	-	-	10,745	15,510
- other investments	6	9	6	9
Gain from change in fair value of biological assets	555	656	-	-
Gain on disposal of property, plant and equipment	276	176	-	-

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 30. PROFIT BEFORE TAX (cont'd)

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
and crediting (cont'd):				
Gain on foreign exchange				
- realised	1,702	35	-	-
- unrealised	74	-	-	-
Gain on redemption of short term investments	-	1,645	-	985
Interest income from				
- fixed and short term deposits	890	987	10	14
- others	-	7	-	-
Inventories written back	5,500	-	-	-
Net fair value gain on derivatives	787	1,111	-	-
Operating lease income				
- rental of properties	2,853	5,161	6,174	5,622
Royalty income	1,430	1,412	-	-
Write back of impairment loss on trade receivables	-	32	-	-

### 31. TAX EXPENSE

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Malaysian tax based on the results for the financial year:				
- current	45,543	30,381	1,065	1,100
- under/(over) provision in prior financial year	335	(31)	15	(170)
	45,878	30,350	1,080	930
Deferred tax:				
- relating to origination of temporary differences	1,211	1,568	(1)	-
- overprovision in prior financial year	(1,312)	(516)	-	-
	(101)	1,052	(1)	-
	45,777	31,402	1,079	930

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 31. TAX EXPENSE (cont'd)

The numerical reconciliations between the tax expense and the product of accounting profit multiplied by the applicable tax rate are as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Accounting profit (excluding share of results in associates)	186,101	126,732	89,577	88,052
Tax at the applicable tax rate of 24% (2019: 24%)	44,664	30,416	21,498	21,132
Add/(Less):				
Tax effect of expenses not deductible in determining taxable profit	6,103	5,695	1,960	1,727
Tax effect of income not subject to tax	(3,838)	(4,389)	(22,394)	(21,759)
Utilisation of deferred tax assets not recognised previously	(175)	-	-	-
Deferred tax assets not recognised	-	227	-	-
	46,754	31,949	1,064	1,100
Less:				
Under/(Over) provision in prior financial year				
- current tax	335	(31)	15	(170)
- deferred tax	(1,312)	(516)	-	-
Tax expense for the financial year	45,777	31,402	1,079	930

### 32. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share is calculated based on consolidated profit for the financial year attributable to owners of the Company of RM157,336,000 (2019: RM119,363,000) and on 214,720,012 (2019: 214,720,012) number of ordinary shares in issue during the financial year. As there are no potential ordinary shares, the dilutive earnings per ordinary share is the same as basic earnings per ordinary share.

### 33. DIVIDENDS

	Company	
	2020 RM'000	2019 RM'000
Recognised as distribution to owners of the Company during the financial year in respect of the financial year ended:		
31 December 2020		
- Interim single-tier dividend of 15 sen per share	32,208	-
31 December 2019		
- Interim single-tier dividend of 9 sen per share	-	19,325
- Final single-tier dividend of 10 sen per share	21,472	-
31 December 2018		
- Final single-tier dividend of 21 sen per share	-	45,091
	53,680	64,416
Net dividend per ordinary share (sen)	25.00	30.00

The directors now recommend the payment of a final single-tier dividend of 15 sen per share and a special single-tier dividend of 5 sen per share amounting to a total of RM42,944,002 for the financial year ended 31 December 2020, subject to approval of the shareholders at the forthcoming Company's annual general meeting.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 34. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Salaries, wages, allowances and bonuses				
- Executive directors	16,295	13,626	-	-
- Other employees	138,398	131,018	3,148	3,543
Gratuity and retirement benefits	2,211	2,960	88	-
Defined contribution plan - EPF contributions				
- Executive directors	1,290	1,061	-	-
- Other employees	15,197	14,819	378	426
Social security costs - SOCSO contributions	1,281	1,297	10	9
Other staff related benefits	2,202	3,176	72	172
	176,874	167,957	3,696	4,150

