



ADVANCING RESPONSIBLY

Audited Financial Statements
2022

INSIDE **THIS** REPORT

- 2 Directors' Report
- 6 Statement by Directors
- 6 Statutory Declaration
- 7 Independent Auditors' Report
- 12 Financial Statements
- 27 Notes to the Financial Statements

WE ARE ADVANCING **RESPONSIBLY**

FGV is progressing with confidence towards being a global agribusiness company while creating value in a responsible and sustainable way. Our business foresight and responsible practices have led us to triumphantly establish our presence in nine countries across the globe, ensuring our communities prosper economically, environmentally and socially as we safeguard the interests of our stakeholders.

As we are Advancing Responsibly, we are aligned with our purpose of building an integrated value chain advantage. Our business is growing beyond our core sectors of plantations to include opportunities which will drive our global agribusiness ambitions.



STATEMENT ON DIRECTORS' RESPONSIBILITY

The Directors are required by the Companies Act 2016 (Act) to prepare Financial Statements for each financial year which give a true and fair view of the financial position of the Group and of the Company at the end of the financial year and of the financial performance and cash flows of the Group and of the Company for the financial year. As required by the Act and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Financial Statements for the financial year ended 31 December 2022 have been prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Act.

The Directors consider that in preparing the Financial Statements for the financial year ended 31 December 2022 set out on pages 12 to 177, the Group and the Company have applied the appropriate accounting policies on a consistent basis and supported by reasonable and prudent judgments and estimates.

The Directors have responsibility for ensuring that proper accounting records are kept. The accounting records should disclose with reasonable accuracy the financial position of the Group and of the Company to enable the Directors to ensure that the Financial Statements comply with the Act. The Directors have the general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. This Statement was made in accordance with a resolution of the Board of Directors dated 29 March 2023.

DIRECTORS' REPORT

The Directors have pleasure in submitting the annual report to the members together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2022.

DIRECTORS

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

Dato' Dzulkifli Abd Wahab	(Chairman)
Dato' Amiruddin Abdul Satar	
Dato' Shahrol Anuwar Sarman	
Dato' Nonee Ashirin Dato' Mohd Radzi	
Dato' Mohd Rafik Shah Mohamad	
Nik Fazila Nik Mohamed Shihabuddin	
Kasmuri Sukardi	
Datuk Yatimah Sarjiman	(Appointed on 8 April 2022)
Azmin Che Yusoff	(Appointed on 13 September 2022)
Dato' Yusli Mohamed Yusoff	(Demised on 10 March 2022)
Datuk Dr. Zunika Mohamed	(Resigned on 11 March 2022)

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

PRINCIPAL ACTIVITIES

The Company is principally an investment holding company with investments primarily in oil palm plantation and its related downstream activities, sugar refining, trading, logistics, marketing, rubber processing, research and development activities and related agribusiness activities. The principal activities of the subsidiaries are stated in Note 23 to the financial statements.

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit attributable to Owners of the Company	1,329,226	553,445
Non-controlling interests	(60,625)	-
Profit for the financial year	1,268,601	553,445

DIVIDENDS

Dividends on ordinary shares paid or declared by the Company since 31 December 2021 are as follows:

	RM'000
In respect of the financial year ended 31 December 2021:	
- Final single tier dividend of 8.0 sen per share, paid on 31 March 2022	291,852
In respect of the financial year ended 31 December 2022:	
- Interim single tier dividend of 4.0 sen per share, paid on 29 September 2022	145,926
	437,778

On 27 February 2023, the Board of Directors agreed to declare the payment of a final single tier dividend of 11.0 sen per ordinary share amounting to RM401.30 million.

RESERVES AND PROVISIONS

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

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

DIRECTORS' INTEREST IN SHARES AND DEBENTURES

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

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 12 to the financial statements, which are as follows:

	Group RM'000	Company RM'000
Principal auditors' remuneration:		
- Audit fee	4,251	642
- Other assurance services	1,471	1,187
- Non-audit fee	2,680	2,420
Member firms of principal auditors' remuneration:		
- Audit fee	1,055	-
Other firms of auditors' remuneration:		
- Audit fee	146	-

DIRECTORS' REPORT

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 13 to the financial statements, which are as follows:

	Group RM'000	Company RM'000
Directors' remuneration:		
- Fees	2,070	1,930
- Benefits in kind	15	15
- Other benefits	621	578
	2,706	2,523

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The Company maintains a corporate liability insurance for the Directors and Officers of the Group throughout the financial year, which provides appropriate insurance cover for the Directors and Officers of the Group. The total amount of insurance premium paid by the Group during the financial year amounted to RM2,123,000 (2021: RM2,123,000).

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

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

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

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

- which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

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

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

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

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

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

In the opinion of the Directors:

- (a) the results of the Group's and the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than as disclosed in Notes 57 to the financial statements; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or the Company for the financial year in which this report is made.

AUDITORS

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

This report was approved by the Board of Directors on 29 March 2023. Signed on behalf of the Board of Directors:



DATO' DZULKIFLI ABD WAHAB
CHAIRMAN



DATO' MOHD RAIK SHAH MOHAMAD
DIRECTOR

Kuala Lumpur

STATEMENT BY DIRECTORS

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

We, Dato' Dzulkifli Abd Wahab and Dato' Mohd Rafik Shah Mohamad, two of the Directors of FGV Holdings Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 12 to 177 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 2022 and of the financial performance and cash flows of the Group and of the Company for the financial year ended on that date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution dated 29 March 2023.



DATO' DZULKIFLI ABD WAHAB
CHAIRMAN

Kuala Lumpur



DATO' MOHD RAFIK SHAH MOHAMAD
DIRECTOR

STATUTORY DECLARATION

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

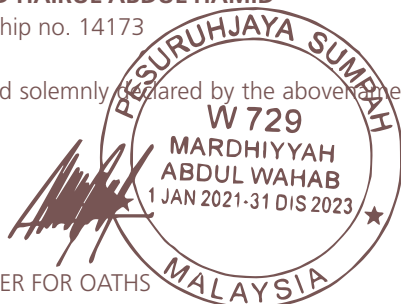
I, Dato' Mohd Hairul Abdul Hamid, the Officer primarily responsible for the financial management of FGV Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 12 to 177 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.



DATO' MOHD HAIRUL ABDUL HAMID

MIA membership no. 14173

Subscribed and solemnly declared by the abovesigned Dato' Mohd Hairul Abdul Hamid in Kuala Lumpur on 29 March 2023, before me.



COMMISSIONER FOR OATHS

SUITE 9.03 TINGKAT 9
MENARA RAJA LAUT
NO. 288 JALAN RAJA LAUT 6
50350 KUALA LUMPUR

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF FGV HOLDINGS BERHAD
(Incorporated in Malaysia)
(Company No. 200701042133 (800165-P))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of FGV Holdings Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2022 of the Group and of the Company, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 12 to 177.

Basis for opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

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

Our audit approach

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

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF FGV HOLDINGS BERHAD

(Incorporated in Malaysia)

(Company No. 200701042133 (800165-P))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
<p>Land Lease Agreement ("LLA") liability assessment</p> <p>As at 31 December 2022, the LLA liability for the Group amounted to RM3.68 billion.</p> <p>We focused on this area as the fair value of the LLA liability is determined based on cash flows projections, which require significant estimates made by management on the assumptions used in the calculations, in particular, prices of Crude Palm Oil ("CPO") and Palm Kernel ("PK"), average Fresh Fruit Bunches ("FFB") yield, mature and immature estate costs and discount rate.</p> <p>Refer to Note 3(i) in the significant accounting policies, Note 5(i) in the critical accounting estimates and judgments and Note 46 to the financial statements.</p>	<p>We have performed the following audit procedures:</p> <ul style="list-style-type: none">• We checked the appropriateness of fair value model used to value the LLA liability. We also assessed the reasonableness of management's key assumptions used in the cash flows projections comprising prices of CPO and PK, average FFB yield, mature and immature estate costs and discount rate, by comparing against those used in business plans, historical data and industry trend;• We evaluated the reliability of management's cash flows projections by comparing the actual past financial performance against previous forecasted results;• We examined sensitivity analysis performed by management on the discount rate, prices of CPO and PK, average FFB yield, mature and immature estate costs to evaluate the impact on the LLA liability; and• We assessed the adequacy of the disclosures in the financial statements. <p>Based on our procedures, we noted no significant exceptions.</p>

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF FGV HOLDINGS BERHAD
(Incorporated in Malaysia)
(Company No. 200701042133 (800165-P))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters						
<p>Goodwill impairment assessment</p> <p>As at 31 December 2022, the Group's carrying value of goodwill of RM809.1 million comprised goodwill in relation to sugar business in Malaysia of RM576.2 million and palm upstream operations in Malaysia of RM226.8 million and other operations of RM6.1 million.</p> <p>Goodwill is subject to annual impairment testing. We focused on this area as the determination of recoverable amounts of the assets in the Cash Generating Units ("CGUs") based on discounted cash flows projections prepared by management, involved a significant degree of judgement in determining the following key assumptions:</p> <table border="1"> <thead> <tr> <th>Business</th><th>Key assumptions</th></tr> </thead> <tbody> <tr> <td>Sugar business</td><td>Selling price, raw sugar price, sales volume, freight charges, landed cost, natural gas price, terminal value growth rate and discount rate.</td></tr> <tr> <td>Palm upstream operations</td><td>CPO price, PK price, average FFB yield, mature and immature estate costs and discount rate.</td></tr> </tbody> </table> <p>The goodwill on other operations of RM6.1 million is not material to the Group.</p> <p>Refer to Note 3(d) in the significant accounting policies, Note 5(ii) in the critical accounting estimates and judgments and Note 22 to the financial statements.</p>	Business	Key assumptions	Sugar business	Selling price, raw sugar price, sales volume, freight charges, landed cost, natural gas price, terminal value growth rate and discount rate.	Palm upstream operations	CPO price, PK price, average FFB yield, mature and immature estate costs and discount rate.	<p>We performed the following procedures on the cash flow projections to support the impairment assessment of goodwill prepared by the management and approved by the Board of Directors of the Company:</p> <ul style="list-style-type: none"> • We assessed the reliability of management's projections through the comparison of actual past financial performances against previous forecasted results; • We assessed the reasonableness of the key assumptions, which were used by management in developing the discounted cash flows projections, by comparing against historical data and industry trends; • We examined the sensitivity analysis performed by management on the key assumptions for the respective businesses and also the discount rates used to evaluate the impact on the impairment assessment; and • We assessed the adequacy and reasonableness of the disclosures in the financial statements. <p>Based on our procedures, we noted no significant exceptions.</p>
Business	Key assumptions						
Sugar business	Selling price, raw sugar price, sales volume, freight charges, landed cost, natural gas price, terminal value growth rate and discount rate.						
Palm upstream operations	CPO price, PK price, average FFB yield, mature and immature estate costs and discount rate.						
<p>Impairment assessments of non-financial assets with impairment indicators</p> <p>Management performed impairment assessments of the non-financial assets of the Group, which had impairment indicators. As a result, net impairment losses of RM63.1 million for FGV Group's property, plant and equipment and assets held for sale were recognised during the financial year ended 31 December 2022.</p> <p>We focused on this area as the recoverable amounts of the non-financial assets are determined based on discounted cash flows projections, which require judgement on the part of management on the future financial performance and the business plan of those businesses.</p> <p>Refer to Note 3(o) in the significant accounting policies, Note 5(iii) in the critical accounting estimates and judgments and Notes 19 and 36 to the financial statements.</p>	<p>We have performed the following audit procedures:</p> <ul style="list-style-type: none"> • We assessed the reliability of management's projections through the comparison of actual past financial performances against previous forecasted results; • We assessed the reasonableness of the key assumptions, which were used by management in developing the discounted cash flows projections, by comparing against historical data and industry trends; • We examined the sensitivity analysis performed by management on the key assumptions and also the discount rates used to evaluate the impact on the impairment assessment; and • We assessed the adequacy and reasonableness of the disclosures in the financial statements. <p>Based on the above procedures performed, we noted no significant exceptions.</p>						

We have determined that there are no key audit matters to report for the Company.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF FGV HOLDINGS BERHAD

(Incorporated in Malaysia)

(Company No. 200701042133 (800165-P))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Corporate Details, Management Discussion and Analysis, Corporate Governance Overview Statement, Statement on Risk Management and Internal Control, Directors' Report, and other sections of the 2022 Annual Integrated Report, which we obtained prior to the date of this auditors' report, and Chairman's Statement, which is expected to be made available to us after that date. Other information 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 and will not express any form of assurance conclusion thereon.

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

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

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF FGV HOLDINGS BERHAD
(Incorporated in Malaysia)
(Company No. 200701042133 (800165-P))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 23 to the financial statements.

OTHER MATTERS

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



PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur
29 March 2023



NURUL A'IN BINTI ABDUL LATIF
02910/02/2025 J
Chartered Accountant

STATEMENTS OF PROFIT OR LOSS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revenue	6	25,561,543	19,565,891	852,377	499,287
Cost of sales		(22,217,789)	(16,951,417)	(130,237)	(113,562)
Gross profit		3,343,754	2,614,474	722,140	385,725
Other operating income	7	152,783	95,113	11,826	3,112
Selling and distribution costs		(284,486)	(203,935)	-	-
Administrative expenses		(891,183)	(801,475)	(35,340)	(36,500)
(Impairment)/reversal of impairment of financial assets (net)	8	(17,641)	722	(29,110)	96
Other operating expenses	9	(4,435)	(10,098)	(14,397)	(862)
Other (losses)/gains, net	10	(392,137)	83,975	-	-
Operating profit		1,906,655	1,778,776	655,119	351,571
Finance income	11	26,256	22,728	-	-
Finance costs	11	(126,510)	(126,933)	(96,002)	(78,989)
Share of results from associates	24	2,658	3,551	-	-
Share of results from joint ventures	25	146,164	35,858	-	-
Profit before zakat and taxation		1,955,223	1,713,980	559,117	272,582
Zakat	14	(35,142)	(17,406)	-	-
Taxation	15	(651,480)	(520,996)	(5,672)	(2,664)
Profit for the financial year	12	1,268,601	1,175,578	553,445	269,918
Profit attributable to:					
Owners of the Company		1,329,226	1,167,874	553,445	269,918
Non-controlling interests		(60,625)	7,704	-	-
		1,268,601	1,175,578	553,445	269,918
Earnings per share ("EPS") attributable to owners of the Company					
Basic and diluted EPS (sen)	17	36.4	32.0	-	-

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Profit for the financial year	1,268,601	1,175,578	553,445	269,918
Other comprehensive income:				
<u>Items that will not be reclassified to profit or loss</u>				
Actuarial gain on defined benefit plan	2,770	19,517	40	262
Fair value changes in financial assets at fair value through other comprehensive income	(34,965)	53,908	-	-
<u>Items that may be subsequently reclassified to profit or loss</u>				
Currency translation differences	16,928	23,580	-	-
Realisation of foreign exchange reserve upon liquidation of a subsidiary	(1,881)	-	-	-
Share of other comprehensive (loss)/income of an associate	(945)	531	-	-
Share of other comprehensive loss of joint ventures	(6,957)	(597)	-	-
Cash flow hedge reserve	3,426	5,543	-	-
	10,571	29,057	-	-
Total other comprehensive (loss)/income for the financial year, net of tax	(21,624)	102,482	40	262
Total comprehensive income for the financial year	1,246,977	1,278,060	553,485	270,180
Total comprehensive income attributable to:				
Owners of the Company	1,312,526	1,269,363	553,485	270,180
Non-controlling interests	(65,549)	8,697	-	-
	1,246,977	1,278,060	553,485	270,180

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
ASSETS					
<u>Non-current assets</u>					
Property, plant and equipment	19	7,727,964	7,674,392	5,776	7,192
Right-of-use assets	20	2,150,803	2,196,084	20,353	24,714
Investment properties	21	73,779	81,531	10,419	11,301
Intangible assets	22	939,983	948,382	9,847	11,427
Investment in subsidiaries	23	-	-	8,489,332	8,501,024
Interests in associates	24	63,631	65,074	-	-
Interests in joint ventures	25	567,412	454,714	-	-
Receivables	26	123,557	137,066	-	-
Amount due from ultimate holding company	27	-	14,681	-	-
Amounts due from other related companies	27	-	9,107	-	-
Amounts due from subsidiaries	27	-	-	2,446	172,625
Deferred tax assets	49	231,316	295,131	5,995	6,527
Financial assets at fair value through profit and loss	29	6,588	-	-	-
Financial assets at fair value through other comprehensive income	30	162,670	201,569	-	-
Biological assets	31	1,491	2,228	-	-
		12,049,194	12,079,959	8,544,168	8,734,810
<u>Current assets</u>					
Inventories	32	2,361,423	1,914,403	-	-
Biological assets	31	86,698	113,791	-	-
Receivables	26	1,615,069	1,346,150	7,603	14,245
Amount due from ultimate holding company	27	25,654	36,521	874	20
Amounts due from other related companies	27	260,895	66,801	1,407	797
Amounts due from subsidiaries	27	-	-	457,702	171,727
Amounts due from joint ventures	27	146,887	205,274	-	-
Amount due from an associates	27	4,300	-	-	-
Contract assets	28	47,298	42,151	-	-
Financial assets at fair value through profit or loss	29	74,767	79,136	-	-
Loans due from subsidiaries	33	-	-	207,011	216,830
Tax recoverable		10,129	12,762	-	374
Derivative financial assets	34	3,165	3,539	-	-
Deposits, cash and bank balances	35	1,397,106	2,031,666	68,667	338,675
		6,033,391	5,852,194	743,264	742,668
Assets held for sale	36	28,041	24,241	-	-
		6,061,432	5,876,435	743,264	742,668
Total assets		18,110,626	17,956,394	9,287,432	9,477,478

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
EQUITY AND LIABILITIES					
<u>Capital and reserves</u>					
Share capital	37	7,029,889	7,029,889	7,029,889	7,029,889
Treasury shares	38	-	(518)	-	(518)
Foreign exchange reserve	39	68,156	54,036	-	-
Reorganisation reserve	40	(3,089,497)	(3,089,497)	-	-
Other reserves	41	29,495	67,427	-	-
Retained earnings		2,193,614	1,359,264	515,897	400,190
Equity attributable to owners of the Company		6,231,657	5,420,601	7,545,786	7,429,561
Non-controlling interests		1,653,028	1,765,917	-	-
Total equity		7,884,685	7,186,518	7,545,786	7,429,561
<u>Non-current liabilities</u>					
Borrowings	42	844,066	1,033,140	397,374	496,451
Lease liabilities	43	293,738	294,581	20,714	24,955
Loans due to ultimate holding company	44	-	632,151	-	632,151
Loans due to subsidiaries	45	-	-	736,486	806,047
Land lease agreement (“LLA”) liability	46	3,264,463	3,314,874	-	-
Derivative financial liabilities	34	193	3,571	-	-
Provision for asset retirement	47	32,119	41,349	-	-
Provision for defined benefit plan	48	47,981	51,136	568	632
Deferred tax liabilities	49	577,718	575,740	-	-
Payables	50	-	10,189	-	-
		5,060,278	5,956,731	1,155,142	1,960,236
<u>Current liabilities</u>					
Payables	50	1,941,029	1,414,444	68,508	63,950
Contract liabilities	51	109,359	132,340	-	-
Loans due to ultimate holding company	44	333,316	2,514	333,316	2,514
Loans due to subsidiaries	45	-	-	74,548	742
Amount due to ultimate holding company	27	239,203	276,082	-	1,179
Amounts due to other related companies	27	24,350	15,970	79	85
Amounts due to subsidiaries	27	-	-	6,690	15,848
Amount due to a joint venture	27	42	-	-	-
Amount due to an associate	27	331	351	-	-
Derivative financial liabilities	34	17,742	3,749	-	-
Borrowings	42	1,881,578	2,330,357	100,000	-
Lease liabilities	43	37,621	27,518	3,363	3,363
Provision for asset retirement	47	702	666	-	-
Current tax liabilities		164,499	119,238	-	-
LLA liability	46	415,891	489,916	-	-
		5,165,663	4,813,145	586,504	87,681
Total liabilities		10,225,941	10,769,876	1,741,646	2,047,917
Total equity and liabilities		18,110,626	17,956,394	9,287,432	9,477,478

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Share capital (Note 37) RM'000	Treasury shares (Notes 38) RM'000	Foreign exchange reserve (Note 39) RM'000	Reorganisation reserve (Note 40) RM'000	Other reserves (Note 41) RM'000	Retained earnings RM'000	Attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
Group 2022										
At 1 January 2022		7,029,889	(518)	54,036	(3,089,497)	67,427	1,359,264	5,420,601	1,765,917	7,186,518
Profit for the financial year		-	-	-	-	-	1,329,226	1,329,226	(60,625)	1,268,601
Other comprehensive income/(loss) for the financial year, net of tax:										
Items that will not be reclassified to profit or loss										
- actuarial gain on defined benefit plan		-	-	-	-	-	2,464	2,464	306	2,770
- fair value changes in financial assets at fair value through other comprehensive income ("FVOCI")		-	-	-	-	(35,031)	-	(35,031)	66	(34,965)
- realisation of other comprehensive income reserve upon disposal of FVOCI		-	-	-	-	(4,648)	4,648	-	-	-
Items that may be subsequently reclassified to profit or loss										
- currency translation differences		-	-	23,903	-	-	-	23,903	(6,975)	16,928
- realisation of foreign exchange reserve upon liquidation of a subsidiary		-	-	(1,881)	-	-	-	(1,881)	-	(1,881)
- share of other comprehensive loss of joint ventures		-	-	(6,957)	-	-	-	(6,957)	-	(6,957)
- share of other comprehensive loss of an associate		-	-	(945)	-	-	-	(945)	-	(945)
- cash flow hedge reserve		-	-	-	-	1,747	-	1,747	1,679	3,426
		-	-	14,120	-	1,747	-	15,867	(5,296)	10,571
Total comprehensive income/(loss) for the financial year		-	-	14,120	-	(37,932)	1,336,338	1,312,526	(65,549)	1,246,977
Transactions with owners										
Treasury shares		-	518	-	-	-	-	518	-	518
Liquidation of a subsidiary		-	-	-	-	-	(64,210)	(64,210)	64,210	-
Dividends paid for the financial year ended 31 December 2021 (final)	16	-	-	-	-	-	(291,852)	(291,852)	-	(291,852)
Dividends paid for the financial year ended 31 December 2022 (interim)	16	-	-	-	-	-	(145,926)	(145,926)	-	(145,926)
Dividends paid to non-controlling interests of subsidiaries		-	-	-	-	-	-	-	(111,550)	(111,550)
Total transactions with owners		-	518	-	-	-	(501,988)	(501,470)	(47,340)	(548,810)
At 31 December 2022		7,029,889	-	68,156	(3,089,497)	29,495	2,193,614	6,231,657	1,653,028	7,884,685

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Share capital (Note 37) RM'000	Treasury shares (Notes 38) RM'000	Foreign exchange reserve (Note 39) RM'000	Reorganisation reserve (Note 40) RM'000	Other reserves (Note 41) RM'000	Retained earnings RM'000	Attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
Group 2021										
At 1 January 2021		7,029,889	(518)	26,497	(3,089,497)	10,624	284,708	4,261,703	1,838,504	6,100,207
Profit for the financial year		-	-	-	-	-	1,167,874	1,167,874	7,704	1,175,578
Other comprehensive income/(loss) for the financial year, net of tax:										
<u>Items that will not be reclassified to profit or loss</u>										
- actuarial gain on defined benefit plan		-	-	-	-	-	17,147	17,147	2,370	19,517
- fair value changes in financial assets at FVOCI		-	-	-	-	53,976	-	53,976	(68)	53,908
<u>Items that may be subsequently reclassified to profit or loss</u>										
- currency translation differences		-	-	27,605	-	-	-	27,605	(4,025)	23,580
- share of other comprehensive loss of joint ventures		-	-	(597)	-	-	-	(597)	-	(597)
- share of other comprehensive income of an associate		-	-	531	-	-	-	531	-	531
- cash flow hedge reserve		-	-	-	-	2,827	-	2,827	2,716	5,543
Total comprehensive income for the financial year		-	-	27,539	-	2,827	-	30,366	(1,309)	29,057
Transactions with owners		-	-	27,539	-	56,803	1,185,021	1,269,363	8,697	1,278,060
Accretion of interest in a subsidiary		-	-	-	-	-	(1,020)	(1,020)	1,814	794
Loss of control of subsidiaries		-	-	-	-	-	-	-	(1,687)	(1,687)
Dividends paid for the financial year ended 31 December 2020 (final)	16	-	-	-	-	-	(109,445)	(109,445)	-	(109,445)
Dividends paid to non-controlling interests of subsidiaries		-	-	-	-	-	-	-	(81,411)	(81,411)
Total transactions with owners		-	-	-	-	-	(110,465)	(110,465)	(81,284)	(191,749)
At 31 December 2021		7,029,889	(518)	54,036	(3,089,497)	67,427	1,359,264	5,420,601	1,765,917	7,186,518

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

Company	Note	Non-distributable	Distributable		Total
		Share capital (Note 37) RM'000	Treasury shares (Note 38) RM'000	Retained earnings RM'000	
2022					
At 1 January 2022		7,029,889	(518)	400,190	7,429,561
Profit for the financial year		-	-	553,445	553,445
Other comprehensive income:					
<u>Item that will not be reclassified to profit or loss</u>					
- actuarial gain on defined benefit plan		-	-	40	40
Total comprehensive income for the financial year		-	-	553,485	553,485
<u>Transactions with owners</u>					
Treasury shares		-	518	-	518
Dividends paid for the financial year ended 31 December 2021 (final)	16	-	-	(291,852)	(291,852)
Dividends paid for the financial year ended 31 December 2022 (interim)	16	-	-	(145,926)	(145,926)
Total transactions with owners		-	518	(437,778)	(437,260)
At 31 December 2022		7,029,889	-	515,897	7,545,786

Company	Note	Non-distributable	Distributable		Total
		Share capital (Note 37) RM'000	Treasury shares (Note 38) RM'000	Retained earnings RM'000	
2021					
At 1 January 2021		7,029,889	(518)	239,455	7,268,826
Profit for the financial year		-	-	269,918	269,918
Other comprehensive income:					
<u>Item that will not be reclassified to profit or loss</u>					
- actuarial gain on defined benefit plan		-	-	262	262
Total comprehensive income for the financial year		-	-	270,180	270,180
<u>Transactions with owners</u>					
Dividends paid for the financial year ended 31 December 2020 (final)	16	-	-	(109,445)	(109,445)
Total transactions with owners		-	-	(109,445)	(109,445)
At 31 December 2021		7,029,889	(518)	400,190	7,429,561

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit for the financial year		1,268,601	1,175,578	553,445	269,918
Adjustments for:					
Taxation		651,480	520,996	5,672	2,664
Zakat		35,142	17,406	-	-
Depreciation of property, plant and equipment		619,960	663,619	1,701	2,403
Impairment loss on property, plant and equipment (net)		78,192	59,914	-	-
Property, plant and equipment written off		41,510	9,135	-	-
Gain on disposal of property, plant and equipment (net)		(2,156)	(803)	(96)	-
Depreciation of right-of-use assets		76,726	68,825	4,361	4,361
Right-of-use assets written off		-	185	-	-
Reversal of impairment on right-of-use assets		-	(319)	-	-
Depreciation of investment properties		7,752	12,258	882	882
Amortisation of intangible assets		13,709	20,568	4,782	9,490
Gain on disposal of assets held for sale		-	(927)	-	-
Reversal of impairment on assets held for sale		(15,100)	-	-	-
Reversal of impairment on amount due from ultimate holding company		(8,553)	(3,801)	-	-
Impairment loss on amounts due from other related companies		12,751	137	-	-
Impairment loss / (reversal of impairment) on amounts due from subsidiaries (net)		-	-	29,110	(96)
Reversal of impairment on other receivables		-	-	-	(195)
Receivables written off		-	-	-	195
Impairment loss on investment in subsidiaries		-	-	14,388	-
Impairment loss on contract assets		139	292	-	-
Loss on liquidation in a joint venture		-	38	-	-
Balance carried forward		2,780,153	2,543,101	614,245	289,622

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Group		Company	
Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)				
Balance brought forward	2,780,153	2,543,101	614,245	289,622
Loss on liquidation of a subsidiary	290	-	-	-
Realisation of foreign exchange upon liquidation of a subsidiary	(1,881)	-	-	-
Loss on disposal of biological assets	619	-	-	-
Biological asset written off	25	-	-	-
Impairment loss of receivables (net)	13,443	2,942	-	-
Inventories written off	8,694	9,157	-	-
Share of results from associates	(2,658)	(3,551)	-	-
Share of results from joint ventures	(146,164)	(35,858)	-	-
Net unrealised foreign exchange loss/(gain)	3,096	5,133	(5,079)	875
Dividends from subsidiaries	-	-	(704,614)	(374,547)
Dividend income from financial assets at fair value through other comprehensive income	(7,046)	(2,572)	-	-
Finance costs	126,510	126,933	96,002	78,989
Finance income	(26,256)	(22,728)	(69)	(31)
Other losses/(gains), net	364,756	(27,195)	-	-
Fair value changes in biological assets (net)	27,381	(56,780)	-	-
Provision for defined benefit plan	5,436	7,345	74	83
Termination of lease contracts	326	(12)	-	-
(Reversal of provision)/provision for asset retirement	(10,116)	8,245	-	-
Unwinding of discount for provision for asset retirement	421	447	-	-
Provision for remediation of recruitment fees	112,000	-	-	-
Operating profit/(loss) before working capital changes	3,249,029	2,554,607	559	(5,009)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)					
Changes in working capital:					
Inventories		(455,633)	(728,394)	-	-
Receivables		(296,942)	114,901	7,066	(3,909)
Intercompany	27	(139,376)	(140,229)	70,217	49,706
Payables		387,641	351,781	10,626	7,973
Cash generated from operation		2,744,719	2,152,666	88,468	48,761
Finance income		26,256	22,728	69	31
Taxation paid		(510,031)	(233,597)	(7,599)	(12,489)
Zakat paid		(35,142)	(17,406)	-	-
Tax refunded		6,352	21,584	2,833	113
Retirement benefit paid		(5,646)	(4,089)	(98)	(66)
Net cash generated from operating activities		2,226,508	1,941,886	83,673	36,350
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(757,875)	(566,137)	(285)	(188)
Purchase of right-of-use assets		-	(4,417)	-	-
Purchase of intangible assets		(6,424)	(9,954)	(3,202)	(2,710)
Purchase of biological assets		(502)	-	-	-
Additions of financial assets at fair value through other comprehensive income		(2,706)	(3,541)	-	-
Additions of financial assets at fair value through profit or loss		(238,527)	(17,691)	-	-
Cash inflow from additional investment in a subsidiary		-	794	-	-
Net cash inflow from liquidation of a subsidiary		4,012	-	-	-
Balance carried forward		(1,002,022)	(600,946)	(3,487)	(2,898)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES (CONTINUED)					
Balance brought forward		(1,002,022)	(600,946)	(3,487)	(2,898)
Additional investment in subsidiaries		-	-	(2,696)	(2,780)
Additional loans to subsidiaries		-	-	(864,573)	(446,539)
Repayment of loans from subsidiaries		-	-	874,392	598,595
Repayment of advances from subsidiaires	27	-	-	172,626	443,330
Advances to subsidiaries	27	-	-	(30,748)	-
Payment for asset retirement		(26)	(10)	-	-
Proceeds from disposal of property, plant and equipment		5,029	803	96	-
Proceeds from disposal of assets held for sale		11,300	2,000	-	-
Proceeds from liquidation of a joint venture		-	1,519	-	-
Proceeds from sales of financial assets at fair value through profit or loss		220,309	4,213	-	-
Proceeds from sales of financial assets at fair value through other comprehensive income		4,648	-	-	-
Proceeds from sales of biological assets		279	-	-	-
Dividends received from subsidiaries		-	-	334,911	308,547
Dividends received from joint ventures		26,428	17,986	-	-
Dividends received from associates		3,156	2,600	-	-
Dividends received from financial assets at fair value through other comprehensive income		7,046	2,572	-	-
Net cash (used in)/generated from investing activities		(723,853)	(569,263)	480,521	898,255

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of loans due to ultimate holding company		(300,000)	(250,000)	(300,000)	(250,000)
Repayment of loans from subsidiaries		-	-	-	(586,209)
Drawdown of borrowings		9,359,030	12,734,330	-	500,000
Repayment of borrowings		(9,998,370)	(12,778,135)	-	(75,080)
Payments of lease liabilities		(64,690)	(46,794)	(5,531)	(5,234)
Repayment of LLA liability		(477,306)	(413,018)	-	-
Dividends paid to shareholders		(437,778)	(109,445)	(437,778)	(109,445)
Dividends paid to non-controlling interests		(111,550)	(81,411)	-	-
Finance expense paid		(139,328)	(142,730)	(90,893)	(90,035)
Increase in restricted cash		(3,348)	(738)	-	-
Net cash used in financing activities		(2,173,340)	(1,087,941)	(834,202)	(616,003)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(670,685)	284,682	(270,008)	318,602
Effect of foreign exchange rate changes		32,777	17,052	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		1,967,191	1,665,457	338,675	20,073
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	35	1,329,283	1,967,191	68,667	338,675

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

Group	At 1 January RM'000	Drawdown RM'000	Repayment # RM'000	Non-cash changes					Fair value movement RM'000	At 31 December RM'000	
				Finance costs/ interest accretion RM'000	Interest capitalisation RM'000	Lease additions/ termination (net) RM'000	Foreign exchange movement RM'000				
2022											
Liabilities											
Islamic short term trade financing	1,946,431	8,286,136	(9,051,548)	12,514	28,507	-	-	-	-	-	1,222,040
Short term trade financing	241,173	1,013,880	(871,991)	13,997	825	-	1,487	-	-	-	399,371
Islamic term loans	679,442	9,031	(160,324)	28,727	-	-	-	-	-	-	556,876
Hire purchase	-	49,983	(488)	488	-	-	-	-	-	-	49,983
Sukuk	496,451	-	(24,805)	25,728	-	-	-	-	-	-	497,374
Total borrowings	3,363,497	9,359,030	(10,109,156)	81,454	29,332	-	1,487	-	-	-	2,725,644
Lease liabilities	322,099	-	(64,690)	16,514	-	56,338	1,098	-	-	-	331,359
LLLA liability	3,804,790	-	(477,306)	-	-	-	-	352,870	-	-	3,680,354
Loans due to ultimate holding company	634,665	-	(329,891)	28,542	-	-	-	-	-	-	333,316
	8,125,051	9,359,030	(10,981,043)	126,510	29,332	56,338	2,585	352,870			7,070,673
Asset											
Restricted cash	(64,474)	-	(3,349)	-	-	-	-	-	-	-	(67,823)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

Group	At 1 January RM'000	Drawdown RM'000	Repayment # RM'000	Non-cash changes					Fair value movement RM'000	At 31 December RM'000	
				Finance costs/ interest accretion RM'000	Interest/ transaction cost capitalisation RM'000	Lease additions/ termination (net) RM'000	Foreign exchange movement RM'000				
2021											
Liabilities											
Islamic short term trade financing	2,275,107	11,408,237	(11,781,713)	11,816	32,984	-	-	-	-	-	1,946,431
Short term trade financing	258,162	814,170	(839,648)	7,556	397	-	536	-	-	-	241,173
Islamic term loans	873,495	11,923	(257,222)	50,382	864	-	-	-	-	-	679,442
Sukuk	-	500,000	-	1,451	(5,000)	-	-	-	-	-	496,451
Total borrowings	3,406,764	12,734,330	(12,878,583)	71,205	29,245	-	536	-	-	-	3,363,497
Lease liabilities	385,826	-	(46,794)	14,969	-	(32,473)	571	-	-	-	322,099
LLA liability	4,213,824	-	(413,018)	-	-	-	-	-	3,984	3,804,790	
Loans due to ultimate holding company	886,188	-	(292,282)	40,759	-	-	-	-	-	-	634,665
	8,892,602	12,734,330	(13,630,677)	126,933	29,245	(32,473)	1,107	3,984	8,125,051		
Asset											
Restricted cash	(63,737)	-	(738)	-	-	-	-	-	-	-	(64,475)

Included in the repayment are finance expense paid amounted to RM139,328,000 (2021: RM142,730,000).