### 35. RELATED PARTY DISCLOSURES

- (a) The Company has a controlling related party relationship with its subsidiaries referred to in Note 9.
- (b) The Company also has related party relationship with the following related parties:
- Associates as referred to in Note 10.
  - Immediate holding and related companies referred to in Notes 16 and 17.
  - Companies in which certain directors of the Company have financial interests.
- (c) In addition to information disclosed elsewhere in the financial statements, the Group and the Company have the following significant transactions with the related parties during the financial year:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Sales to				
- an associate	4,207	4,241	-	-
- related companies	19,319	15,495	-	-
Lease rental income from				
- a subsidiary	-	-	5,895	5,297
- related companies	2,410	3,245	189	242
- an associate	-	609	-	-
Commission income from a related company	290	382	-	-
Royalty income from an associate	1,430	1,412	-	-
Management fees from				
- immediate holding company	288	288	288	288
- subsidiaries	-	-	373	740
- related companies	90	90	90	90

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 35. RELATED PARTY DISCLOSURES (cont'd)

- (c) In addition to information disclosed elsewhere in the financial statements, the Group and the Company have the following significant transactions with the related parties during the financial year: (cont'd)

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Purchases from				
- an associate	533,268	603,400	-	-
- related companies	88,950	99,723	-	-
- companies in which certain directors of the Company have financial interests	172	172	-	-
Rentals charged by				
- a related company	1,843	1,611	103	106
- immediate holding company	1,171	1,189	-	-
Management fees charged by				
- a subsidiary	-	-	13	13
- a related company	303	393	-	-
Advertising expenses paid to a related company	1,191	1,627	-	-

Information regarding outstanding balances with the subsidiaries, associates, immediate holding company and related companies at financial year end arising from related party transactions are disclosed in Notes 9, 10, 16 and 17 respectively.

- (d) Compensation of key management personnel

The key management personnel are the directors of the Company.

The remuneration of directors of the Company and the Group during the financial year comprises:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Fees				
- current financial year	1,651	1,714	316	344
- prior financial year	40	-	-	-
Remuneration	16,295	13,626	-	-
	17,986	15,340	316	344
Post-employment benefits				
- defined contribution plan	1,290	1,061	-	-
Total compensation	19,276	16,401	316	344

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 36. CAPITAL COMMITMENTS

	Group	
	2020 RM'000	2019 RM'000
Approved capital expenditure in respect of property, plant and equipment not provided for in financial statements		
- contracted	1,579	20,281
- not contracted	98,014	169,066
	<b>99,593</b>	<b>189,347</b>

### 37. OPERATING LEASE ARRANGEMENTS

*The Group as lessor*

The Group entered into commercial property leases to earn rental income from its investment properties, property, plant and equipment as well as leasehold land classified as prepaid lease payment.

These leases have remaining non-cancellable lease terms of average 3 years with an option to renew for a further 2 years. The lease includes a clause to enable a revision of the rental charge after the expiry dates, based on prevailing market conditions. The Group does not have any contingent rental arrangements.

The maturity analysis of rentals receivable under these non-cancellable leases are as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Not later than one year	4,515	4,661	6,231	6,237
Later than one year but not later than five years	3,346	6,224	4,487	12,453
	<b>7,861</b>	<b>10,885</b>	<b>10,718</b>	<b>18,690</b>

### 38. FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

2020 Group	At amortised cost RM'000	At FVTPL RM'000	At FVTOCI RM'000	Total RM'000
<u>Financial assets</u>				
Other investments	-	-	1,083	1,083
Trade and other receivables	309,036	-	-	309,036
Amount owing by immediate holding company	2	-	-	2
Amount owing by an associate	14,970	-	-	14,970
Amounts owing by related companies	5,052	-	-	5,052
Short term investments	-	585,914	-	585,914
Derivatives	-	2,796	-	2,796
Deposits, cash and bank balances	42,608	-	-	42,608
Total financial assets	<b>371,668</b>	<b>588,710</b>	<b>1,083</b>	<b>961,461</b>

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 38. FINANCIAL INSTRUMENTS (cont'd)

(a) Classification of financial instruments (cont'd)

2020 Company	At amortised cost RM'000	At FVTPL RM'000	At FVTOCI RM'000	Total RM'000
<u>Financial assets</u>				
Other investments	-	-	331	331
Trade and other receivables	314	-	-	314
Amounts owing by subsidiaries	262	-	-	262
Amounts owing by related companies	1	-	-	1
Short term investments	-	425,329	-	425,329
Cash and bank balances	251	-	-	251
Total financial assets	828	425,329	331	426,488

2020 Group	At amortised cost RM'000	At FVTPL RM'000	Total RM'000
<u>Financial liabilities</u>			
Trade and other payables	253,860	-	253,860
Amount owing to an associate	98,230	-	98,230
Amounts owing to related companies	16,222	-	16,222
Bank borrowings	110,453	-	110,453
Derivatives	-	213	213
Total financial liabilities	478,765	213	478,978

#### Company

<u>Financial liabilities</u>			
Trade and other payables	36,125	-	36,125
Amount owing to a subsidiary	2	-	2
Amount owing to a related company	2	-	2
Total financial liabilities	36,129	-	36,129

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 38. FINANCIAL INSTRUMENTS (cont'd)

(a) Classification of financial instruments (cont'd)

2019 Group	At amortised cost RM'000	At FVTPL RM'000	At FVTOCI RM'000	Total RM'000
<u>Financial assets</u>				
Other investments	-	-	1,095	1,095
Trade and other receivables	282,586	-	-	282,586
Amount owing by an associate	43,139	-	-	43,139
Amounts owing by related companies	4,719	-	-	4,719
Short term investments	-	487,790	-	487,790
Derivatives	-	2,068	-	2,068
Deposits, cash and bank balances	33,061	-	-	33,061
<b>Total financial assets</b>	<b>363,505</b>	<b>489,858</b>	<b>1,095</b>	<b>854,458</b>
<b>Company</b>				
<u>Financial assets</u>				
Other investments	-	-	343	343
Trade and other receivables	302	-	-	302
Amounts owing by subsidiaries	268	-	-	268
Amount owing by a related company	3	-	-	3
Short term investments	-	355,377	-	355,377
Deposits, cash and bank balances	354	-	-	354
<b>Total financial assets</b>	<b>927</b>	<b>355,377</b>	<b>343</b>	<b>356,647</b>
2019 Group	At amortised cost RM'000	At FVTPL RM'000	Total RM'000	
<u>Financial liabilities</u>				
Trade and other payables	200,198	-	200,198	
Amount owing to immediate holding company	12	-	12	
Amount owing to an associate	65,698	-	65,698	
Amounts owing to related companies	16,621	-	16,621	
Bank borrowings	164,322	-	164,322	
Derivatives	-	272	272	
<b>Total financial liabilities</b>	<b>446,851</b>	<b>272</b>	<b>447,123</b>	
<b>Company</b>				
<u>Financial liabilities</u>				
Trade and other payables	4,353	-	4,353	
Amount owing to a related company	1	-	1	
<b>Total financial liabilities</b>	<b>4,354</b>	<b>-</b>	<b>4,354</b>	

### 38. FINANCIAL INSTRUMENTS (cont'd)

(b) Fair value of financial instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

The carrying amounts of the financial instruments of the Group and of the Company at the reporting date approximated or were at their fair values.

The carrying amounts of bank borrowings of the Group at the end of the reporting period approximated or were at their fair values.

The following summarises the methods used in determining the fair value of the financial instruments:

*Financial assets and financial liabilities (non-derivative)*

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

*Other investments*

Fair value of quoted investments has been determined by reference to their quoted closing bid price at the reporting date. The fair value of unquoted investments has been estimated based on recoverable amount of the investment.

*Short term investments*

Fair value of short term investments has been determined by reference to the net assets value of the managed funds at the end of the reporting period as quoted by the fund managers.