The cash flows and non-cash changes arising from LLA liability is disclosed in Note 46 to the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

Company	At 1 January RM'000	Drawdown RM'000	Repayment # RM'000	Non-cash changes		At 31 December RM'000
				Finance costs/ interest accretion RM'000	Interest/ transaction cost capitalisation RM'000	
2022						
Loans due to subsidiaries	806,789	-	(36,197)	40,442	-	811,034
Loans due to ultimate holding Company	634,665	-	(329,891)	28,542	-	333,316
Lease liabilities	28,318	-	(5,531)	1,290	-	24,077
Sukuk	496,451	-	(24,805)	25,728	-	497,374
	1,966,223	-	(396,424)	96,002	-	1,665,801
2021						
Loans due to subsidiaries	1,405,459	-	(633,194)	34,524	-	806,789
Loans due to ultimate holding Company	886,188	-	(292,282)	40,759	-	634,665
Lease liabilities	32,065	-	(5,234)	1,487	-	28,318
Islamic short term trade financing	75,080	-	(75,848)	768	-	-
Sukuk	-	500,000	-	1,451	(5,000)	496,451
	2,398,792	500,000	(1,006,558)	78,989	(5,000)	1,966,223

Included in the repayment are finance expense paid amounted to RM90,893,000 (2021: RM90,035,000)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

1 GENERAL INFORMATION

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

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

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

2 BASIS OF PREPARATION

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

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

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

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

(i) The Group has applied the following amendments for the first time for the financial year beginning on 1 January 2022:

- Amendments to MFRS 16 'Covid-19 - Related Rent Concessions beyond 30 June 2021'
- Amendments to MFRS 116 'Proceeds before intended use'
- Amendments to MFRS 3 'Reference to Conceptual Framework'
- Annual improvements to MFRS 1 'Subsidiary as First-time Adopter'
- Annual improvements to Illustrative Example Accompanying MFRS 16 Leases 'Lease Incentives'
- Annual improvements to MFRS 141 'Taxation in Fair Value Measurements'
- Annual Improvements to MFRS 9 'Fees in the 10% test for derecognition of financial liabilities'
- Amendments to MFRS 137 'Onerous Contracts - Cost of Fulfilling a Contract'

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2 BASIS OF PREPARATION (CONTINUED)

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

Accounting pronouncements that are currently being assessed by the Group:

Effective annual periods beginning on or after 1 January 2023

- Amendments to MFRS 101 and MFRS Practice Statement 2 and MFRS 108 on disclosure of accounting policies and definition of accounting estimates
- Amendments to MFRS 112 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction'

Effective for annual periods beginning on or after 1 January 2024

- Classification of Liabilities as Current or Non-current (Amendments to MFRS 101) ('the 2020 amendments')
- Non-current Liabilities with Covenants (Amendments to MFRS 101) ('the 2022 amendments')

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

3 SIGNIFICANT ACCOUNTING POLICIES

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

- (a) Basis of consolidation and investment in subsidiaries

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

Acquisition accounting

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Acquisition accounting (continued)

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

Predecessor accounting

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

(c) Disposal of subsidiaries

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

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

(d) Goodwill

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

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

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

(e) Associates

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(e) Associates (continued)**

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

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

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

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

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

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

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

(f) Joint arrangements

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

Joint ventures

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Joint arrangements (continued)

Joint operations

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

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

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

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

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

(g) Earnings per share

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

(h) Financial assets

Classification

The Group classifies its financial assets in the following categories:

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

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

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

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

Recognition and derecognition

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial assets (continued)

Measurement

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

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

(i) Debt instruments

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

a) Amortised cost

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

b) FVOCI

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

c) FVPL

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

(ii) Equity instruments

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial assets (continued)

Impairment

(i) Impairment for debt instruments and financial guarantee contracts

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

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

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

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

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

The measurement of ECL reflects:

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

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial assets (continued)

Impairment (continued)

(ii) Significant increase in credit risk (continued)

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

The following indicators are incorporated:

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial assets (continued)

Impairment (continued)

(iv) Groupings of instruments for ECL measurement

a) Collective assessment

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

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

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

b) Individual assessment

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

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

(v) Write-off

a) Trade receivables and contract assets

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

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

b) Other debt instruments

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

(vi) Subsidiaries, joint ventures and associates

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial liabilities

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

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

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

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

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

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

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

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

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

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

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

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

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

The Group's Islamic term loan is based on 1-month and 3-month Kuala Lumpur Interbank Offered Rate ("KLIBOR"). The Group will closely monitor the regulators' announcement on the alternative benchmark rate or discontinuation of publication of the KLIBOR for the relevant tenor; and engage the counterparties to discuss necessary changes to the related contracts, including the Islamic profit rate swap the Group has entered into. There are no updates at 31 December 2022.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Property, plant and equipment

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

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

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Property, plant and equipment (continued)

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

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

(k) Investment properties

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

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

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

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

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

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

(l) Intangible assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Intangible assets (continued)

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

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

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

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

The nature of the intangible assets are as follows:

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

Oil Palm

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

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

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

Dairy cows

The fair value of dairy cows is determined based on income approach (Level 3 computation) for calves, computed using discounted cash flows model making reference on the assumptions of expected raw milk yield, raw milk price, mortality rate, feed cost, farm cost, contributory assets charges and other costs that will be incurred throughout the remaining periods up to its transformation into heifers. For heifers and mature dairy cows, the fair value are determined based on market approach (Level 2 computation), computed using recent market transactions, and adjusted accordingly to reflect the age, weight and body score.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Inventories

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

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

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

(o) Impairment of non-financial assets

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

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

(p) Zakat

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

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

(q) Current and deferred income tax

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Current and deferred income tax (continued)

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

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

(r) Foreign currencies

Functional and presentation currency

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

Transactions and balances

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

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

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

Group companies

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(s) Government grants**

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

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

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

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

(t) Revenue recognition**(i) Revenue from contracts with customers**

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Revenue recognition (continued)

(i) Revenue from contracts with customers (continued)

The Group's revenue is categorised in three sectors:

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

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

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

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

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

(b) Sugar Sector

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Revenue recognition (continued)

(i) Revenue from contracts with customers (continued)

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

(c) Logistics and Others Sector

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Revenue recognition (continued)

(i) Revenue from contracts with customers (continued)

Sales with a right of return

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

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

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

Expected volume rebates/incentives

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

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

Quality claims

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

Receivables, contract asset and contract liabilities

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

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

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

Contract cost

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Revenue recognition (continued)

(ii) Revenue from other sources

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

a) Rental income

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

b) Finance income

Finance income is recognised using effective interest method.

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

c) Dividend income

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

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

d) Compensation receivable

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

(u) Dividend distribution

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

(v) Deposits, cash and bank balances

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Leases

The Group as a lessee

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

(a) ROU assets

ROU assets are measured at cost comprising the following:

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

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

<u>ROU assets</u>	<u>Estimated useful lives (years)</u>
Leasehold land	50 to 933
Buildings, structures and renovations	3 to 60
Plant and machinery	3 to 30
Motor vehicles	3 to 30
Office equipment, tools and other equipment	2 to 3

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

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

(b) Lease liabilities

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Leases (continued)

The Group as a lessee (continued)

(b) Lease liabilities (continued)

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

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

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

(c) Lease term

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

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

(d) Reassessment of lease liabilities

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Leases (continued)

The Group as a lessor

As a lessor, the Group determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the lessee. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(a) Finance leases

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

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

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

(b) Operating leases

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

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

(c) Sublease classification

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

(d) Separating lease and non-lease components

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Employee benefits

(i) Short-term employee benefits

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

(ii) Defined contribution plan

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

(iii) Defined benefit plan

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

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

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

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

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

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

(iv) Termination benefits

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Employee benefits (continued)

(v) Share-based compensation

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

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

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

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

(y) Contingent liabilities

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

(z) Equity instruments

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

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

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

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

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

(aa) Segment reporting

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ab) Derivative financial instruments and hedging activities

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

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

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

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

Cash flow hedge

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Cash flow hedge (continued)

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

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

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

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

(ac) Provisions

Provisions are recognised when:

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

(ae) Construction contracts

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ae) Construction contracts (continued)

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

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

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

Project management services

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

(af) Fair value measurement

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

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

4 FINANCIAL RISK MANAGEMENT

(a) Financial risk management policies

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

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

Market risk

(i) Foreign currency risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management policies (continued)

Market risk (continued)

(i) Foreign currency risk (continued)

Group

A 10% strengthening/weakening of the USD against the Malaysian Ringgit ("RM") at the date of statement of financial position would have a lower/higher impact to Group's profit after tax of approximately of RM966,000 (2021: RM1,835,000).

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

(ii) Price risk

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

Equity price risk

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

Group

Financial assets	Sensitivity factor	2022		2021	
		Impact to profit after tax RM'000	Impact to equity RM'000	Impact to profit after tax RM'000	Impact to equity RM'000
Fair value through other comprehensive income:					
- unquoted	Comparable PE multiple and PB multiple variance by 5%	-	7,970	-	9,930
- quoted	Share price variance by 5%	-	163	-	148
Fair value through profit or loss					
- quoted	Share price variance by 5%	4,068	-	3,957	-
Total impact		4,068	8,133	3,957	10,078

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management policies (continued)

Market risk (continued)

(ii) Price risk (continued)

Commodity price risk

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

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

As at 31 December 2022, sensitivity analysis had been performed based on the Group's exposure to commodity prices as at settlement date for the Group's LLA liability and commodity derivative portfolios.

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

	2022 RM'000	2021 RM'000
- Palm oil	(216)	1,009
- LLA liability	(290,064)	(204,540)
Net decrease	(290,280)	(203,531)

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

	2022 RM'000	2021 RM'000
- Palm oil	216	(1,009)
- LLA liability	296,045	217,259
Net increase	296,261	216,250

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management policies (continued)

Market risk (continued)

(iii) Finance rate risk

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

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

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

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
<u>Financial assets</u>				
<u>At fixed rate</u>				
Fixed deposits	1,027,029	1,606,219	51,869	327,178
<u>At floating rate (exposed to cash flow finance rate risk)</u>				
Loans due from subsidiaries	-	-	207,011	216,830

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

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Financial liabilities				
<u>At fixed rate</u>				
Loans due to ultimate holding company	333,316	634,665	333,316	634,665
Loans due to subsidiaries	-	-	811,034	806,789
Sukuk	497,374	496,451	497,374	496,451
Islamic short term trade financing	1,222,040	1,946,431	-	-
Short term trade financing	399,371	241,173	-	-
Islamic term loans	13,424	12,732	-	-
	2,465,525	3,331,452	1,641,724	1,937,905
<u>At floating rate (exposed to cash flow finance rate risk)</u>				
Islamic term loans	543,452	666,710	-	-
<u>At fair value (exposed to cash flow finance rate risk)</u>				
LLA liability	3,680,354	3,804,790	-	-
	4,223,806	4,471,500	-	-
	6,673,331	7,802,952	1,641,724	1,937,905

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management policies (continued)

Market risk (continued)

(iii) Finance rate risk (continued)

If discount rate on LLA liability increased/decreased by 50 basis points and finance rate on borrowings decreased/increased by 100 basis points with all other variables held constant, the profit after tax of the Group will increase by RM143,836,000 (2021: RM188,579,000) and decrease by RM154,177,000 (2021: RM110,421,000) respectively.

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

Credit risk

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

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

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

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

(i) Impairment of financial assets

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

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

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

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management policies (continued)

Credit risk (continued)

(i) Impairment of financial assets (continued)

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management policies (continued)

Credit risk (continued)

(i) Impairment of financial assets (continued)

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

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

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

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

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

(ii) Credit risk exposures

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

Liquidity risk

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

In addition to the Group's obligations, the Group has also confirmed its intention to provide continuing financial support to its subsidiary, MSM Malaysia Holdings Berhad, which is a separate public listed entity listed on the Main Market of Bursa Malaysia Securities Berhad. The financial support was provided as and when necessary to enable the subsidiary, MSM Malaysia Holdings Berhad to meet its liabilities as they fall due. The financial support given to the subsidiary, MSM Malaysia Holdings Berhad covers a period of twelve months from the date of the support letter, 24 March 2023.

Cash flow forecasting is performed in the operating entities of the Group and then aggregated by management. Management monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal statements of financial position ratio targets. As at 31 December 2022, the Group has undrawn committed borrowing facilities amounting to RM1,215 million (2021: RM1,026 million), which available unconditionally to the Group.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management policies (continued)

Liquidity risk (continued)

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

Group

	Less than 1 year RM'000	Between 1 and 2 years RM'000	Between 2 and 5 years RM'000	Over 5 years RM'000	Total RM'000
At 31 December 2022					
Loans due to ultimate holding company	348,239	-	-	-	348,239
LLA liability	437,683	288,665	871,170	33,119,969	34,717,487
Amount due to ultimate holding company	239,203	-	-	-	239,203
Amounts due to other related companies	24,350	-	-	-	24,350
Amount due to a joint venture	42	-	-	-	42
Amount due to an associate	331	-	-	-	331
Borrowings	2,315,545	262,226	506,988	162,600	3,247,359
Lease liabilities	67,821	45,154	90,803	200,972	404,750
Payables	1,829,029	-	-	-	1,829,029
Total undiscounted financial liabilities	5,262,243	596,045	1,468,961	33,483,541	40,810,789

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management policies (continued)

Liquidity risk (continued)

Company

	Less than 1 year RM'000	Between 1 and 2 years RM'000	Between 2 and 5 years RM'000	Over 5 years RM'000	Total RM'000
<u>At 31 December 2022</u>					
Loans due to ultimate holding company	348,239	-	-	-	348,239
Loans due to subsidiaries	115,858	112,070	313,770	531,311	1,073,009
Amounts due to subsidiaries	6,690	-	-	-	6,690
Amounts due to other related companies	79	-	-	-	79
Borrowings	124,842	71,548	247,638	162,600	606,628
Lease liabilities	5,527	5,758	15,707	-	26,992
Payables	68,508	-	-	-	68,508
Total undiscounted financial liabilities	669,743	189,376	577,115	693,911	2,130,145

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Capital risk management policies

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial year ended 31 December 2022 and 31 December 2021.

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

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

Group

With LLA liability

	2022 RM'000	2021 RM'000
Borrowings	2,725,644	3,363,497
Loans due to ultimate holding company	333,316	634,665
LLA liability	3,680,354	3,804,790
Total debt	6,739,314	7,802,952
Total equity	7,884,685	7,186,518
Total capital with LLA liability	14,623,999	14,989,470
Gearing ratio	85%	109%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Capital risk management policies (continued)

Group (continued)

Without LLA liability

	2022 RM'000	2021 RM'000
Borrowings	2,725,644	3,363,497
Loans due to ultimate holding company	333,316	634,665
Total debt	3,058,960	3,998,162
Total equity	7,884,685	7,186,518
Total capital without LLA liability	10,943,645	11,184,680
Gearing ratio	39%	56%

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

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

MSM Malaysia Holdings Berhad ("MSMH"), a subsidiary of the Company had received a waiver letter dated 8 November 2022 from the lender granting a waiver on one of the financial covenants for the financial year ended 31 December 2022 and therefore was not required to meet this covenant. MSMH has complied with the other of the financial covenants for the year ended 31 December 2022.

Company

	2022 RM'000	2021 RM'000
Loans due to ultimate holding company	333,316	634,665
Loans due to subsidiaries	811,034	806,789
Borrowings	497,374	496,451
Total debt	1,641,724	1,937,905
Total equity	7,545,786	7,429,561
Total capital	9,187,510	9,367,466
Gearing ratio	22%	26%

There is no financial covenants imposed for the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation

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

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

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2022 and 31 December 2021:

Group

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<u>2022</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss:				
(i) Derivatives				
- Foreign currency forward contracts	-	2,006	-	2,006
- Commodities futures contracts	1,159	-	-	1,159
(ii) Trading securities	81,355	-	-	81,355
Financial assets at fair value through other comprehensive income	3,263	-	159,407	162,670
Total assets	85,777	2,006	159,407	247,190
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<u>2022</u>				
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss:				
(i) LLA liability	-	-	3,680,354	3,680,354
(ii) Derivatives				
- Foreign currency forward contracts	-	16,889	-	16,889
- Islamic profit rate swap	-	193	-	193
- Commodities futures Contracts	853	-	-	853
Total liabilities	853	17,082	3,680,354	3,698,289

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation (continued)

<u>Group</u>	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<u>2021</u>				
<u>Assets</u>				
Financial assets at fair value through profit or loss:				
(i) Derivatives				
- Foreign currency forward contracts	-	1,978	-	1,978
- Commodities futures contracts	1,561	-	-	1,561
(ii) Trading securities	79,136	-	-	79,136
Financial assets at fair value through other comprehensive income	2,975	-	198,594	201,569
Total assets	83,672	1,978	198,594	284,244

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<u>2021</u>				
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss:				
(i) LLA liability	-	-	3,804,790	3,804,790
(ii) Derivatives				
- Foreign currency forward contracts	-	653	-	653
- Islamic profit rate swap	-	3,571	-	3,571
- Commodities futures contracts	3,096	-	-	3,096
Total liabilities	3,096	4,224	3,804,790	3,812,110

The Company has no financial assets and liabilities that are measured at fair value at 31 December 2022 and 31 December 2021.

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

(i) Financial instruments in Level 1

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation (continued)

(ii) Financial instruments in Level 2

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

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

(iii) Financial instruments in Level 3

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

	Group	
	2022 RM'000	2021 RM'000
<u>LLA liability</u>		
At 1 January	3,804,790	4,213,824
Fair value changes charged to profit or loss	352,870	3,984
Repayment during the financial year	(477,306)	(413,018)
At 31 December	3,680,354	3,804,790
<u>Financial assets at fair value through other comprehensive income</u>		
At 1 January	198,594	140,685
Additions	2,706	3,541
Disposal	(4,648)	-
Fair value changes	(35,253)	54,499
Currency translation differences	(1,992)	(131)
At 31 December	159,407	198,594

(d) Offsetting financial assets and financial liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgements are continually evaluated by Directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Management has considered the impact of climate change, specifically on labour shortages situation and El-Nino and La-Nina weather conditions together with their impact on the forecasted fresh fruit bunches yield during the preparation of the financial statements.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) LLA liability

The fair value of the LLA liability is measured using a discounted cash flow calculation using cash flow projections covering a 89 year period. The cash flow projection is approved by the LLA Steering Committee based on the 2023 approved financial budgets by the Directors plus the projection for the remaining period reflective of the forecasted operational results. As a result of the fair value assessment, the Group has recognised a LLA liability of RM3,680,354,000 (2021: RM3,804,790,000). Fair value changes for the LLA liability has been measured based on assumptions made on discount rate, crude palm oil prices, palm kernel prices, average yield of fresh fruit bunches and mature and immature estate costs. As at 31 December 2022, the Group adopted the most recent estimated changes in arriving at the fair value. The key assumptions incorporating the most recent developments in respect of yield and costs due to labour shortage issues and risks associated with the environmental (specifically in respect of the "El-Nino" and "La-Nina" conditions), social and governance ("ESG") factors and other parameters such as commodity prices have been considered. The key assumptions and the sensitivity analysis are as disclosed in Note 46 to the financial statements.

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

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

As a result of the impairment assessment, the Group did not recognise any impairment loss (2021: Nil) for goodwill relating to sugar business and palm upstream operations in Malaysia during the financial year. The key assumptions and the sensitivity analysis are as disclosed in Note 22(a) to the financial statements.

(iii) Impairment of non-financial assets

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

As a result of the assessment, the Group has recognised a net impairment of RM63,092,000 (2021: RM59,595,000) on certain property, plant and equipment, assets held for sale and right-of-use assets. The key assumptions and the sensitivity analysis are as disclosed in Note 19 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

6 REVENUE

The Group and Company derive the following types of revenue:

Group

	2022 RM'000	2021 RM'000
Revenue from contracts with customers	25,155,981	19,341,185
Revenue from other sources	405,562	224,706
	25,561,543	19,565,891

(a) Disaggregation of revenue from contracts with customers:

	Plantation RM'000	Sugar RM'000	Logistics and Others RM'000	Corporate HQ and Others RM'000	Total RM'000
2022					
<u>Major goods and services:</u>					
Sales of crude palm oil ("CPO")	11,301,038	-	-	-	11,301,038
Sales of processed palm oil ("PPO")	2,475,512	-	-	-	2,475,512
Sales of refined sugar and molasses	-	2,562,839	-	-	2,562,839
Sales of palm kernel ("PK")	795,867	-	-	-	795,867
Sales of fertiliser, packed products and others	3,164,940	-	-	-	3,164,940
Sales of fatty acids	1,494,465	-	-	-	1,494,465
Sales of rubber products	711,935	-	-	-	711,935
Sales of crude palm kernel oil ("CPKO")	1,616,850	-	-	-	1,616,850
Sales of biodiesel products	466,372	-	-	-	466,372
Services rendered	32,416	3,047	353,164	474	389,101
Sales of fresh fruit bunches ("FFB")	59,885	-	-	-	59,885
Freight income	70,109	-	-	-	70,109
Others	4,439	-	12,674	29,955	47,068
	22,193,828	2,565,886	365,838	30,429	25,155,981
<u>Timing of revenue recognition</u>					
- at a point in time	22,091,472	2,562,839	44,826	29,929	24,729,066
- over time	102,356	3,047	321,012	500	426,915
	22,193,828	2,565,886	365,838	30,429	25,155,981

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

6 REVENUE (CONTINUED)

Group (continued)

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

	Plantation RM'000	Sugar RM'000	Logistics and Others RM'000	Corporate HQ and Others RM'000	Total RM'000
2021					
<u>Major goods and services:</u>					
Sales of CPO	7,726,030	-	-	-	7,726,030
Sales of PPO	2,300,810	-	-	-	2,300,810
Sales of refined sugar and molasses	-	2,253,538	-	-	2,253,538
Sales of PK	606,221	-	-	-	606,221
Sales of fertiliser, packed products and others	2,259,473	-	-	-	2,259,473
Sales of fatty acids	1,159,050	-	-	-	1,159,050
Sales of rubber products	811,742	-	-	-	811,742
Sales of CPKO	1,378,362	-	-	-	1,378,362
Sales of biodiesel products	327,350	-	-	-	327,350
Services rendered	37,487	6,067	334,417	-	377,971
Sales of FFB	53,801	-	-	-	53,801
Freight income	31,929	-	-	-	31,929
Others	24,868	-	9,663	20,377	54,908
	16,717,123	2,259,605	344,080	20,377	19,341,185
Timing of revenue recognition					
- at a point in time	16,647,655	2,253,538	47,840	20,377	18,969,410
- over time	69,468	6,067	296,240	-	371,775
	16,717,123	2,259,605	344,080	20,377	19,341,185

(b) Revenue from other sources

	2022 RM'000	2021 RM'000
Subsidy from Kementerian Perdagangan Dalam Negeri Dan Kos Sara Hidup from sales of packed products	376,360	202,519
Rental income	23,401	19,615
Finance income	2,801	2,572
	405,562	224,706

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

6 REVENUE (CONTINUED)

Company

	2022 RM'000	2021 RM'000
Revenue from contracts with customers	129,837	116,241
Revenue from other sources	722,540	383,046
	852,377	499,287
<u>Revenue from contracts with customers</u>		
Management fees	129,837	116,241
Timing of revenue recognition		
- over time	129,837	116,241
<u>Revenue from other sources</u>		
Dividend from subsidiaries:		
- quoted	2,315	-
- unquoted	702,299	374,547
Finance income from financial institutions	69	31
Others	17,857	8,468
	722,540	383,046

7 OTHER OPERATING INCOME

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Rental income	7,198	6,455	295	235
Compensation on reclamation of LLA	11,910	15,343	-	-
Gain on disposal of property, plant and equipment, (net)	2,156	803	96	-
Gain on disposal of assets held for sale	-	927	-	-
Realisation of foreign exchange reserve upon liquidation of a subsidiary	1,881	-	-	-
Dividend income from financial assets at fair value through other comprehensive income	7,046	2,572	-	-
Income from sale of scrap	11,421	10,104	-	-
Income from sludge oil	9,915	8,276	-	-
Income from penalty charges	62	3,724	-	-
Insurance reimbursement	1,830	10,895	-	-
Roundtable Sustainable Palm Oil ("RSPO") premium income	1,683	1,222	-	-
Foreign currency exchange gains	25,531	9,040	5,088	-
Income from electricity supply in relation to biomass project	16,475	11,142	-	-
Reversal of impairment on asset held for sale	15,100	-	-	-
Reversal of provision for asset retirement	10,116	-	-	-
Other operating income	30,458	14,610	6,347	2,877
	152,783	95,113	11,826	3,112

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

8 IMPAIRMENT/(REVERSAL OF IMPAIRMENT) OF FINANCIAL ASSETS (NET)

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Impairment loss of receivables (net)	13,443	2,942	-	-
Reversal of impairment on amount due from ultimate holding company (net)	(8,553)	(3,801)	-	-
Impairment loss on amounts due from other related companies	12,751	137	-	-
Reversal of impairment on other receivables	-	-	-	(195)
Receivables written off	-	-	-	195
Impairment loss/(reversal of impairment) on amounts due from subsidiaries	-	-	29,110	(96)
	17,641	(722)	29,110	(96)

9 OTHER OPERATING EXPENSES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Impairment loss on investment in subsidiaries	-	-	14,388	-
Loss on liquidation of a subsidiary	290	-	-	-
Impairment loss on contract assets	139	292	-	-
Provision for asset retirement	-	8,245	-	-
Loss on liquidation in a joint venture	-	38	-	-
Other operating expenses	4,006	1,523	9	862
	4,435	10,098	14,397	862

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

10 OTHER (LOSSES)/GAINS, NET

	Group	
	2022 RM'000	2021 RM'000
Land Lease Agreement ("LLA"):		
- Fair value charges (Note 46)	(352,870)	(3,984)
Fair value changes in biological assets (net)	(27,381)	56,780
Financial assets at fair value through profit or loss		
- Fair value (losses)/gains (Note 29)	(3,118)	794
- Gain on disposal	1,749	40
Foreign currency forward contracts:		
- Losses from mark-to-market and settlement (net)	(19,626)	(6,182)
Oil palm futures contracts:		
- Gains/(losses) from mark-to-market and settlement (net)	3,023	(4,344)
Sugar futures contracts:		
- (Losses)/gains from mark-to-market and settlement (net)	(349)	12,042
Brent crude oil forward option		
- Gains/(losses) from mark-to-market and settlement (net)	4,348	(2,133)
Gain on liquidation of excess raw sugar hedges	2,087	30,962
	(392,137)	83,975

11 FINANCE INCOME AND COSTS

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Finance income:				
- finance income from financial institutions	26,256	22,728	-	-
Total finance income	26,256	22,728	-	-
Finance costs:				
- loans from ultimate holding company	(28,542)	(40,759)	(28,542)	(40,759)
- loans from subsidiaries	-	-	(40,442)	(34,524)
- Islamic short term trade financing	(41,021)	(44,800)	-	(768)
- short term trade financing	(14,822)	(7,953)	-	-
- Islamic term loans	(28,727)	(51,246)	-	-
- interest on lease liabilities	(16,514)	(14,969)	(1,290)	(1,487)
- hire purchase	(488)	-	-	-
- sukuk	(25,728)	(1,451)	(25,728)	(1,451)
Less: amount capitalised in additions of property, plant and equipment	29,332	34,245	-	-
Total finance costs	(126,510)	(126,933)	(96,002)	(78,989)
Net finance costs	(100,254)	(104,205)	(96,002)	(78,989)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

12 PROFIT FOR THE FINANCIAL YEAR

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

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Matured estates operating expenses (collection, upkeep, cultivation and general charges)	663,584	309,779	-	-
Cost of raw materials and chemicals for production and manufacturing	16,420,972	13,055,808	-	-
Cost of purchasing CPO	1,605,527	596,675	-	-
Cost of petrol, diesel and natural gas	391,054	250,225	-	-
Service charge on CPO trading	1,185	1,608	-	-
Property, plant and equipment (Note 19):				
- Depreciation	619,960	663,619	1,701	2,403
- Write offs	41,510	9,135	-	-
- (Gain)/loss on disposal (net)	(2,156)	(803)	96	-
- Impairment*	78,192	59,914	-	-
Right-of-use assets (Note 20):				
- Depreciation	76,726	68,825	4,361	4,361
- Write offs	-	185	-	-
- Reversal of impairment*	-	(319)	-	-
Investment properties (Note 21):				
- Depreciation	7,752	12,258	882	882
Intangible assets (Note 22):				
- Amortisation	13,709	20,568	4,782	9,490
Biological assets (Note 31)				
- Write off	25	-	-	-
- Loss on disposal	619	-	-	-
Assets held for sale (Note 36):				
- Reversal of impairment	(15,100)	-	-	-
- Gain on disposal	-	(927)	-	-
Inventories written off	8,694	9,157	-	-
Termination of lease contracts (net)	326	(12)	-	-
Short-term lease payments	12,607	8,618	24	23
Rental of low value assets	6,487	4,743	-	-
Rental of other equipment (service contracts)	48	67	-	-
Repairs and maintenance of refining plants and mills	234,665	211,031	-	-
Repairs and maintenance of motor vehicles	30,801	27,122	-	-
Transportation, loading and handling	338,005	251,940	-	-

* Impairment of property, plant and equipment and reversal of impairment of right-of-use assets are included in cost of sales

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

12 PROFIT FOR THE FINANCIAL YEAR (CONTINUED)

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

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Principal auditors' remuneration:				
- Audit fee	4,251	3,941	642	595
- Other assurance services	1,471	1,471	1,187	1,187
- Non-audit fee	2,680	170	2,420	-
Member firms of principal auditors' remuneration:				
- Audit fee	1,055	1,222	-	-
Other firms of auditors' remuneration:				
- Audit fee	146	168	-	-
Staff costs*	1,985,493	1,720,201	98,605	96,186
Professional and technical fees	30,488	26,727	18,851	15,848
Contributions to Yayasan Felda	5,000	5,000	457	-
Net realised foreign exchange loss/(gain)	22,088	7,100	9	(13)
Net unrealised foreign exchange loss/(gain)	3,096	5,133	(5,088)	875
Research and non-capitalised development costs	7,178	6,070	-	-
Construction cost recognised as an expense	605	1,724	-	-
Provision for remediation of recruitment fee	112,000	-	-	-
Unwinding of discount for provision for asset retirement	421	447	-	-

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

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Wages, salaries and bonuses	1,521,153	1,366,071	73,264	73,041
Defined contribution plan	152,008	143,668	12,175	12,344
Defined benefit plan	5,436	7,345	74	83
Other employee benefits	306,896	203,117	13,092	10,718
	1,985,493	1,720,201	98,605	96,186

Staff cost included in costs of sales amounted to RM1,442,029,000 (2021: RM1,210,911,000) and RM77,559,000 (2021: RM72,813,000) for the Group and Company respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

13 DIRECTORS' REMUNERATION

	Receivable from the Company RM'000	Receivable from subsidiaries RM'000	Group RM'000
2022			
Fees:			
- Independent Non-Executive	1,025	140	1,165
- Non-Independent Non-Executive	905	-	905
	1,930	140	2,070
Benefit in kind:			
- Independent Non-Executive	-	-	-
- Non-Independent Non-Executive	15	-	15
	15	-	15
Other benefits:			
- Independent Non-Executive	350	43	393
- Non-Independent Non-Executive	228	-	228
	578	43	621
Total	2,523	183	2,706

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

14 ZAKAT

	Group	
	2022 RM'000	2021 RM'000
Movement of zakat liability:		
At beginning of financial year	-	-
Current financial year's zakat expense	35,142	17,406
Zakat paid	(35,142)	(17,406)
At end of financial year	-	-

15 TAXATION

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Malaysian income tax:				
- In respect of current financial year	567,875	328,152	8,290	9,380
- In respect of prior financial year	(16,302)	9,337	(3,150)	(189)
Foreign income tax:				
- In respect of current financial year	34,001	11,614	-	-
Deferred tax (Note 49)	65,906	171,893	532	(6,527)
Tax expense	651,480	520,996	5,672	2,664

Included in tax expense for the Group is "Cukai Makmur" amounting to RM107,000,000 (2021: RM Nil)

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

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Profit before taxation after zakat	1,920,081	1,696,574	559,117	272,582
Less:				
Share of results of:				
- Associates	2,658	3,551	-	-
- Joint ventures	146,164	35,858	-	-
	1,771,259	1,657,165	559,117	272,582
Malaysian corporate tax rate of 24% (2021: 24%)	425,102	397,720	134,188	65,420
Tax effect of:				
- different tax rates in other countries	(264)	1,087	-	-
- expenses not deductible for tax purposes	86,701	95,177	39,785	24,990
- income not subject to tax	(24,284)	(13,061)	(165,471)	(83,643)
- (over)/under provision of income tax in prior financial year	(16,302)	9,337	(3,150)	(189)
- temporary differences not recognised as deferred tax	73,232	34,650	-	-
- temporary differences previously not recognised as deferred tax	295	(3,914)	320	(3,914)
- incremental tax rate due to "Cukai Makmur"	107,000	-	-	-
Tax expense	651,480	520,996	5,672	2,664

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

16 DIVIDEND

Dividends declared and paid are as follows:

	Group and Company			
	2022		2021	
	Dividend per share Sen	Amount of dividend RM'000	Dividend per share Sen	Amount of dividend RM'000
Final single-tier dividend for the financial year ended 31 December 2021, paid on 31 March 2022 (2021: Final single-tier dividend for the financial year ended 31 December 2020, paid on 31 March 2021)	8.0	291,852	3.0	109,445
Interim single-tier dividend for the financial year ended 31 December 2022, paid on 29 September 2022 (2021: Nil)	4.0	145,926	-	-
	12.0	437,778	3.0	109,445

On 27 February 2023, the Board of Directors agreed to declare the payment of a final single-tier dividend of 11.0 sen per ordinary share amounting to RM401.30 million, which is not taxable in the hands of the shareholders pursuant to paragraph 12B of Schedule 6 of the Income Tax Act, 1967.

17 EARNINGS PER SHARE

	Group	
	2022	2021
Basic and diluted EPS (sen)	36.4	32.0

The basic earnings per share ("EPS") has been calculated based on the consolidated profit after taxation attributable to equity shareholders of the Company and divided by the weighted number of ordinary shares in issue during the financial year. There are no potential ordinary shares as at 31 December 2022 and 31 December 2021.

	Group	
	2022	2021
Profit for the financial year attributable to equity shareholders (RM'000)	1,329,226	1,167,874
Weighted average number of ordinary shares in issue (thousands)	3,648,152	3,648,152

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

18 SEGMENT REPORTING

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

The GMC considers the business by product related activities. The reportable segments for the financial year ended 31 December 2022 have been identified as follows:

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

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

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

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

	Plantation RM'000	Sugar RM'000	Logistics and Others RM'000	Corporate HQ, Others and Elimination RM'000	Total RM'000
2022					
Total segment revenue	32,285,034	2,757,977	759,625	290,628	36,093,264
Less: Inter-segment revenue	(9,711,848)	(192,091)	(370,884)	(256,898)	(10,531,721)
Revenue from external customers	22,573,186	2,565,886	388,741	33,730	25,561,543
Profit/(loss) before zakat and taxation for the financial year	2,117,954	(177,179)	104,249	(89,801)	1,955,223
Zakat					(35,142)
Taxation					(651,480)
Profit after taxation for the financial year					1,268,601
<u>Other information:</u>					
Finance income	19,285	4,071	2,048	852	26,256
Finance costs	(32,164)	(29,092)	(3,874)	(61,380)	(126,510)
Depreciation and amortisation	(555,527)	(74,539)	(74,002)	(14,079)	(718,147)
Write-offs/write-down	(49,062)	(492)	(516)	(159)	(50,229)
(Impairment)/reversal of impairment loss (net)					
- financial assets	(9,294)	1,935	(10,265)	(17)	(17,641)
- non-financial assets	(55,204)	-	1,061	(8,949)	(63,092)
Fair value changes in LLA liability	(352,870)	-	-	-	(352,870)
Share of results of joint ventures	133,555	-	-	12,609	146,164
Share of results of associates	3,200	-	-	(542)	2,658
Capital expenditure	626,103	46,472	79,904	21,135	773,614

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

18 SEGMENT REPORTING (CONTINUED)

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

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

Other information:

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

18 SEGMENT REPORTING (CONTINUED)

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

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

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

	2022 RM'000	2021 RM'000
Malaysia	17,444,643	13,265,855
Overseas:		
- India	2,051,217	1,297,389
- China	796,097	587,449
- Pakistan	1,329,267	992,160
- Asia (excluding Malaysia, China, Pakistan and Indonesia)	1,593,199	1,025,474
- United States and Canada	1,488,170	1,106,856
- Europe	155,174	677,100
- Africa	609,323	458,090
- New Zealand	-	22,729
- Indonesia	24,314	21,886
- Others	70,139	110,903
	25,561,543	19,565,891

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

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

	2022 RM'000	2021 RM'000
Malaysia	11,100,337	10,961,890
Overseas:		
- United States and Canada	244,853	241,592
- Indonesia	154,463	185,982
- Pakistan	21,539	28,752
- Others	3,871	4,189
	11,525,063	11,422,405

In the current financial year, one (2021: one) major customer in the Plantation Sector contributed RM1,163,493,000 (5%) (2021: RM852,109,000 (4%)) to the Group's total revenues.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

19 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Buildings, structures and renovations RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Office equipment, tools and other equipment RM'000	Assets under construction RM'000	Bearer plants and livestock RM'000	Total RM'000
2022								
<u>Cost</u>								
At 1 January 2022	51,113	3,239,566	3,947,285	463,262	329,522	198,847	5,619,430	13,849,025
Additions	-	17,009	69,863	104,075	56,341	259,148	280,771	787,207
Disposals	(217)	(9,271)	(1,678)	(338)	(1,253)	(350)	-	(13,107)
Write offs	-	(8,813)	(32,273)	(18,277)	(6,866)	-	(287,779)	(354,008)
Reclassification	-	31,837	90,920	654	4,518	(127,929)	-	-
Transfer from right-of-use assets (Note 20)	-	-	-	5,500	-	-	-	5,500
Exchange differences	1,059	(3,896)	24,716	(296)	1,075	187	(3,488)	19,357
At 31 December 2022	51,955	3,266,432	4,098,833	554,580	383,337	329,903	5,608,934	14,293,974
<u>Accumulated depreciation/impairment</u>								
At 1 January 2022	184	1,155,331	1,864,429	268,938	220,968	104,461	2,560,322	6,174,633
Charge for the financial year	-	129,847	227,979	49,158	58,401	-	154,575	619,960
(Reversal of impairment)/impairment loss	(184)	10,363	7,480	580	155	-	59,798	78,192
Disposals	-	(7,081)	(1,592)	(329)	(1,232)	-	-	(10,234)
Write offs	-	(7,456)	(30,240)	(17,801)	(6,534)	-	(250,467)	(312,498)
Reclassification	-	(20,959)	15,262	-	-	5,697	-	-
Transfer from right-of-use assets (Note 20)	-	-	-	733	-	-	-	733
Exchange differences	-	(1,930)	17,530	(375)	610	-	(611)	15,224
At 31 December 2022	-	1,258,115	2,100,848	300,904	272,368	110,158	2,523,617	6,566,010
Net book value at 31 December 2022	51,955	2,008,317	1,997,985	253,676	110,969	219,745	3,085,317	7,727,964

19 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land RM'000	Buildings, structures and renovations RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Office equipment, tools and other equipment RM'000	Assets under construction RM'000	Bearer plants and livestock RM'000	Total RM'000
2021								
<u>Cost</u>								
At 1 January 2021	50,433	3,125,450	3,844,207	413,519	289,595	187,746	5,372,899	13,283,849
Additions	-	30,908	53,447	53,311	38,541	170,247	253,928	600,382
Disposals	-	-	-	(13)	(634)	-	-	(647)
Write offs	-	(2,215)	(31,357)	(6,622)	(4,140)	(914)	(8,059)	(53,307)
Reclassification	-	83,989	65,574	3,048	5,502	(158,113)	-	-
Transfer to biological assets (Note 31)	-	-	-	-	-	-	(2,248)	(2,248)
Exchange differences	680	1,434	15,414	19	658	(119)	2,910	20,996
At 31 December 2021	51,113	3,239,566	3,947,285	463,262	329,522	198,847	5,619,430	13,849,025
<u>Accumulated depreciation/impairment</u>								
At 1 January 2021	184	1,000,328	1,612,460	245,729	185,451	104,461	2,324,773	5,473,386
Charge for the financial year	-	141,408	252,802	26,869	37,882	-	204,658	663,619
Impairment loss/(reversal of impairment)	-	23,416	(2,259)	-	147	-	38,610	59,914
Disposals	-	-	-	(13)	(634)	-	-	(647)
Write offs	-	(1,648)	(27,162)	(3,656)	(3,735)	-	(7,971)	(44,172)
Reclassification	-	(8,201)	6,938	(11)	1,274	-	-	-
Transfer to biological assets (Note 31)	-	-	-	-	-	-	(20)	(20)
Transfer to assets held for sale (Note 36)	-	-	11,300	-	-	-	-	11,300
Exchange differences	-	28	10,350	20	583	-	272	11,253
At 31 December 2021	184	1,155,331	1,864,429	268,938	220,968	104,461	2,560,322	6,174,633
Net book value at 31 December 2021	50,929	2,084,235	2,082,856	194,324	108,554	94,386	3,059,108	7,674,392

Included in the additions of property, plant and equipment were RM27,945,000 (2021: RM33,365,000) in relation to capitalised finance cost for bearer plants at average finance rate of 3.7% (2021: 3.42%) per annum and RM1,387,000 (2021: RM880,000) in relation to capitalised borrowing costs for other qualifying assets at average finance rate of 3.14% (2021: 2.82%) per annum.