*Derivatives*

Fair value of forward currency contracts has been determined by reference to current forward exchange rates for contracts with similar maturity profiles. Where the quoted market price are not available, fair values are based on management's best estimate and are arrived by reference to the market prices of another contract that is substantially similar.

The Group's financial instruments carried at fair value by level of fair value hierarchy in which the different levels have been defined are as follows:

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

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 38. FINANCIAL INSTRUMENTS (cont'd)

(b) Fair value of financial instruments (cont'd)

2020 Group	Level 1 RM'000	Level 2 RM'000	Total RM'000
<u>Financial assets</u>			
Other investments	308	775	1,083
Short term investments	-	585,914	585,914
Derivatives	-	2,796	2,796
	308	589,485	589,793
<u>Financial liabilities</u>			
Derivatives	-	213	213
<b>Company</b>			
<u>Financial assets</u>			
Other investments	308	23	331
Short term investments	-	425,329	425,329
	308	425,352	425,660
<b>2019 Group</b>			
<u>Financial assets</u>			
Other investments	341	754	1,095
Short term investments	-	487,790	487,790
Derivatives	-	2,068	2,068
	341	490,612	490,953
<u>Financial liabilities</u>			
Derivatives	-	272	272
<b>Company</b>			
<u>Financial assets</u>			
Other investments	341	2	343
Short term investments	-	355,377	355,377
	341	355,379	355,720

There were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 throughout the financial year.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's overall financial risk management objectives and policies are to ensure that the Group creates value and maximises returns to its shareholders.

Financial risk management is carried out through risk review, internal control systems, benchmarking the industry's best practices and adherence to the Group's financial risk management policies.

The Group has been financing its operations mainly through internally generated funds as well as borrowing from licensed financial institutions. Other than foreign currency forward contracts, the Group does not find it necessary to enter into derivative transactions based on its current level of operations.

The management of the Group monitors its financial position closely with an objective to minimise potential adverse effects on the performance of the Group. The management reviews and agrees on policies for managing each of these risks and they are summarised below. These policies have remained unchanged during the financial year.

#### (a) Credit risk

Credit risk arises when sales are made to receivables on deferred credit terms.

The Group's exposure to credit risk is monitored on an ongoing basis through Group's management reporting procedures. The Group has its credit approvals and monitoring procedures in place to manage the credit risk exposure. The risk is managed through the application of the Group's extensive credit management procedures which include the application of credit approvals whereby credit evaluations are performed on all customers requiring credit over a certain amount and period, adherence to credit limit, regular monitoring and follow up procedures by senior management.

The Group does not require collateral in respect of financial assets and considers the risk of material loss from the non-performance on the part of a financial counter-party to be negligible.

Loss allowance is measured at an amount equal to lifetime ECL. The ECL are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the financial year.

The ageing analysis of receivables at reporting date which are trade in nature is as follows:

2020 Group	Gross	Loss	Net
	RM'000	allowance RM'000	RM'000
Not past due	247,158	-	247,158
1 to 30 days past due	33,710	-	33,710
31 and 60 days past due	17,803	-	17,803
More than 60 days past due	4,228	-	4,228
<i>Credit impaired</i>			
Individually impaired	473	(473)	-
	303,372	(473)	302,899

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(a) Credit risk (cont'd)

The ageing analysis of receivables at reporting date which are trade in nature is as follows: (cont'd)

2020 Group	Gross RM'000	Loss allowance RM'000	Net RM'000
<u>Included under receivables</u>			
Trade receivables	285,027	(473)	284,554
Amount owing by an associate	14,970	-	14,970
Amounts owing by related companies	3,375	-	3,375
	303,372	(473)	302,899
<b>Company</b>			
<i>Credit impaired</i>			
Individually impaired	5	(5)	-
<u>Included under receivables</u>			
Trade receivables	5	(5)	-
<b>2019 Group</b>			
Not past due	220,386	-	220,386
1 to 30 days past due	42,724	-	42,724
31 and 60 days past due	28,505	-	28,505
More than 60 days past due	21,902	-	21,902
<i>Credit impaired</i>			
Individually impaired	3,034	(3,034)	-
	316,551	(3,034)	313,517
<u>Included under receivables</u>			
Trade receivables	270,859	(3,034)	267,825
Amount owing by an associate	43,139	-	43,139
Amounts owing by related companies	2,553	-	2,553
	316,551	(3,034)	313,517
<b>Company</b>			
<i>Credit impaired</i>			
Individually impaired	5	(5)	-
<u>Included under receivables</u>			
Trade receivables	5	(5)	-