Net book value of the property, plant and equipment pledged as security to borrowings amounted to RM262,762,000 (2021: RM265,173,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

19 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Bearer plants and livestock

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

Group	Mature				Immature				Total bearer plants and livestock	
	Oil palm RM'000	Rubber trees RM'000	Others RM'000	Total RM'000	Oil palm RM'000	Rubber trees RM'000	Others RM'000	Total RM'000	Nursery RM'000	Livestock RM'000
2022										
<u>Cost</u>										
At 1 January 2022	4,501,072	119,969	676	4,621,717	826,706	121,512	6,219	954,437	43,207	69
Additions	-	-	-	-	230,836	7,232	9,016	247,084	33,665	22
Write offs	(287,761)	-	-	(287,761)	-	-	-	-	-	(18)
Reclassification from:										
- immature	388,238	16,090	-	404,328	(388,238)	(16,090)	-	(404,328)	-	-
- planting	-	-	-	-	26,763	-	-	26,763	(26,763)	-
Exchange differences	(3,915)	-	-	(3,915)	433	-	-	433	(6)	(3,488)
At 31 December 2022	4,597,634	136,059	676	4,734,369	696,500	112,654	15,235	824,389	50,103	73
<u>Accumulated depreciation/ impairment</u>										
At 1 January 2022	2,441,634	95,617	676	2,537,927	-	21,627	198	21,825	520	50
Charge for the financial year	149,558	5,012	-	154,570	-	-	-	-	-	5
Impairment loss	-	29,294	-	29,294	-	30,504	-	30,504	-	-
Write offs	(250,451)	-	-	(250,451)	-	-	-	-	-	(16)
Exchange differences	(611)	-	-	(611)	-	-	-	-	-	(611)
At 31 December 2022	2,340,130	129,923	676	2,470,729	-	52,131	198	52,329	520	39
Net book value at 31 December 2022	2,257,504	6,136	-	2,263,640	696,500	60,523	15,037	772,060	49,583	34

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

19 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Bearer plants and livestock (continued)

Group	Mature				Immature				Total bearer plants and livestock	
	Oil palm RM'000	Rubber trees RM'000	Others RM'000	Total RM'000	Oil palm RM'000	Rubber trees RM'000	Others RM'000	Total RM'000	Nursery RM'000	Livestock RM'000
2021										
<u>Cost</u>										
At 1 January 2021	4,206,548	98,534	676	4,305,758	900,193	134,870	198	1,035,261	29,606	2,274
Additions	3,580	-	-	3,580	222,578	8,077	6,021	236,676	13,629	43
Write offs	(8,059)	-	-	(8,059)	-	-	-	-	-	-
Reclassification from:										
- immature	298,723	21,435	-	320,158	(298,723)	(21,435)	-	(320,158)	-	-
- planting	-	-	-	-	38	-	-	38	(38)	-
Transfer to biological assets	-	-	-	-	-	-	-	-	-	(2,248)
Exchange differences	280	-	-	280	2,620	-	-	2,620	10	-
At 31 December 2021	4,501,072	119,969	676	4,621,717	826,706	121,512	6,219	954,437	43,207	69
<u>Accumulated depreciation/ impairment</u>										
At 1 January 2021	2,222,360	79,346	676	2,302,382	-	21,627	198	21,825	520	46
Charge for the financial year	199,748	4,886	-	204,634	-	-	-	-	-	24
Impairment loss	27,225	11,385	-	38,610	-	-	-	-	-	-
Write offs	(7,971)	-	-	(7,971)	-	-	-	-	-	-
Transfer to biological assets	-	-	-	-	-	-	-	-	-	(20)
Exchange differences	272	-	-	272	-	-	-	-	-	-
At 31 December 2021	2,441,634	95,617	676	2,537,927	-	21,627	198	21,825	520	50
Net book value at 31 December 2021	2,059,438	24,352	-	2,083,790	826,706	99,885	6,021	932,612	42,687	19

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

19 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Office equipment RM'000	Motor vehicle RM'000	Building, structure and renovation RM'000	Work in progress RM'000	Total RM'000
2022					
<u>Cost</u>					
At 1 January 2022	15,428	547	4,992	30	20,997
Addition	107	-	49	129	285
Reclassification	-	-	30	(30)	-
Disposal	-	(173)	-	-	(173)
At 31 December 2022	15,535	374	5,071	129	21,109
<u>Accumulated depreciation</u>					
At 1 January 2022	11,715	547	1,543	-	13,805
Charge for the financial year	1,431	-	270	-	1,701
Disposal	-	(173)	-	-	(173)
At 31 December 2022	13,146	374	1,813	-	15,333
Net book value at 31 December 2022	2,389	-	3,258	129	5,776
2021					
<u>Cost</u>					
At 1 January 2021	15,280	547	2,184	2,798	20,809
Addition	126	-	-	62	188
Reclassification	22	-	2,808	(2,830)	-
At 31 December 2021	15,428	547	4,992	30	20,997
<u>Accumulated depreciation</u>					
At 1 January 2021	10,089	532	781	-	11,402
Charge for the financial year	1,626	15	762	-	2,403
At 31 December 2021	11,715	547	1,543	-	13,805
Net book value at 31 December 2021	3,713	-	3,449	30	7,192

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

19 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Significant impairment and write off of property, plant and equipment

Financial year ended 31 December 2022

a) FGV Plantations (Malaysia) Sdn. Bhd. ("FGVPM")

An impairment assessment was performed due to continuing loss making on the rubber operations in FGVPM, as well as significant reduction in planted rubber hectareage during the year as certain plantation areas were destroyed by elephants attacks in March 2022.

Based on the impairment assessment, the recoverable amount of the rubber plantation in FGVPM was RM66,659,000, which resulted in the impairment loss of RM59,798,000 for property, plant and equipment. The impairment loss has been recognised as the Group's impairment of non-financial assets and has been included as impairment loss within the Plantation Sector in the Group's segment reporting (Note 18).

The recoverable amount is determined using fair value through cost to sell calculation (Level 3 fair value calculation) using cash flow projections covering a 20 year period. The cash flow projection was based on 2023 approved financial budgets by the Board of Directors of the Company plus the projection for the remaining period reflective of the forecasted operational results. The key assumptions used in the valuation were as follows:

(i) Planted rubber hectareage	7,159 hectares ^
(ii) Rubber price	RM6.00 per kg to RM6.48 per kg
(iii) Rubber yield	1,090 kg/ha to 1,250 kg/ha per annum **
(iv) Mature cost	RM4.73 per kg to RM5.99 per kg
(v) Final replanting year	2025
(vi) Discount rate	9.5%

^ Reduction in planted rubber hectareage during the year from 7,562 hectares in previous year arising from elephant attack during the year.

** Reduction in long term rubber yield to reflect the impact of lower upkeep and manuring activities due to labour shortages as well as management's revised plans on maintaining the rubber trees.

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

Key assumptions	Sensitivity	Recoverable amount lower by RM '000
Rubber price	Reduce by RM0.25 cents per kg	(11,771)
Rubber yield	Reduce by 100 kg/ha per annum	(10,991)
Mature cost per hectare	Increase by 5%	(11,354)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

19 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

Financial year ended 31 December 2022 (continued)

b) FGV Dairy Farm Sdn. Bhd. ("FGVDF")

Based on the impairment assessment under the assumptions that only existing cattles would be used in the operation, the cash flows projected a reduction in productivity of the existing cattles as it ages. As the cost of operating the existing farm infrastructure, barn and equipment exceeds the future cash flows management expects to derive from the cattles, the impairment loss of RM7,033,000 has been recognised as the Group's impairment of non-financial assets and has been included as impairment loss within the Others Sector in the Group's segment reporting (Note 18).

c) FGV Agri Services Sdn. Bhd. ("FGVAS")

The proposed closure of a mini mill in FGVAS has been identified as indicator for impairment for the assets. Based on the impairment assessment, the recoverable amount is Nil based on the expected planned closure. The impairment loss of RM4,668,000 has been recognised as the Group's impairment of non-financial assets and has been included as impairment loss within the Plantation Sector in the Group's segment reporting (Note 18).

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

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

The recoverable amount was determined using value in use calculation based on cash flow projections which is approved by the Board of Directors. The assumption of the projection is based on the 2023 to 2025 approved financial budgets by the Directors and it covers a finite projection period of 27 years, based on the weighted average remaining useful life of property, plant and equipment.

The recoverable amount of MSM Johor's assets calculated based on value in use calculation was RM1,421 million exceeds the carrying value by RM282 million (2021: recoverable amount was RM1,428 million exceeds the carrying value by RM195 million).

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

Key assumptions	2022	2021
Selling price, RM/MT*	2,303 - 3,635	2,010 - 3,012
Raw sugar price, RM/lb	0.65 - 0.79	0.64 - 0.86
Utilisation factor	19.5% - 57.0%	38% - 66.0%
Sales volume, MT'000	195 - 570	381 - 655
Freight charges, RM/MT	152.3 - 162.4	127.5 - 148.8
Landed cost, RM/MT	15.0 - 18.3	3.0 - 15.3
Natural gas price, RM/MMBtu	33.0 - 54.8	30.0 - 33.1
Discount rate %	12%	12%

* Excluding products subject to price control

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

19 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

Financial year ended 31 December 2022 (continued)

d) MSM Sugar Refinery (Johor) Sdn. Bhd. ("MSM Johor") (continued)

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

2022

Key assumptions	Sensitivity	VIU Higher/(Lower) by RM'000
Raw sugar price	Increase NY11 in 2024 & 2025 by USD0.61 cents/lb and USD0.30 cents/lb	(6,900)
Selling price	Decrease of selling price by RM116/mt in 2023	(266,852)
Natural gas price	Increase in natural gas price by 22% to RM67/MMBtu in 2023	(16,968)

2021

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

19 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

Financial year ended 31 December 2021

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

In the previous financial year, the continuing loss position in a refinery was identified as indicator for impairment for the assets. Based on the impairment assessment, the recoverable amount of the said refinery was RM8,554,000, which resulted the impairment loss of RM21,000,000 for property, plant and equipment. The impairment loss had been recognised as the Group's impairment of non-financial assets and had been included as impairment loss within the Plantation Sector in the Group's segment reporting (Note 18).

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

19 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

Financial year ended 31 December 2021 (continued)

b) Asian Plantation Limited ("APL")

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

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

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

Based on the assumptions above, the recoverable amount of APL's bearer plants for the affected estates was RM4,224,000, which resulted in the recognition of impairment losses of RM15,526,000 for property, plant and equipment. The impairment loss had been recognised as the Group's impairment of non-financial assets and had been included as impairment loss within the Plantation Sector in the Group's segment reporting (Note 18).

c) Pontian United Plantation Berhad ("PUP")

In the previous financial year, prolonged delay to rebuild a collapsed bridge during the Covid-19 pandemic and higher cost in relation to rehabilitation work had led to a drop in value of the bearer plant in PUP. The recoverable amount of the affected estate was determined using fair value less cost to sell (Level 3 fair value calculation), based on the valuation report obtained from an external valuer. Based on the valuation, the recoverable amount of the affected estate was RM39,640,000, which resulted in the recognition of impairment losses of RM13,118,000 for property, plant and equipment. The impairment loss had been recognised as the Group's impairment of non-financial assets and has been included as impairment loss within the Plantation Sector in the Group's segment reporting (Note 18).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

19 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

Financial year ended 31 December 2021 (continued)

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

In the previous financial year, an impairment assessment was performed due to delay in maturity of the rubber trees as well as deterioration of results being compounded by workers shortages at the estates level. Based on the impairment assessment, the recoverable amount of the rubber plantation in FGVPM was RM124,200,000, which resulted in the impairment loss of RM11,385,000 for property, plant and equipment. The impairment loss had been recognised as the Group's impairment of non-financial assets and had been included as impairment loss within the Plantation Sector in the Group's segment reporting (Note 18).

The recoverable amount is determined using fair value through cost to sell calculation (Level 3 fair value calculation) using cash flow projections covering a 20 year period. The cash flow projection was based on 2022 approved financial budgets by the Board of Directors of the Company plus the projection for the remaining period reflective of the forecasted operational results. The key assumptions used in the valuation were as follows:

(i)	Planted rubber hectarage	7,562 hectares
(ii)	Rubber price	RM5.80 per kg
(iii)	Rubber yield	1,000 kg/ha to 1,550 kg/ha per annum
(iv)	Mature cost per kg	RM5.00 per kg to RM6.20 per kg
(v)	Final replanting year	2027
(vi)	Discount rate	9.5%

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

In the previous financial year, certain FGVPI mills were in continuing loss position for three consecutive years which had been identified as indicator for impairment of the assets. Based on the impairment assessment, one of the mill's recoverable amount of RM28,200,000 resulted in a shortfall of RM9,100,000 and this had been recognised as part of the Group's impairment of non-financial assets and included as impairment loss within the Plantation Sector in the Group's segment reporting (Note 18).

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

Parameters	Assumptions
Projection period (years)	10
Utilisation factor (%)	16 - 65
Processed quantity ('000 MT)	46 - 182
Processing cost (RM/MT)	66 - 175
Tolling rate (RM)	53 - 65
Discount rate (%)	8.5

f) MSM Malaysia Holdings Berhad ("MSMH")

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

19 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

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

	Group	
	2022 RM'000	2021 RM'000
Within 1 year	2,265	2,149
Between 1 and 2 years	2,265	2,149
Between 2 and 3 years	2,265	2,149
Between 3 and 4 years	2,265	2,149
Between 4 and 5 years	2,265	2,149
	11,325	10,745

Rental income recognised in profit or loss during the financial year amounted to RM1,905,000 (2021: RM1,811,000).

20 RIGHT-OF-USE ASSETS

Group	Leasehold land RM'000	Buildings, structures and renovations RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Office equipment, tools and other equipment RM'000	Total RM'000
2022						
<u>Cost</u>						
At 1 January 2022	2,544,163	242,028	56,264	8,645	6,593	2,857,693
Additions	3,614	31,122	3,996	134	-	38,866
Remeasurement of lease contracts	2,985	(4,963)	-	-	-	(1,978)
Termination of lease contracts	(1,660)	(1,042)	-	-	-	(2,702)
Transfer to property, plant and equipment (Note 19)	-	-	-	(5,500)	-	(5,500)
Currency translation differences	(109)	-	3,027	-	-	2,918
At 31 December 2022	2,548,993	267,145	63,287	3,279	6,593	2,889,297
<u>Accumulated depreciation/impairment</u>						
At 1 January 2022	442,444	176,819	37,000	1,342	4,004	661,609
Charge for the financial year	48,143	19,991	7,604	618	370	76,726
Termination of lease contracts	(1,297)	(10)	-	-	-	(1,307)
Transfer to property, plant and equipment (Note 19)	-	-	-	(733)	-	(733)
Currency translation differences	225	-	1,974	-	-	2,199
At 31 December 2022	489,515	196,800	46,578	1,227	4,374	738,494
Net book value at 31 December 2022	2,059,478	70,345	16,709	2,052	2,219	2,150,803

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

20 RIGHT-OF-USE ASSETS (CONTINUED)

Group	Leasehold land RM'000	Buildings, structures and renovations RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Office equipment, tools and other equipment RM'000	Total RM'000
2021						
<u>Cost</u>						
At 1 January 2021	2,574,881	265,804	50,192	3,489	-	2,894,366
Additions	4,752	3,620	4,200	5,156	-	17,728
Remeasurement of lease contracts	(45,772)	-	-	-	-	(45,772)
Write offs	(250)	-	-	-	-	(250)
Reclassification	20,803	(27,396)	-	-	6,593	-
Transfer to asset held for sale (Note 36)	(10,573)	-	-	-	-	(10,573)
Currency translation differences	322	-	1,872	-	-	2,194
At 31 December 2021	2,544,163	242,028	56,264	8,645	6,593	2,857,693
<u>Accumulated depreciation/impairment</u>						
At 1 January 2021	397,719	167,482	29,553	33	-	594,787
Charge for the financial year	43,872	17,321	6,323	1,309	-	68,825
Write offs	(65)	-	-	-	-	(65)
Reversal of impairment	(319)	-	-	-	-	(319)
Reclassification	3,980	(7,984)	-	-	4,004	-
Transfer to asset held for sale (Note 36)	(2,891)	-	-	-	-	(2,891)
Currency translation differences	148	-	1,124	-	-	1,272
At 31 December 2021	442,444	176,819	37,000	1,342	4,004	661,609
Net book value at 31 December 2021	2,101,719	65,209	19,264	7,303	2,589	2,196,084

As at 31 December 2022, the carrying amount of right-of-use assets under land arrangements with FELDA amounted to RM121,340,000 (2021: RM125,165,000). FELDA is in the midst of applying the land titles from respective state authorities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

20 RIGHT-OF-USE ASSETS (CONTINUED)

Company	Buildings RM'000
2022	
<u>Cost</u>	
At 1 January 2022/31 December 2022	39,251
<u>Accumulated depreciation</u>	
At 1 January 2022	14,537
Charge for the financial year	4,361
At 31 December 2022	18,898
Net book value at 31 December 2022	20,353
2021	
<u>Cost</u>	
At 1 January 2021/31 December 2021	39,251
<u>Accumulated depreciation</u>	
At 1 January 2021	10,176
Charge for the financial year	4,361
At 31 December 2021	14,537
Net book value at 31 December 2021	24,714

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

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Short term lease payments	12,607	8,618	24	23
Rental of low value assets	6,487	4,743	-	-
Payments of lease liabilities	64,690	46,794	5,531	5,234
	83,784	60,155	5,555	5,257

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

21 INVESTMENT PROPERTIES

Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Total RM'000
2022				
<u>Cost</u>				
At 1 January/31 December 2022	32,006	21,591	127,145	180,742
<u>Accumulated depreciation/impairment</u>				
At 1 January 2022	-	3,248	95,963	99,211
Charge for the financial year	-	313	7,439	7,752
At 31 December 2022	-	3,561	103,402	106,963
Net book value at 31 December 2022	32,006	18,030	23,743	73,779

2021

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

Company	Buildings	
	2022 RM'000	2021 RM'000
<u>Cost</u>		
At 1 January/31 December 2022	17,627	17,627
<u>Accumulated depreciation/impairment</u>		
At 1 January	6,326	5,444
Charge for the financial year	882	882
At 31 December	7,208	6,326
Net book value at 31 December	10,419	11,301

The following amounts have been recognised in profit or loss:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Rental income from investment properties	7,614	4,733	295	235
Direct operating expenses arising from investment properties that generate rental income	(1,170)	(1,101)	(42)	(32)
Direct operating expenses arising from investment properties that did not generate rental income	-	-	(44)	(32)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

21 INVESTMENT PROPERTIES (CONTINUED)

The fair value of the investment properties above as at 31 December 2022 is estimated at RM246,222,000 (2021: RM249,647,000) for the Group and RM19,357,705 (2021: RM19,006,485) for the Company based on independent valuations carried out by registered professional valuers using the comparison method by reference to recent transactions involving other similar properties in the vicinity. The valuation is a Level 2 fair value estimation.

Leasing arrangements – Group and Company as a lessor

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

22 INTANGIBLE ASSETS

Group	Goodwill RM'000	Brand RM'000	Software RM'000	Land use rights RM'000	Others RM'000	Intangible assets under development RM'000	Total RM'000
<u>Net book value</u>							
2022							
At 1 January 2022	809,072	71,337	19,101	45,348	928	2,596	948,382
Additions	-	-	2,046	26	-	4,352	6,424
Reclassification	-	-	5,929	-	-	(5,929)	-
Amortisation charge	-	(4,650)	(8,002)	(797)	(260)	-	(13,709)
Exchange differences	-	-	-	(1,165)	51	-	(1,114)
At 31 December 2022	809,072	66,687	19,074	43,412	719	1,019	939,983
Expected remaining useful lives (years)							
- 31 December 2022		8 – 15	1 – 5	28	4		

Group	Goodwill RM'000	Brand RM'000	Software RM'000	Land use rights RM'000	Others RM'000	Intangible assets under development RM'000	Total RM'000
<u>Net book value</u>							
2021							
At 1 January 2021	809,072	75,987	21,535	42,401	1,132	8,162	958,289
Additions	-	-	4,337	3,021	-	2,596	9,954
Reclassification	-	-	8,162	-	-	(8,162)	-
Amortisation charge	-	(4,650)	(14,933)	(741)	(244)	-	(20,568)
Exchange differences	-	-	-	667	40	-	707
At 31 December 2021	809,072	71,337	19,101	45,348	928	2,596	948,382
Expected remaining useful lives (years)							
- 31 December 2021		9 – 16	1 – 5	29	5		

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

22 INTANGIBLE ASSETS (CONTINUED)

Company	Software RM'000	Intangible asset under development RM'000	Total RM'000
<u>Net book value</u>			
2022			
At 1 January 2022	6,625	4,802	11,427
Additions	-	3,202	3,202
Amortisation charge	(4,782)	-	(4,782)
Reclassification	3,047	(3,047)	-
At 31 December 2022	4,890	4,957	9,847
2021			
At 1 January 2021	10,381	7,826	18,207
Additions	1,450	1,260	2,710
Amortisation charge	(9,490)	-	(9,490)
Reclassification	4,284	(4,284)	-
At 31 December 2021	6,625	4,802	11,427

(a) Impairment test for goodwill

Goodwill is allocated to the Group's cash-generating units (CGU) as follows:

	Group	
	2022 RM'000	2021 RM'000
Sugar business operations in Malaysia	576,240	576,240
Palm upstream operations in Malaysia	226,795	226,795
Others	6,037	6,037
	809,072	809,072

(i) Sugar business operations in Malaysia

The goodwill of RM576,240,000 (2021: RM576,240,000) relates to the acquisition of the sugar business by the Group and is allocated to MSM Malaysia Holdings Berhad ("MSMH"). This represents the lowest level at which goodwill is monitored for internal management purposes.

The recoverable amount of the CGU is determined based on VIU calculation using cash flows projections based on financial budgets approved by the Directors covering a five-year period and applying a terminal value growth rate multiple using longer-term sustainable growth rates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

22 INTANGIBLE ASSETS (CONTINUED)

(a) Impairment test for goodwill (continued)

(i) Sugar business operations in Malaysia (continued)

The recoverable amount calculated based on VIU exceeded the carrying value by RM1,191 million (2021: RM646 million).

The key assumptions used for the CGU's VIU calculation are:

	2022	2021
Selling price, RM per metric tonne ("MT") *	2,303 - 3,635	2,010 - 3,012
Raw sugar price, RM/lb	0.65 - 0.79	0.64 - 0.86
Sales volume, MT'000	1,002 - 1,220	1,088 - 1,502
Freight charges, RM/MT	152.3 - 173.9	127.5 - 148.8
Landed cost, RM/MT	15.0 - 18.3	3.0 - 15.3
Natural gas price, RM/MMBtu	33.0 - 54.8	30.0 - 33.1
Terminal value growth rate	2%	2%
Discount rate	11.6% - 12.0%	11.6% - 12.0%

* Excluding products subject to price control

The sensitivity on the goodwill arising from the sugar business operations in Malaysia recoverable amount to key assumptions are as follows:

2022 Key assumptions	Sensitivity	VIU Higher/ (Lower) by RM'000
Raw sugar price	Increase NY11 in 2024 & 2025 by USD0.61 cents/lb and USD0.30 cents/lb	(29,500)
Selling price	Decrease of selling price by RM116/mt in 2023	(681,863)
Natural gas price	Increase in natural gas price by 22% to RM67/MMBtu in 2023	(39,637)

All changes taken in isolation, a reduction in selling price by 17.2%, increase in raw sugar price by USD2.2 cents/lb, increase in terminal value growth rate by 6.9%, increase in discount rate by 3.6%, decrease in sales volume by 17.1%, increase in freight charges by RM23/MT, increase in landed cost by RM96/MT and increase in natural gas prices by 15.7% would result in the recoverable amount being equal to the carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

22 INTANGIBLE ASSETS (CONTINUED)

(a) Impairment test for goodwill (continued)

(i) Sugar business operations in Malaysia (continued)

Other than as disclosed below, there is no reasonably possible change in any of the above key assumptions, which would cause the carrying value of the CGU to exceed its recoverable amount. (continued)

2021

Key assumptions	Sensitivity	VIU Higher/(Lower) by RM'000
Landed cost	Increase by RM15/mt	(105,500)
Domestic sales volume	Reduce by 30%	(42,900)
Fine syrup sales volume	Reduce by 24kmt – 29kmt	(50,200)
Natural gas price	Increase by 10%	(38,500)

All changes taken in isolation, a reduction in domestic selling price by RM297/MT, increase in raw sugar price by USD1.2 cents/lb, reduction in terminal value growth rate by 4.6%, increase in discount rate by 1.8%, decrease in domestic sales volume by 18.9% and increase in exchange rate by RM0.33/USD would result in the recoverable amount being equal to the carrying amount.

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

(ii) Palm upstream operations in Malaysia

Goodwill of RM226,795,000 (2021: RM226,795,000) for palm upstream operations in Malaysia comprise of RM127,238,000 (2021: RM127,238,000) for PUP and RM99,557,000 (2021: RM99,557,000) for Yapidmas. The Group's palm upstream operations in Malaysia are combined for the purposes of goodwill impairment testing as they represent the lowest level within the Group at which goodwill is monitored for internal management purpose.

The recoverable amount of the palm upstream operations CGU is determined using a fair value less cost to sell calculation (Level 3 fair value computation) using cash flow projections covering a 25 year period. The key assumptions are as follows:

Key assumptions	2022			2021		
	Short Term	Mid Term	Long Term	Short Term	Mid Term	Long Term
CPO Price (per MT)	4,000	2,800 - 3,000	2,600 - 2,800	4,300	2,500 - 2,900	2,450 - 2,600
PK Price (per MT)	2,400	1,800 - 1,850	1,800 - 1,850	2,645	1,500 - 1,740	1,750 - 1,800
Average FFB yield (MT/ha)	17.8	18.1 - 18.3	16.6 - 26.6	16.9	17.6 - 18.5	16.6 - 26.6
Mature estate cost (per hectare)	6,486	6,370 - 6,424	5,229 - 5,588	5,709	4,703 - 4,845	4,921 - 5,114
Immature estate cost (per hectare)	5,963	5,842 - 5,847	5,104	5,402	4,575 - 4,629	4,786
Discount rate		9.5%			9.5%	

22 INTANGIBLE ASSETS (CONTINUED)

(a) Impairment test for goodwill (continued)

(ii) Palm upstream operations in Malaysia (continued)

The Group's review includes an impact assessment of changes in key assumptions. Based on the sensitivity analysis performed, the Directors concluded that no reasonable change in any of the base case assumptions would cause the carrying amount of the CGU to exceed the recoverable amount.

a) CPO and PK price

CPO and PK is determined based on the forecast provided by the Group's trading arm subsidiary, based on industry trend and historical prices.

b) Average FFB yield and estate costs

The average FFB yield and estate costs are based on forecast provided by the Group's upstream operations management, the Group's agronomists, based on the 2023 approved budget plus the projection for the remaining period reflective of the forecasted operations results, taking into considerations historical results, industry trend, and other available information, including recent developments in respect of commodity prices, yield and costs due to labour shortage issues and risk associated with ESG factors.

c) Discount rate

The post-tax discount rate used reflects specific industry risks relating to the palm plantation operations including consideration of comparison with comparable peer companies in Malaysia.

(iii) Others

Included in others is goodwill of RM6,037,000 (2021: RM6,037,000), which arose from the acquisition of cattle and dairy operations and is allocated to FGV Dairy Farm Sdn. Bhd.. The amount is not deemed to be material to the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

23 INVESTMENT IN SUBSIDIARIES

Company	2022 RM'000	2021 RM'000
<u>At cost less accumulated impairment</u>		
(i) Malaysian quoted shares:		
Ordinary shares:		
At 1 January/31 December	208,590	208,590
(ii) Malaysian unquoted shares:		
Ordinary shares:		
At 1 January	6,687,171	6,679,174
Additions	-	2,780
Impairment loss (Note 23(d))	(14,388)	-
Conversion of amount due from a subsidiary into investment in equity of the subsidiary (Note 27)	2,696	5,217
At 31 December	6,675,479	6,687,171
(iii) Foreign unquoted shares:		
At 1 January/31 December	9,232	9,232
(iv) Redeemable and Non-voting Convertible Preference Shares ("RCPS")/Redeemable Cumulative and Non-voting Convertible Preference Shares ("RCCPS")*:		
At 1 January/31 December	1,580,549	1,580,549
(v) Capital contribution to subsidiaries:		
At 1 January/31 December	15,482	15,482
Total	8,489,332	8,501,024
Market value of Malaysian quoted shares, based on Group's effective interest	304,742	458,906

The disclosure of market value of Malaysia quoted shares is based on Level 1 fair value computation.

* The key terms of RCPS are as follows:

- (i) The dividend payable is based on the performance of the investment to be declared by the Board of Directors of the investment company as they shall deem fit;
- (ii) The holder of the RCPS does not have the right to vote at any general meeting except for as stated in the Schedule 2 of the Subscription Agreement;
- (iii) The holder of the RCPS will be entitled to convert part or whole of the RCPS into ordinary shares of RM1 each on the basis of one RCPS for one new ordinary shares of RM1 each issued and fully paid-up on or before the redemption; and
- (iv) The issuer will have the right at any time to redeem in whole or in part thereof at the par value of RM0.01 for each RCPS issued.

The key terms of RCCPS are as follows:

- (i) The dividend payable is based on the net proceed received by the investment company to be declared by the Board of Directors of the investment company as they shall deem fit;
- (ii) The holder of the RCCPS does not have the right to vote at any general meeting except for as stated in the Schedule 2 of the Subscription Agreement;
- (iii) The holder of the RCCPS will be entitled to convert part or whole of the RCCPS into ordinary shares of RM1 each on the basis of one RCCPS for one new ordinary shares of RM1 each issued and fully paid-up on or before the redemption; and
- (iv) The issuer will have the right at any time to redeem in whole or in part thereof at the par value of RM0.01 for each RCCPS issued.

23 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Details of subsidiaries are as follows:

Name of subsidiary	Place of business/ country of incorporation	Nature of business	Proportion of ordinary shares directly held by FGVH		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests		Proportion of RCPS/ RCCPS held by the Group	
			2022	2021	2022	2021	2022	2021	2022	2021
			%	%	%	%	%	%	%	%
<u>Direct subsidiaries</u>										
FGV Sugar Sdn. Bhd.	Malaysia	Investment holding	100.0	100.0	100.0	100.0	-	-	100.0	100.0
Felda Global Ventures Perlis Sdn. Bhd.	Malaysia	Dormant	100.0	100.0	100.0	100.0	-	-	-	-
FGV Resources Sdn. Bhd.	Malaysia	Dormant	100.0	100.0	100.0	100.0	-	-	-	-
FGV USA Properties, Inc. *	United States of America	Operator of residential real estate in USA	100.0	100.0	100.0	100.0	-	-	-	-
MSM Malaysia Holdings Berhad	Malaysia	Investment holding	11.0	11.0	51.0	49.0	49.0	49.0	-	-
FGV Downstream Sdn. Bhd.	Malaysia	Investment holding	100.0	100.0	100.0	100.0	-	-	100.0	100.0
FGV Plantations Sdn. Bhd.	Malaysia	Investment holding	100.0	100.0	100.0	100.0	-	-	100.0	100.0
FGV Shared Service Centre Sdn. Bhd.	Malaysia	Provide transactional processing activities for Finance and Human Resources functions of FGV Holdings Berhad Group of companies	100.0	100.0	100.0	100.0	-	-	-	-
FGV R&D Sdn. Bhd.	Malaysia	Research and development	100.0	100.0	100.0	100.0	-	-	-	-
FGV Capital Sdn. Bhd.	Malaysia	Undertake the business of all kinds of treasury services	100.0	100.0	100.0	100.0	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

23 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Details of subsidiaries are as follows: (continued)

Name of subsidiary	Place of business/ country of incorporation	Nature of business	Proportion of ordinary shares directly held by FGVH		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests		Proportion of RCPS/ RCCPS held by the Group	
			2022	2021	2022	2021	2022	2021	2022	2021
			%	%	%	%	%	%	%	%
<u>Direct subsidiaries</u> (continued)										
FGV Investment (L) Pte. Ltd	Malaysia	Investment holding and investment management	100.0	100.0	100.0	100.0	-	-	-	-
Pontian United Plantations Berhad	Malaysia	Investment holding, provision of management services, cultivation of oil palm and sales of fresh fruit bunches	100.0	100.0	100.0	100.0	-	-	-	-
Felda Holdings Bhd.	Malaysia	Investment holding	100.0	100.0	100.0	100.0	-	-	-	-
FGV Research Sdn. Bhd.	Malaysia	Investment holding	100.0	100.0	100.0	100.0	-	-	-	-
FGV Integrated Farming Holdings Sdn. Bhd.	Malaysia	Investment holding, wholesale of paddy, rice, flour, other grains, other general trading and services.	100.0	100.0	100.0	100.0	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

23 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Details of subsidiaries are as follows: (continued)

Name of subsidiary	Place of business/ country of incorporation	Nature of business	Proportion of ordinary shares directly held by FGVH		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests		Proportion of RCPS/ RCCPS held by the Group	
			2022	2021	2022	2021	2022	2021	2022	2021
			%	%	%	%	%	%	%	%
Indirect subsidiaries										
Subsidiaries of MSM										
Malaysia Holdings Berhad										
MSM Prai Berhad	Malaysia	Sugar refining, sales and marketing of sugar products and investment holding	-	-	51.0	51.0	49.0	49.0	-	-
MSM Trading & Distribution Sdn. Bhd.	Malaysia	Buy and sell commodity products	-	-	51.0	51.0	49.0	49.0	-	-
MSM Sugar Refinery (Johor) Sdn. Bhd.	Malaysia	Carry on business in sugar product and by-product and to import raw sugar and others for milling and refining of sugar	-	-	51.0	51.0	49.0	49.0	-	-
MSM Trading International DMCC# (Note 3)	United Arab Emirates	Liquidated	-	-	-	51.0	-	49.0	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

23 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Details of subsidiaries are as follows: (continued)

Name of subsidiary	Place of business/ country of incorporation	Nature of business	Proportion of ordinary shares directly held by FGVH		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests		Proportion of RCPS/ RCCPS held by the Group	
			2022 %	2021 %	2022 %	2021 %	2022 %	2021 %	2022 %	2021 %
Indirect subsidiaries (continued)										
Subsidiary of MSM Prai Berhad										
MSM Logistics Sdn. Bhd.	Malaysia	Provision of transportation services	-	-	51.0	51.00	49.0	49.0	-	-
Subsidiaries of FGV										
Downstream Sdn. Bhd.										
Felda Global Ventures North America Sdn.Bhd.	Malaysia	Investment holding	-	-	100.0	100.0	-	-	100.0	100.0
FGV Biotechnologies Sdn. Bhd.	Malaysia	Processing and sale of biodiesel products	-	-	100.0	100.0	-	-	-	-
FGV Green Energy Sdn. Bhd.	Malaysia	Processing and sale of biodiesel products	-	-	60.0	60.0	40.0	40.0	-	-
Subsidiaries of Felda Global Ventures North America Sdn. Bhd.										
Twin Rivers Technologies Holdings, Inc. #	United States of America	Investment holding	-	-	100.0	100.0	-	-	-	-
Twin Rivers Technologies Holdings-Enterprise De Transformation De Graines Oleagineuses Du Quebec Inc*	Canada	Investment holding	-	-	100.0	100.0	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

23 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Details of subsidiaries are as follows: (continued)

Name of subsidiary	Place of business/ country of incorporation	Nature of business	Proportion of ordinary shares directly held by FGVH		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests		Proportion of RCPS/ RCCPS held by the Group	
			2022	2021	2022	2021	2022	2021	2022	2021
			%	%	%	%	%	%	%	%
<u>Indirect subsidiaries</u>										
(continued)										
<u>Subsidiaries of Twin Rivers Technologies Holding, Inc.</u>										
Twin Rivers Technologies Manufacturing Corporation #	United States of America	Procurement, processing and supply of fatty acids	-	-	100.0	100.0	-	-	-	-
TRT Europe GmbH #	Germany	Dormant	-	-	100.0	100.0	-	-	-	-
<u>Subsidiary of Twin Rivers Technologies Manufacturing Corporation</u>										
Fore River Transportation Corporation #	United States of America	Operation, management and maintenance of a railroad service	-	-	100.0	100.0	-	-	-	-
<u>Subsidiaries of FGV Plantations Sdn. Bhd.</u>										
FGV Plantations (Malaysia) Sdn. Bhd.	Malaysia	Production and sales of FFB, rubber cup-lump and other agricultural products	-	-	100.0	100.0	-	-	-	-
FGV Kalimantan Sdn. Bhd.	Malaysia	Investment holding	-	-	100.0	100.0	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

23 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Details of subsidiaries are as follows: (continued)

Name of subsidiary	Place of business/ country of incorporation	Nature of business	Proportion of ordinary shares directly held by FGVH		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests		Proportion of RCPS/ RCCPS held by the Group	
			2022 %	2021 %	2022 %	2021 %	2022 %	2021 %	2022 %	2021 %
<u>Indirect subsidiaries</u> (continued)										
<u>Subsidiaries of FGV</u> <u>Plantations Sdn. Bhd.</u> (continued)										
FGV Trading Sdn. Bhd.	Malaysia	Purchasing of oil palm FFB, processing, refining and sale of its finished products, and trading of commodities products	-	-	100.0	100.0	-	-	-	-
<u>Subsidiaries of FGV</u> <u>Plantations (Malaysia)</u> <u>Sdn. Bhd.</u>										
Asian Plantations Limited #	Singapore	Investment holding	-	-	100.0	100.0	-	-	-	-
Asian Plantations (Sarawak) Sdn. Bhd.	Malaysia	Investment holding	-	-	100.0	100.0	-	-	-	-
Asian Plantations (Sarawak) II Sdn. Bhd.	Malaysia	Investment holding	-	-	100.0	100.0	-	-	-	-
<u>Subsidiaries of Asian</u> <u>Plantations Limited</u>										
Asian Plantations (Sarawak) III Sdn. Bhd.	Malaysia	Investment holding	-	-	100.0	100.0	-	-	-	-
<u>Subsidiaries of Asian</u> <u>Plantations (Sarawak)</u> <u>Sdn. Bhd.</u>										
BJ Corporation Sdn. Bhd.	Malaysia	Oil palm plantation	-	-	100.0	100.0	-	-	-	-
Incosetia Sdn. Bhd.	Malaysia	Oil palm plantation	-	-	100.0	100.0	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