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(a) Credit risk (cont'd)

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM55,741,000 (2019: RM93,131,000) that are past due at the reporting date but not impaired. These balances relate to a large number of diversified customers that have good track records with the Group and the directors are of the view that these receivables are recoverable.

The movements in the credit loss allowances of trade receivables are as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 January	3,034	2,941	5	5
Impairment loss recognised	396	125	-	-
Write back of impairment loss	-	(32)	-	-
Write off of impairment loss	(2,957)	-	-	-
At 31 December	473	3,034	5	5

The Group invests its surplus cash safely and profitably by depositing them with reputable and creditworthy licensed financial institutions.

Cash and cash equivalents, other receivables, amounts owing by immediate holding company and related companies and short-term investments are subject to insignificant credit loss as management does not expect any losses arising from non-performance by these counterparties.

(b) Foreign currency exchange risk

The Group is exposed to foreign currency exchange risk as a result of transactions denominated in currencies other than the functional currency of the Group. The Group's exposure to foreign currency exchange risk is monitored on an ongoing basis.

Certain subsidiaries entered into foreign currency forward contracts in the normal course of business in order to limit their exposure and to manage exposure to fluctuations in foreign currency exchange rates. These contracts are entered into with reputable licensed banks.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(b) Foreign currency exchange risk (cont'd)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit after tax on the outstanding foreign currency denominated monetary items to a reasonably possible change in the US Dollar, Renminbi and EURO exchange rates against the functional currency of the Group at reporting date, with all other variables held constant:

		Group	
		2020	2019
		RM'000	RM'000
		Increase/ (Decrease)	Increase/ (Decrease)
US Dollar/RM	- strengthened 5% (2019: 5%)	2,054	1,408
	- weakened 5% (2019: 5%)	(2,054)	(1,408)
Renminbi/RM	- strengthened 5% (2019: 5%)	24	151
	- weakened 5% (2019: 5%)	(24)	(151)
EURO/RM	- strengthened 5% (2019: 5%)	(18)	126
	- weakened 5% (2019: 5%)	18	(126)

(c) Interest rate risk

Interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates.

The Group is exposed to interest rate risk in respect of its fixed and short term deposits placed with licensed banks and bank borrowings.

Interest rate risk arising from fixed and short term deposits placed, which are all short term in nature, is managed by sourcing for the highest interest rate in the market amongst reputable licensed banks after taking into account the duration and availability of funds for the operational financial requirements of the Group.

Interest rate risk arising from bank borrowings is subject to fixed interest rates spread above the banks' base lending rate before the facilities are accepted.

At the reporting date, if interest rates had been 50 basis points lower/higher, with all other variables held constant, the Group's profit net of tax would have been RM319,858 (2019: RM553,218) higher/lower, arising mainly as a result of lower/higher interest expense/income from floating rate borrowings and fixed and short term deposits placed. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(d) Price risk

The Group is exposed to market risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market prices.

The Group is exposed to price risk arising from changes in value caused by movements in market price of its investments in quoted shares. The risk of loss is minimised via thorough analysis before investing and continuous monitoring of the performance of the investments. The Group optimises returns by disposing of investments only after thorough analysis.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(e) Cash flow and liquidity risks

Cash flow and liquidity risks are the risk that the Group will not be able to meet its financial obligations when they fall due. The Group's exposure to liquidity risk arises principally from its various payables and borrowings.

The Group seeks to ensure all business units maintain optimum levels of liquidity at all times, sufficient for their operating, investing and financing activities.