23 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Details of subsidiaries are as follows: (continued)

Name of subsidiary	Place of business/ country of incorporation	Nature of business	Proportion of ordinary shares directly held by FGVH		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests		Proportion of RCPS/RCCPS held by the Group	
			2022	2021	2022	2021	2022	2021	2022	2021
			%	%	%	%	%	%	%	%
Indirect subsidiaries (continued)										
Subsidiaries of Asian Plantations (Sarawak) Sdn. Bhd. (continued)										
Fortune Plantation Sdn. Bhd.	Malaysia	Oil palm plantation	-	-	100.0	100.0	-	-	-	-
Asian Plantations Milling Sdn. Bhd.	Malaysia	Oil palm milling	-	-	100.0	100.0	-	-	-	-
Subsidiary of IncoSetia Sdn. Bhd.										
South Asian Farms Sdn. Bhd.	Malaysia	Dormant	-	-	100.0	100.0	-	-	-	-
Subsidiaries of Asian Plantations (Sarawak) II Sdn. Bhd.										
Kronos Plantation Sdn. Bhd.	Malaysia	Oil palm plantation	-	-	100.0	100.0	-	-	-	-
Grand Performance Sdn. Bhd.	Malaysia	Oil palm plantation	-	-	100.0	100.0	-	-	-	-
Subsidiary of Asian Plantations Sarawak III Sdn. Bhd.										
Jubilant Paradise Sdn. Bhd.	Malaysia	Oil palm plantation	-	-	60.0	60.0	40.0	40.0	-	-
Subsidiaries of FGV Kalimantan Sdn. Bhd.										
PT. Citra Niaga Perkasa #	Indonesia	Oil palm plantation	-	-	95.0	95.0	5.0	5.0	-	-
PT. Temila Agro Abadi #	Indonesia	Oil palm plantation	-	-	95.0	95.0	5.0	5.0	-	-
PT Bumi Agro Nusantara #	Indonesia	Management and consulting services	-	-	100.0	100.0	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

23 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Details of subsidiaries are as follows: (continued)

Name of subsidiary	Place of business/ country of incorporation	Nature of business	Proportion of ordinary shares directly held by FGVH		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests		Proportion of RCPS/RCCPS held by the Group	
			2022	2021	2022	2021	2022	2021	2022	2021
			%	%	%	%	%	%	%	%
<u>Indirect subsidiaries</u> (continued)										
<u>Subsidiaries of FGV</u>										
<u>Investment (L) Pte. Ltd.</u>										
FGV Cambodia (L) Pte. Ltd.	Malaysia	Investment holding	-	-	100.0	100.0	-	-	-	-
<u>Subsidiaries of FGV</u>										
<u>Cambodia (L) Pte. Ltd.</u>										
FGV-CVC (Cambodia) Co. Ltd. #	Cambodia	Production and export of rubber blocks	-	-	75.0	75.0	25.0	25.0	-	-
<u>Subsidiaries of Pontian United Plantations Berhad</u>										
Redefined Land Sdn. Bhd.	Malaysia	Investment holding	-	-	100.0	100.0	-	-	-	-
Kilang Kelapa sawit Pontian Sdn. Bhd.	Malaysia	Investment holding	-	-	100.0	100.0	-	-	-	-
Bangsau Sdn. Bhd.	Malaysia	Investment holding	-	-	100.0	100.0	-	-	-	-
Sabahanya Plantations Sdn. Bhd. @	Malaysia	Investment holding and cultivation of oil palm	-	-	100.0	100.0	-	-	-	-
Pontian Fico Plantations Sdn. Bhd.	Malaysia	Investment holding, cultivation and purchase of oil palm FFB, processing, sales of its finished products	-	-	78.3	78.3	21.7	21.7	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

23 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Details of subsidiaries are as follows: (continued)

Name of subsidiary	Place of business/ country of incorporation	Nature of business	Proportion of ordinary shares directly held by FGVH		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests		Proportion of RCPS/ RCCPS held by the Group	
			2022	2021	2022	2021	2022	2021	2022	2021
			%	%	%	%	%	%	%	%
Indirect subsidiaries (continued)										
Subsidiaries of Pontian United Plantations Berhad (continued)										
Pontian Orico Plantations Sdn. Bhd.	Malaysia	Cultivation of oil palm and sales of oil palm seedlings	-	-	78.3	78.3	21.7	21.7	-	-
Pontian Pendiroso Plantations Sdn. Bhd.	Malaysia	Cultivation of oil palm and investment holding	-	-	78.3	78.3	21.7	21.7	-	-
Pontian Materis Plantations Sdn. Bhd.	Malaysia	Cultivation of oil palm and investment holding	-	-	78.3	78.3	21.7	21.7	-	-
Pontian Hillco Plantations Sdn. Bhd.	Malaysia	Cultivation of oil palm	-	-	78.3	78.3	21.7	21.7	-	-
Pontian Subok Plantations Sdn. Bhd.	Malaysia	Cultivation of oil palm	-	-	78.3	78.3	21.7	21.7	-	-
Yapidmas Plantation Sdn. Bhd.	Malaysia	Cultivation of oil palm and provision of management services	-	-	100.0	100.0	-	-	-	-
Sri Kehuma Sdn. Bhd.	Malaysia	Cultivation of oil palm	-	-	100.0	100.0	-	-	-	-
Ladang Kluang Sdn. Bhd.	Malaysia	Cultivation of oil palm	-	-	100.0	100.0	-	-	-	-
Tanah Emas Oil Palm Processing Sdn. Bhd.	Malaysia	Operation of a palm oil mill	-	-	100.0	100.0	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

23 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Details of subsidiaries are as follows: (continued)

Name of subsidiary	Place of business/ country of incorporation	Nature of business	Proportion of ordinary shares directly held by FGVH		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests		Proportion of RCPS/RCCPS held by the Group	
			2022	2021	2022	2021	2022	2021	2022	2021
			%	%	%	%	%	%	%	%
<u>Indirect subsidiaries (continued)</u>										
<u>Subsidiaries of Sabahanya Plantations Sdn. Bhd.</u>										
Rawajaya Sdn. Bhd.	Malaysia	Cultivation of oil palm	-	-	100.0	100.0	-	-	-	-
Blossom Plantations Sdn. Bhd.	Malaysia	Cultivation of oil palm	-	-	100.0	100.0	-	-	-	-
<u>Subsidiaries of Felda Holdings Bhd.</u>										
FGV Palm Industries Sdn. Bhd.	Malaysia	Investment holding, provision of tolling services related to the processing of FFB into crude palm oil and palm kernel and the sale of by-products from tolling activities	-	-	72.0	72.0	28.0	28.0	-	-
FGV Agri Services Sdn. Bhd.	Malaysia	Research and development, providing advisory services and production and sale of agricultural products	-	-	76.9	76.9	23.1	23.1	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

23 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Details of subsidiaries are as follows: (continued)

Name of subsidiary	Place of business/ country of incorporation	Nature of business	Proportion of ordinary shares directly held by FGVH		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests		Proportion of RCPS/ RCCPS held by the Group	
			2022	2021	2022	2021	2022	2021	2022	2021
			%	%	%	%	%	%	%	%
<u>Indirect subsidiaries (continued)</u>										
<u>Subsidiaries of Felda Holdings Bhd. (continued)</u>										
Felda Travel Sdn. Bhd.	Malaysia	Travel and tour agent	-	-	100.0	100.0	-	-	100.0	100.0
Malaysia Cocoa Manufacturing Sdn. Bhd.	Malaysia	Ceased operations in 2014	-	-	100.0	100.0	-	-	-	-
FGV Fertiliser Sdn. Bhd.	Malaysia	Manufacture and sales of fertilisers	-	-	100.0	100.0	-	-	-	-
FGV Prodata Systems Sdn. Bhd.	Malaysia	Provisions of information technology solutions, sales of computer hardware, software and equipment and system support services	-	-	-	-	-	-	-	-
FGV Johore Bulkiers Sdn. Bhd.	Malaysia	Storing and handling of vegetable oil and trading in palm kernel shell	-	-	80.0	80.0	20.0	20.0	-	-
			-	-	73.1	73.1	26.9	26.9	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

23 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Details of subsidiaries are as follows: (continued)

Name of subsidiary	Place of business/ country of incorporation	Nature of business	Proportion of ordinary shares directly held by FGVH		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests		Proportion of RCPS/ RCPs held by the Group		
			2022 %	2021 %	2022 %	2021 %	2022 %	2021 %	2022 %	2021 %	
<u>Indirect subsidiaries</u> (continued)											
<u>Subsidiaries of Felda Holdings Bhd. (continued)</u>											
FGV Rubber Industries Sdn. Bhd.	Malaysia	Processing of raw latex to concentrated latex and Standard Malaysia Rubber ("SMR"), manufacturing, trading and distribution of rubber related products	-	-	71.4	71.4	28.6	28.6	-	-	
Felda Engineering Services Sdn. Bhd.	Malaysia	Engineering services including project management, sale of industrial equipment and property management	-	-	51.0	51.0	49.0	49.0	-	-	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

23 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Details of subsidiaries are as follows: (continued)

Name of subsidiary	Place of business/ country of incorporation	Nature of business	Proportion of ordinary shares directly held by FGVH		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests		Proportion of RCPS/ RCCPS held by the Group	
			2022	2021	2022	2021	2022	2021	2022	2021
			%	%	%	%	%	%	%	%
<u>Indirect subsidiaries</u>										
(continued)										
<u>Subsidiaries of Felda Holdings Bhd. (continued)</u>										
FGV Transport Services Sdn. Bhd.	Malaysia	Provision of liquid and general cargo transportation, courier and forwarding services and jetty operation services	-	-	51.0	51.0	49.0	49.0	-	-
FGV Security Services Sdn. Bhd.	Malaysia	Provision of security services, sale of security appliances, sales and provision of services of fire protection equipment, pest control and training services	-	-	51.0	51.0	49.0	49.0	-	-
F.W.Q. Enterprises (Pvt.) Ltd.*	Pakistan	Provision of liquid cargo storage terminal/ jetty/ berth facilities	-	-	65.0	65.0	35.0	35.0	-	-
FGV Logistics Sdn. Bhd.	Malaysia	Provision of transportation	-	-	90.0	90.0	10.0	10.0	-	-
FGV Products Sdn. Bhd.	Malaysia	Sales, marketing, and distribution of retail packed consumer products	-	-	100.0	100.0	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

23 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Details of subsidiaries are as follows: (continued)

Name of subsidiary	Place of business/ country of incorporation	Nature of business	Proportion of ordinary shares directly held by FGVH		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests		Proportion of RCPS/RCCPS held by the Group	
			2022	2021	2022	2021	2022	2021	2022	2021
			%	%	%	%	%	%	%	%
Indirect subsidiaries (continued)										
Subsidiaries of FGV Palm Industries Sdn. Bhd.										
FGV Refineries Sdn. Bhd.	Malaysia	Provision of crude palm oil and palm kernel processing service	-	-	48.0	48.0	52.0	52.0	-	-
FGV Kernel Products Sdn. Bhd.	Malaysia	Buying and processing oil palm kernels, refined palm oil products and selling its products	-	-	60.0	60.0	40.0	40.0	-	-
Delima Oil Products Sdn. Bhd.	Malaysia	Manufacture of other food products N.E.C., wholesale of paddy, rice, flour, other grains and sugar and export and import of other foodstuffs	-	-	72.0	72.0	28.0	28.0	-	-
FGV Marketing Services Sdn. Bhd.	Malaysia	Marketing of FGV Holdings Berhad group of companies' commodity products	-	-	36.7	36.7	63.3	63.3	-	-
FNI Biofuel Sdn. Bhd. *	Malaysia	Manufacturing of biomass fuel from empty fruit bunch	-	-	72.0	72.0	28.0	28.0	-	-

23 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Details of subsidiaries are as follows: (continued)

Name of subsidiary	Place of business/ country of incorporation	Nature of business	Proportion of ordinary shares directly held by FGVH		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests		Proportion of RCPS/RCCPS held by the Group	
			2022	2021	2022	2021	2022	2021	2022	2021
			%	%	%	%	%	%	%	%
<u>Indirect subsidiaries</u>										
(continued)										
<u>Subsidiary of FGV Marketing Services Sdn. Bhd.</u>										
PT. Cashgrow Ventures #	Indonesia	Commodity trading	-	-	34.9	34.9	65.1	65.1	-	-
<u>Subsidiaries of FGV Rubber Industries Sdn. Bhd.</u>										
Feltex Co. Ltd. *	Thailand	Processing and marketing of latex concentrate	-	-	36.4	36.4	63.6	63.6	-	-
P.T. Felda Indo Rubber *	Indonesia	Under liquidation	-	-	50.0	50.0	50.0	50.0	-	-
<u>Subsidiaries of FGV Johore Bulkiers Sdn. Bhd.</u>										
FGV Bulkiers Sdn. Bhd.	Malaysia	Storage and export of crude and refined palm oil, oleochemical products, palm kernel oil, palm kernel expeller and palm kernel shell, tank and warehouse rentals	-	-	86.3	86.3	13.7	13.7	-	-
P.T. Patisindo Sawit *(Note 2)	Indonesia	Liquidated	-	-	-	72.7	-	27.3	-	-
Langsat Bulkiers Sdn. Bhd.	Malaysia	Handling, storing and transshipping biodiesel, biofuel, palm oil products, oleo chemicals, soft oils and other vegetable oils	-	-	73.1	73.1	26.9	26.9	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

23 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Details of subsidiaries are as follows: (continued)

Name of subsidiary	Place of business/ country of incorporation	Nature of business	Proportion of ordinary shares directly held by FGVH		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests		Proportion of RCPS/RCCPS held by the Group	
			2022	2021	2022	2021	2022	2021	2022	2021
			%	%	%	%	%	%	%	%
Indirect subsidiaries (continued)										
Subsidiary of FGV Bulkcarriers Sdn. Bhd.										
FGV Grains Terminal Sdn. Bhd.	Malaysia	Handling, storage transportation, mixing and blending of palm kernel meal and grains	-	-	70.3	70.3	29.7	29.7	-	-
Subsidiaries of Felda Engineering Services Sdn. Bhd.										
Felda Properties Sdn. Bhd.	Malaysia	Property development and management, project management for mining and logging activities and acting as manager in managing certain projects on behalf of FELDA	-	-	51.0	51.0	49.0	49.0	-	-
Subsidiaries of Felda Travel Sdn. Bhd.										
Plantation Resorts Sdn. Bhd. (Note 1)	Malaysia	Liquidated	-	-	-	100.0	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

23 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Details of subsidiaries are as follows: (continued)

Name of subsidiary	Place of business/ country of incorporation	Nature of business	Proportion of ordinary shares directly held by FGVH		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests		Proportion of RCPS/ RCCPS held by the Group	
			2022 %	2021 %	2022 %	2021 %	2022 %	2021 %	2022 %	2021 %
Indirect subsidiaries (continued)										
Subsidiary of FGV Research Sdn. Bhd.										
FGV Applied Technologies Sdn. Bhd.	Malaysia	Research and Development of mechanisation, automation, milling, biomass, bio and oleo chemicals and food technology	-	-	100.0	100.0	-	-	-	-
Subsidiaries of FGV Integrated Farming Holdings Sdn. Bhd.										
FGV Dairy Farm Sdn. Bhd.	Malaysia	Engaged in the business breeding calves for producing milk, genetic improvement, supplying genetic materials and other related services	-	-	60.0	60.0	40.0	40.0	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

23 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Details of subsidiaries are as follows: (continued)

Name of subsidiary	Place of business/ country of incorporation	Nature of business	Proportion of ordinary shares directly held by FGVH		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests		Proportion of RCPS/ RCCPS held by the Group	
			2022	2021	2022	2021	2022	2021	2022	2021
			%	%	%	%	%	%	%	%
Indirect subsidiaries (continued)										
Subsidiaries of FGV Integrated Farming Holdings Sdn. Bhd. (continued)										
FGV Agro Fresh Technology Sdn. Bhd.	Malaysia	Internet retail of groceries, including fresh produce and food items, and the trading, import, export, distribution wholesaling of food products	-	-	52.0	52.0	48.0	48.0	-	-
FGV Chuping Agro Valley Sdn. Bhd. (formerly known as MSM Perlis Sdn. Bhd.)	Malaysia	Rubber, mango, and oil palm plantation	-	-	100.0	100.0	-	-	-	-
Subsidiary of FGV Dairy Farm Sdn. Bhd.										
FGV Dairy Industries Sdn. Bhd.	Malaysia	Producing and trading of dairy products	-	-	60.0	60.0	40.0	40.0	-	-
Subsidiary of FGV Trading Sdn. Bhd.										
FGV-PU India Pte. Ltd.	India	Sale regional office including market intelligence and business development work for India market	-	-	70.0	70.0	30.0	30.0	-	-

23 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Details of subsidiaries are as follows: (continued)

The proportion of voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

* Audited by firms other than member firms of PricewaterhouseCoopers International Limited

Audited by member firms of PricewaterhouseCoopers International Limited, which are separate and independent legal entities from PricewaterhouseCoopers, Malaysia

@ 30% equity stake in Sabahanya Plantations Sdn. Bhd. is held in trust for the beneficial interest of the Group.

(b) Liquidation of subsidiaries during the financial year

Note 1 On 13 June 2022, Plantation Resorts Sdn. Bhd. ("PRSB"), an indirect subsidiary of the Company was duly dissolved in relation to the voluntary winding up. The dissolution of PRSB is part of FGV Group's streamlining exercise to dissolve companies within its group that are dormant/inactive. As a result, the Group derecognised its interest in PRSB and has reclassified the non-controlling interest of RM64,210,000 to retained earnings for the financial year ended 31 December 2022.

Note 2 On 9 August 2022, P.T. Patisindo Sawit ("PTPS"), an indirect subsidiary of the Company was dissolved in relation to the voluntary winding up. The dissolution of PTPS is part of the Group's streamlining exercise to dissolve companies within its Group that are dormant/inactive and do not have any material effect on the earnings or net assets of the Group for the financial year ended 31 December 2022.

Note 3 On 16 September 2022, MSM Trading International DMCC ("MTI Dubai"), an indirect subsidiary of the Company, which had previously ceased its operations in 2019, was duly dissolved in relation to the winding-up exercise. As a result, the Group derecognised its interest in MTI Dubai and has recorded a loss on liquidation of RM290,000 and recognised a gain of RM1,881,000 arising from realisation of foreign exchange reserve to profit or loss for the financial year ended 31 December 2022.

(c) Liquidation and restructuring of subsidiaries in the previous financial year

(i) On 25 May 2021, the Company Secretary of the Company had submitted Section 58 on the appointment and resignation of Company Secretary and also Section 46(3) on the change in registered address of Allied Engineering Consultancy Services Sdn. Bhd. ("Allied"), an indirect subsidiary of the Group, to Companies Commission of Malaysia. Consequently, the Group had no control over Allied and Allied is no longer a special purpose vehicle of the Group.