Therefore, the policy seeks to ensure that each business unit, through efficient working capital management (ie. inventory, accounts receivable and accounts payable management), must be able to convert its current assets into cash to meet all demands for payment as and when they fall due.

The Group manages its working capital through preparation of cash flow forecast, assessment of customers' creditworthiness, prompt follow ups on overdue and slow paying customers, reviews of inventory holding, maintain cordial relationships with suppliers, as well as obtaining short term credit facilities from the banks.

Analysis of financial instruments by remaining contractual maturities

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

Group	Less than 1 year	1 to 5 years	Over 5 years	Total
2020	RM'000	RM'000	RM'000	RM'000
<u>Financial liabilities</u>				
Trade and other payables	253,860	-	-	253,860
Amount owing to an associate	98,230	-	-	98,230
Amounts owing to related companies	16,222	-	-	16,222
Bank borrowings	110,453	-	-	110,453
Derivatives	213	-	-	213
	478,978	-	-	478,978
Lease liabilities	7,010	15,389	463	22,862
	485,988	15,389	463	501,840
<b>2019</b>				
<u>Financial liabilities</u>				
Trade and other payables	200,198	-	-	200,198
Amount owing to immediate holding company	12	-	-	12
Amount owing to an associate	65,698	-	-	65,698
Amounts owing to related companies	16,621	-	-	16,621
Bank borrowings	164,322	-	-	164,322
Derivatives	272	-	-	272
	447,123	-	-	447,123
Lease liabilities	3,797	8,040	828	12,665
	450,920	8,040	828	459,788

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(e) Cash flow and liquidity risks (cont'd)

Company 2020	Less than 1 year RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
<u>Financial liabilities</u>				
Trade and other payables	36,125	-	-	36,125
Amount owing to a subsidiary	2	-	-	2
Amount owing to a related company	2	-	-	2
	36,129	-	-	36,129
Lease liabilities	96	287	-	383
	36,225	287	-	36,512
<b>2019</b>				
<u>Financial liabilities</u>				
Trade and other payables	4,353	-	-	4,353
Amount owing to a related company	1	-	-	1
	4,354	-	-	4,354

(f) Business risk

The Group is exposed to risk arising from fluctuations in the market prices of crude palm oil which are determined by constantly changing market forces of supply and demand, and other factors. The other factors include government policy, environmental regulations, weather conditions and diseases. The Group has little or no control over these conditions and factors.

### 40. CAPITAL MANAGEMENT

The Group's primary objectives when managing its capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to sustain the future development of the business.

The capital structure of the Group consists of equity attributable to the shareholders of the Company, comprising share capital, reserves, retained profits and total debts, which consist of bank borrowings and lease liabilities.

The Group actively and regularly reviews and manages its capital structure. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid or issue new shares to shareholders. No changes were made in the objectives, policies or processes during the financial year.

The Company provides financial support to certain subsidiaries to enable these subsidiaries to operate as going concern and to meet their liabilities as and when they fall due.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

### 40. CAPITAL MANAGEMENT (cont'd)

Total borrowings to capital ratios at the reporting date are as follows:

Group	2020 RM'000	2019 RM'000
Share capital	214,720	214,720
Reserves	1,251,524	1,147,880
Total equity	1,466,244	1,362,600
Bank borrowings	110,453	164,322
Lease liabilities	21,185	11,626
Total borrowings	131,638	175,948
Total borrowings to total equity (%)	8.98	12.91

### 41. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the board of directors on 21 May 2021.

## STATEMENT BY DIRECTORS

Pursuant to Section 251 (2) of the Companies Act 2016

We, Whang Shang Ying and Khoo Heng Suan, being the directors of Lam Soon (M) Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 20 to 86 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 and financial performance and cash flows of the Group and of the Company for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the board of directors in accordance with a directors' resolution

**WHANG SHANG YING**  
Director

**KHOO HENG SUAN**  
Director

Date: 21 May 2021

## STATUTORY DECLARATION

Pursuant to Section 251 (1)(b) of the Companies Act 2016

I, Khoo Heng Suan (I/C: 470109-04-5509) being the director primarily responsible for the financial management of Lam Soon (M) Berhad, do solemnly and sincerely declare that, to the best of my knowledge and belief, the accompanying financial statements of the Group and of the Company for the financial year ended 31 December 2020 as set out on pages 20 to 86, are 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 above named  
Khoo Heng Suan  
at Petaling Jaya  
in the State of Selangor  
this 21 May 2021

**KHOO HENG SUAN**

Before me,

Commissioner of Oaths

Wong Choy Yin (No: B508)  
Pesuruhjaya Sumpah  
Petaling Jaya

### DIRECTORS OF SUBSIDIARIES OF THE COMPANY

The following is the list of directors who served on the boards of the subsidiaries since the beginning of the current financial year to the date of the Directors' Report:

<u>Name of Subsidiary</u>	<u>Name of Director</u>
1. Lam Soon Edible Oils Sdn. Bhd.	Mr. Whang Shang Ying Mr. Khoo Heng Suan Mr. Quick Back Heng @ Kuek Bak Heng Mr. Chua K Hong Mr. Lim Paw Serng (Alternate director to Mr. Whang Shang Ying) Mr. Khew Chai Loong (Alternate director to Mr. Quick Back Heng @ Kuek Bak Heng)
2. Lam Soon Plantations Sdn. Bhd.	Mr. Whang Shang Ying Mr. Khoo Heng Suan Datuk Dr. Richard Sakian Gunting Mr. Whang Tar Liang (Resigned on 15 July 2020)
3. LM Services Sdn. Bhd.	Mr. Andrew Kok Kuan Ming Mr. Long See Boon (Appointed on 15 January 2020) Mr. Peh Chee Ming (Resigned on 16 January 2020)
4. Rennes Properties Sdn. Bhd.	Mr. Whang Shang Ying Mr. Khoo Heng Suan Mr. Yong Chee Hoong (Appointed on 1 February 2021) Ms. Tan Guat Sim (Resigned on 1 February 2021)
5. Lam Soon Commodities Sdn. Bhd.	Mr. Khoo Heng Suan Mr. Chua K Hong
6. Lam Soon Food Industries Sdn. Bhd.	Mr. Chua K Hong Ms. Chau Sau Wei (Appointed on 1 February 2021) Ms. Tan Guat Sim (Resigned on 1 February 2021)
7. Lam Soon Distribution Sdn. Bhd.	Mr. Whang Shang Ying Mr. Khoo Heng Suan Mr. Chua K Hong Ms. Tan Guat Sim (Resigned on 31 January 2021)
8. Lam Soon Trading Sdn. Bhd.	Mr. Chua K Hong Mr. Yee Chai Kin (Appointed on 1 February 2021) Ms. Tan Guat Sim (Resigned on 1 February 2021)
9. Pacific Oleochemicals Sdn. Bhd.	Mr. Whang Shang Ying Mr. Khoo Heng Suan Datuk Dr. Richard Sakian Gunting Mr. Low Yin Peng

**DIRECTORS OF SUBSIDIARIES OF THE COMPANY (cont'd)**

<b><u>Name of Subsidiary</u></b>	<b><u>Name of Director</u></b>
10. Pacoleo Pte. Ltd.	Mr. Whang Tar Liang Mr. Whang Shang Ying Mr. Khoo Heng Suan
11. LS Cyber DC Sdn. Bhd.	Mr. Whang Shang Ying Mr. Khoo Heng Suan Mr. Ong Chong Lai

This page is intentionally left blank.

No. of Shares Held:

**FORM OF PROXY**

I/We, ..... I.C./Passport/Company No: .....  
of .....

being a member/members of LAM SOON (M) BERHAD, hereby appoint .....

of .....

**OR** failing him/her .....

of .....

**OR** failing him/her the Chairperson of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the 39<sup>th</sup> Annual General Meeting of the Company to be conducted entirely through live streaming from the broadcast venue at Symphony Square Auditorium, 3A Floor, No. 5 Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan on **Wednesday, 23 June 2021 at 2.30 p.m.** and at any adjournment thereof.

My/Our proxy is to vote as indicated below:-

No.	Resolutions	For	Against
1.	To approve the payment of a final single tier dividend of 15.0 sen per share for the financial year ended 31 December 2020.		
2.	To approve the payment of a special single tier dividend of 5.0 sen per share for the financial year ended 31 December 2020.		
3.	To approve the payment of Directors' fees for the financial year ended 31 December 2020.		
4.	To re-elect Mr. Whang Shang Ying as a Director of the Company.		
5.	To re-elect Mr Mah Kim Loong Leslie as a Director of the Company.		
6.	To re-appoint Mazars PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.		

Please indicate with a "✓" in the appropriate space how you wish your vote to be cast. If you do not indicate how you wish your proxy to vote on any Resolution, the proxy will vote as he thinks fit, or, at his discretion, abstain from voting.

Signed this ..... day of ..... 2021.

.....  
Signature/Common Seal of Shareholder(s)

Email address	<input type="text"/>
Contact number	<input type="text"/>

**NOTES:**

i) *The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairperson of the Meeting to be present at the main venue of the meeting.*

*Shareholders **WILL NOT BE ALLOWED** to attend this 39<sup>th</sup> Annual General Meeting ("AGM") in person at the Broadcast Venue on the day of the meeting.*

*Shareholders are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at this AGM via the Remote Participation and Voting facilities provided by Boardroom Share Registrars Sdn Bhd via its online website at <https://boardroomlimited.my>*

ii) *A member entitled to attend and vote at the annual general meeting is entitled to appoint a proxy instead of him. A proxy need not be a member of the Company. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.*

iii) *The instrument appointing the proxy must be deposited at the office of the Company's Share Registrar, Boardroom Share Registrars Sdn Bhd, at 11<sup>th</sup> Floor, Menara Symphony, No. 5 Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan or email to [bsr.helpdesk@boardroomlimited.com](mailto:bsr.helpdesk@boardroomlimited.com), not less than 48 hours before the time for holding the meeting or adjourned meeting.*



FOLD HERE

---

FOLD HERE

---

STAMP

The Share Registrar of  
**LAM SOON (M) BERHAD**  
[198201004526(84273-H)]

Boardroom Share Registrars Sdn Bhd  
11<sup>th</sup> Floor, Menara Symphony  
No. 5 Jalan Prof. Khoo Kay Kim  
Seksyen 13, 46200 Petaling Jaya  
Selangor Darul Ehsan

antabax

# 24 HOURS ANTIBACTERIAL PROTECTION



Stay Protected  
**99.9%**  
Germ Free

antabax  
Hand Sanitizer Spray  
DERMA PROTECT  
with Micro Moisture Serum  
99.9%  
with skin vitamins

antabax  
Hand Soap  
DERMA PROTECT  
with Micro Moisture Serum  
99.9%  
with skin vitamins

antabax  
Antibacterial Hand Soap  
DERMA PROTECT  
with Micro Moisture Serum  
99.9%  
with skin vitamins  
Fresh

antabax  
Antibacterial Shower Cream  
DERMA PROTECT  
with Micro Moisture Serum  
99.9%  
with skin vitamins  
Fresh

antabax  
Antibacterial Soap  
DERMA PROTECT  
with Micro Moisture Serum  
99.9%  
with skin vitamins  
Fresh

antabax  
Wipes  
Aloe Vera Enriched  
10 Wipes

**LAM SOON (M) BERHAD**  
Wisma DLS, No. 6 Jalan Jurunilai U1/20  
Hicom-Glenmarie Industrial Park  
40150 Shah Alam  
Selangor Darul Ehsan, Malaysia  
Tel +60-3-7882 2399  
Fax +60-3-5569 2297

**[www.lamsoon.com.my](http://www.lamsoon.com.my)**



This cover is printed on recycled paper