(ii) On 4 June 2021, Felda Global Ventures Indonesia Sdn. Bhd. ("FGVI"), a wholly-owned subsidiary of the Company was duly dissolved in relation to the voluntary winding up. The dissolution of FGVI is part of FGV Group's streamlining exercise to dissolve companies within its Group that are dormant/inactive and did not have any material effect on the earnings or net assets of the Group for the financial year ended 31 December 2021.

(iii) On 4 June 2021, FS Oils Sdn. Bhd. ("FS Oils"), an indirect subsidiary of the Company was duly dissolved in relation to the voluntary winding up. The dissolution of FS Oils is part of FGV Group's streamlining exercise to dissolve companies within its Group that are dormant/inactive and did not have any material effect on the earnings or net assets of the Group for the financial year ended 31 December 2021.

(iv) On 28 September 2021, FGV Myanmar (L) Pte. Ltd., an indirect subsidiary of the Company, commenced a members' voluntary winding up. Liquidators had been appointed on 23 September 2021. The company has ceased all business operations and was dormant and had no intention to carry on business or operations in the future. The voluntary winding up of the company is part of FGV Group's streamlining exercise to dissolve companies within its Group that are dormant or inactive and did not have any material effect on the earnings or net assets of the FGV Group for the financial year ended 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

23 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(c) Liquidation and restructuring of subsidiaries in the previous financial year (continued)

- (v) On 1 November 2021, FGV Integrated Farming Holdings Sdn. Bhd. ("FGVIF"), a wholly-owned subsidiary of the Company, acquired 37,354,500 ordinary shares constituting 100% of the entire issued and paid up share capital in MSM Perlis Sdn. Bhd. ("MSM Perlis"), a subsidiary of MSM Malaysia Holdings Berhad ("MSM") for a cash consideration of RM181.11 million.

The above transaction resulted in MSM Perlis becoming a direct subsidiary of FGVIF. This exercise did not have any effect on the issued and paid-up capital of the Company or any material effect on the earnings, net assets or gearing of the Company on a consolidated basis.

- (vi) On 10 November 2021, the loan between Asian Plantations Limited ("APL") with FGV Plantations (M) Sdn. Bhd. ("FGVPM") was restructured and new shares were subscribed by FGVPM. Both are indirect subsidiaries of the Group.

Upon completion of the loan restructuring exercise and issuance of the new shares, the subsidiaries of APL, Asian Plantation (Sarawak) Sdn. Bhd. and Asian Plantation (Sarawak) II Sdn. Bhd. become direct subsidiaries of FGVPM with equity shareholdings of 91.22% and 96.93% respectively while Asian Plantation (Sarawak) III Sdn. Bhd. remains as wholly-owned subsidiary of APL.

The above transaction was an internal re-organisation exercise and did not have any material effect on the earnings or net assets of the Group for the financial year ended 31 December 2021.

(d) Impairment on investment in subsidiaries in the financial year

- (i) FGV Research Sdn. Bhd. ("FGV Research")

On 30 August 2022, due to reduction of demand on research projects for estates and mills, Board of Directors of the Company had approved for the research and development activities under FGV Research to be consolidated or merged through:

- Acquisition of property, plant and equipment of FGV Applied Technology Sdn. Bhd. ("FGVAT") by FGV R&D Sdn. Bhd. ("FGV R&D") at the relevant market value;
- Novation of all agreements entered by FGVAT to FGV R&D; and
- Re-organisation of FGVAT's workforce into FGV R&D and/or any other entities within the Group.

Upon completion of the consolidation, FGVAT and FGV Research shall be liquidated in accordance with the provisions of the Companies Act 2016.

Since FGVAT is a wholly owned subsidiary of FGV Research, the Company had re-assessed the investment in FGV Research for impairment. The recoverable amount of the investment was determined based on value in use of the investments, and it was assessed to approximate the value of the net tangible asset of FGVAT as at 31 December 2022.

Based on the impairment assessment performed, the recoverable amount was computed at RM9,112,000, resulting in impairment of RM14,388,000 in the carrying value of the Company's investment in FGV Research.

(e) Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group (other subsidiaries that have non-controlling interests are individually not significant).

	MSM Malaysia Holdings Berhad Group		FGV Palm Industries Sdn. Bhd.	
	2022	2021	2022	2021
Interest held by non-controlling interest	49%	49%	28%	28%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

23 INVESTMENT IN SUBSIDIARIES (CONTINUED)

- (e) Summarised financial information on subsidiaries with material non-controlling interests (continued))

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group (other subsidiaries that have non-controlling interests are individually not significant). (continued)

Summarised statements of financial position

	MSM Malaysia Holdings Berhad Group		FGV Palm Industries Sdn. Bhd.	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<u>Current</u>				
Assets	888,326	945,108	960,321	1,237,042
Liabilities	(941,100)	(747,359)	(211,714)	(400,294)
Total current net (liabilities)/assets	(52,774)	197,749	748,607	836,748
<u>Non-current</u>				
Assets	1,923,775	1,925,731	1,064,119	1,051,048
Liabilities	(355,946)	(410,916)	(269,167)	(257,502)
Total non-current net assets	1,567,829	1,514,815	794,952	793,546
Net assets	1,515,055	1,712,564	1,543,559	1,630,294

Summarised statements of comprehensive income

	MSM Malaysia Holdings Berhad Group		FGV Palm Industries Sdn. Bhd.	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revenue	2,565,985	2,259,698	924,141	812,867
(Loss)/profit before zakat and taxation	(178,147)	174,418	72,984	38,510
Taxation and zakat	(173)	(44,487)	(5,628)	(4,848)
(Loss)/profit for the financial year	(178,320)	129,931	67,356	33,662
Other comprehensive income/(loss)	1,984	5,685	436	3,911
Total comprehensive (loss)/income	(176,336)	135,616	67,792	37,573
(Loss)/profit attributable to non-controlling interest	(87,377)	14,410	18,860	9,426
Total comprehensive (loss)/income attributable to non-controlling interest	(86,405)	17,196	18,982	10,521
Accumulated non-controlling interest	693,121	789,900	432,197	456,482
Dividends paid to non-controlling interest	10,374	-	43,267	31,108

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

23 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(f) Summarised financial information on subsidiaries with material non-controlling interests (continued)

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group (other subsidiaries that have non-controlling interests are individually not significant). (continued)

Summarised statements of cash flows

	MSM Malaysia Holdings Berhad Group		FGV Palm Industries Sdn. Bhd.	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash flow generated from operations	53,865	95,153	210,927	198,365
Retirement benefits paid	-	-	(1,354)	(562)
Zakat paid	(1,000)	(1,000)	(1,417)	-
Income tax paid	(23,706)	(30,539)	(17,413)	(10,629)
Net cash generated from operating activities	29,159	63,614	190,743	187,174
Net cash generated (used in)/from investing activities	(32,965)	142,879	82,890	(145,095)
Net cash from/(used in) financing activities	27,210	(211,038)	(350,732)	(116,718)
Net increase/(decrease) in cash and cash equivalents	23,404	(4,545)	(77,099)	(74,639)
Effect of foreign exchange rate changes	(563)	2,703	-	-
Cash and cash equivalents at beginning of financial year	178,082	179,924	229,290	303,929
Cash and cash equivalents at end of financial year	200,923	178,082	152,191	229,290

24 INTERESTS IN ASSOCIATES

	Group	
	2022 RM'000	2021 RM'000
Share of net assets of associates	63,631	65,074

Summarised financial information in respect of the associates' revenue and Group's share of results of its associates is set out below:

	Group	
	2022 RM'000	2021 RM'000
Associates' revenue	95,176	104,085
Group's share of results for the financial year	2,658	3,551

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

24 INTERESTS IN ASSOCIATES (CONTINUED)

Set out below are details of the associates of the Group as at 31 December 2022. The associates as listed below have share capital consisting of ordinary and RCPS shares, which are held directly and indirectly by the Group, have financial years ending 31 December, unless otherwise stated, and are measured by way of equity accounting.

Name of company	Place of business/ country of incorporation	Group's effective interest		Nature of business
		2022 %	2021 %	
<u>Indirect associates</u>				
<u>Associates of FHB</u>				
Nilai Education Sdn. Bhd.	Malaysia	30.0	30.0	(i)
FKW Global Commodities (PVT) Limited	Pakistan	30.0	30.0	(ii)
<u>Associate of PUP</u>				
Malacca Plantation Sdn. Bhd.	Malaysia	34.3	34.3	(iii)

(i) Management of an educational institute

(ii) Commodity trading

(iii) Investment holding and cultivation of oil palm

There are no material contingent liabilities relating to the Group's interests in the associates.

The associate companies above are private companies and have no quoted market price available for their shares.

Summarised financial information for associates

Set out below are the summarised financial information for Malacca Plantation Sdn. Bhd. and the aggregate of other associate ("insignificant in aggregate") which are accounted for using the equity method:

Summarised statements of financial position

	Malacca Plantation Sdn. Bhd.		Insignificant in aggregate		Total	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<u>Current</u>						
Cash and cash equivalents	20,079	17,826	1,420	1,955	21,499	19,781
Other current assets (excluding cash)	15,062	8,485	37,372	35,051	52,434	43,536
Total current assets	35,141	26,311	38,792	37,006	73,933	63,317
Financial liabilities (excluding trade payables)	(558)	(212)	-	-	(558)	(212)
Other current liabilities (including trade payables)	(1,306)	(205)	(48,229)	(42,768)	(49,535)	(42,973)
Total current liabilities	(1,864)	(417)	(48,229)	(42,768)	(50,093)	(43,185)
<u>Non-current</u>						
Assets	74,751	81,212	97,982	100,361	172,733	181,573
Financial liabilities	-	-	(61)	(254)	(61)	(254)
Total non-current liabilities	-	-	(61)	(254)	(61)	(254)
Net assets	108,028	107,106	88,484	94,345	196,512	201,451

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

24 INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information for associates (continued)

Summarised statements of comprehensive income

	Malacca Plantation Sdn. Bhd.		Insignificant in aggregate		Total	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revenue	14,864	13,716	80,312	90,369	95,176	104,085
Profit/(loss) from continuing operations	9,322	9,672	(270)	3,533	9,052	13,205
Tax and zakat expense	-	-	(1,537)	(2,762)	(1,537)	(2,762)
Profit from continuing operations	9,322	9,672	(1,807)	771	7,515	10,443
Other comprehensive (loss)/gain	-	-	(3,150)	1,769	(3,150)	1,769
Total comprehensive gain/(loss)	9,322	9,672	(4,957)	2,540	4,365	12,212
Dividends received from associates	2,884	2,369	272	231	3,156	2,600

The information above reflects the figures after group adjustments on the amounts presented in the financial statements of the associates.

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interests in associates.

	Malacca Plantation Sdn. Bhd.		Insignificant in aggregate		Total	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Opening net assets	107,106	104,336	94,345	7,463	201,451	111,799
Profit/(loss) for the financial year	9,322	9,672	(1,807)	771	7,515	10,443
Dividend	(8,400)	(6,902)	(904)	(771)	(9,304)	(7,673)
Other comprehensive (loss)/gain	-	-	(3,150)	1,769	(3,150)	1,769
Transfer from assets held for sale	-	-	-	85,113	-	85,113
Closing net assets	108,028	107,106	88,484	94,345	196,512	201,451
Interest in associates	34%	34%	30%	30%	30%-34%	30%-34%
Carrying value	37,086	36,770	26,545	28,304	63,631	65,074
Unrecognised share of loss	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

25 INTERESTS IN JOINT VENTURES

	Group	
	2022 RM'000	2021 RM'000
Share of net assets of joint ventures	567,412	454,714

The joint ventures' revenue, Group's share of results and capital commitments of its joint ventures are as follows:

	2022 RM'000	2021 RM'000
Joint ventures' revenue	9,539,137	7,175,404
Group's share of results for the financial year	146,164	35,858
Share of capital commitments of joint ventures	53,022	8,490

Set out belows are details of the joint ventures of the Group as at 31 December 2022. The joint ventures as listed below have share capital consisting solely of ordinary shares and have financial years ending 31 December, unless otherwise stated, and are measured by way of equity accounting, other than Kuala Muda Estate Joint Venture, which is based on their share of net assets.

Name of company	Country of incorporation	Group's effective interest		Nature of business
		2022 %	2021 %	
<u>Indirect joint ventures</u>				
<u>Joint venture of FGVD</u>				
FGV Iffco Sdn. Bhd.	Malaysia	50.0	50.0	(i)
<u>Joint venture of FGVK</u>				
Trurich Resources Sdn. Bhd.	Malaysia	50.0	50.0	(ii)
<u>Joint ventures of FHB</u>				
FPG Oleochemicals Sdn. Bhd.	Malaysia	50.0	50.0	(iii)
Malaysia Pakistan Venture Sdn. Bhd. # (30 June)	Malaysia	37.5	37.5	(iv)
Mapak Edible Oils (Pvt) Ltd. # (30 June)	Pakistan	30.0	30.0	(v)
FTJ Biopower Sdn. Bhd. #	Malaysia	43.0	43.0	(vi)
<u>Indirect joint operation</u>				
Kuala Muda Estate Joint Venture	Malaysia	50.0	50.0	(vii)

- (i) Refining, processing and packing of palm oil based products
- (ii) Oil palm plantation operation
- (iii) Processing and selling of oleochemical products
- (iv) Investment holding
- (v) Manufacturing and marketing of finished customer and industrial palm oil products
- (vi) Developing, constructing, operating and maintaining a power plant
- (vii) Cultivation of oil palms

The Group treated these entities as joint ventures as the shareholder agreements require unanimous consent over decisions about relevant activities among the partners.

The joint venture companies above are private companies and have no quoted market price available for their shares.

There are no material contingent liabilities relating to the Group's interest in the joint ventures.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

25 INTERESTS IN JOINT VENTURES (CONTINUED)

Summarised financial information for joint ventures

Set out below are the summarised financial information for FGV Iffco Sdn. Bhd. ("FISB"), FPG Oleochemicals Sdn. Bhd. ("FPG") and the aggregate for other joint ventures ("insignificant in aggregate") which are accounted for using the equity method.

Summarised statements of financial position

	FISB		FPG		Insignificant in aggregate		Total	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<u>Current</u>								
Cash and cash equivalents	202,144	197,990	89,161	18,058	31,035	20,600	322,340	236,648
Other current assets (excluding cash)	880,268	807,659	493,437	560,313	357,022	309,894	1,730,727	1,677,866
Total current assets	1,082,412	1,005,649	582,598	578,371	388,057	330,494	2,053,067	1,914,514
Financial liabilities (excluding trade payables)	(444,012)	(512,697)	-	-	(1,790)	(1,471)	(445,802)	(514,168)
Other current liabilities (including trade payables)	(560,894)	(493,071)	(85,069)	(188,682)	(215,734)	(195,645)	(861,697)	(877,398)
Total current liabilities	(1,004,906)	(1,005,768)	(85,069)	(188,682)	(217,524)	(197,116)	(1,307,499)	(1,391,566)
<u>Non-current</u>								
Assets	177,640	156,229	325,043	292,112	104,273	157,256	606,956	605,597
Liabilities	(12,148)	(18,013)	(67,534)	(56,679)	(24,379)	(28,507)	(104,061)	(103,199)
Net assets	242,998	138,097	755,038	625,122	250,427	262,127	1,248,463	1,025,346

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

25 INTERESTS IN JOINT VENTURES (CONTINUED)

Summarised financial information for joint ventures (continued)

Summarised statements of comprehensive income

	FISB		FPG		Insignificant in aggregate		Total	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Revenue	6,123,646	4,645,743	2,689,540	1,835,023	725,951	694,638	9,539,137	7,175,404
Depreciation and amortisation	(23,949)	(29,182)	(16,431)	(14,962)	-	-	(40,380)	(44,144)
Interest expense	(40,364)	(26,268)	(5,875)	(1,928)	-	-	(46,239)	(28,196)
Profit before taxation	153,142	16,133	177,613	53,665	63,161	69,877	393,916	139,675
Tax expense	(16,105)	(11,409)	(47,697)	(13,746)	(21,033)	(23,595)	(84,835)	(48,750)
Profit for the financial year	137,037	4,724	129,916	39,919	42,128	46,282	309,081	90,925
Other comprehensive gain/(loss)	7,867	(4,011)	-	-	(36,304)	4,230	(28,437)	219
Total comprehensive income	144,904	713	129,916	39,919	5,824	50,512	280,644	91,144
Dividends received from joint ventures	20,001	-	-	15,000	6,427	2,986	26,428	17,986

The information above reflects the figures after group adjustments on the amounts presented in the financial statements of the joint ventures.

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in joint ventures.

	FISB		FPG		Insignificant in aggregate		Total	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Opening net assets	138,097	137,384	625,122	615,203	262,127	226,760	1,025,346	979,347
Profit for the financial year	137,037	4,724	129,916	39,919	42,128	46,282	309,081	90,925
Dividend	(40,003)	-	-	(30,000)	(17,524)	(9,953)	(57,527)	(39,953)
Other comprehensive loss	7,867	(4,011)	-	-	(36,304)	4,230	(28,437)	219
Dissolvement	-	-	-	-	-	(5,192)	-	(5,192)
Closing net assets	242,998	138,097	755,038	625,122	250,427	262,127	1,248,463	1,025,346
Interest in joint ventures	50%	50%	50%	50%	37.5%- 50%	37.5%- 50%	37.5%- 50%	37.5%- 50%
Carrying value	121,499	69,049	377,519	312,561	68,394	73,104	567,412	454,714
Unrecognised share of loss	-	-	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

26 RECEIVABLES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<u>Non-current assets</u>				
Deposits	6,406	6,406	-	-
Prepayment (<i>Note i</i>)	123,557	137,066	-	-
	129,963	143,472	-	-
Loss allowance:				
Deposits	(6,406)	(6,406)	-	-
	123,557	137,066	-	-
<u>Current assets</u>				
Trade receivables	1,581,295	1,239,749	-	-
Other receivables (<i>Note ii</i>)	120,961	216,254	2,133	6,263
Prepayments (<i>Note i</i>)	54,255	31,294	275	295
Deposits (<i>Note iii</i>)	46,288	48,234	5,195	7,687
Sales and services tax ("SST") receivable	6,886	11,598	-	-
	1,809,685	1,547,129	7,603	14,245
Loss allowance:				
Trade receivables	(168,365)	(177,747)	-	-
Other receivables	(23,329)	(20,456)	-	-
Deposits	(2,922)	(2,776)	-	-
	1,615,069	1,346,150	7,603	14,245
Total	1,738,626	1,483,216	7,603	14,245

(*Note i*) Included in non-current and current prepayments is a security deposit amounting to RM62,120,000 (2021: RM62,120,000) paid to ultimate holding company under the LLA dated 1 November 2011, which shall be set off towards any payment of the lease amount prior to expiry or sooner upon reclamation of land under the LLA, lease receivables which represent outstanding net present value of receipts under leasing arrangements amounting to RM15,990,000 (2021: RM17,872,000) and prepayment for purchase of precious metal to catalyze certain reactions in its production process at cost amounting to RM55,295,000 (2021: RM57,531,000). The impact of this value of money adjustment on the LLA security deposit of RM62,120,000 is not material to the current year and previous financial year results.

(*Note ii*) Included in other receivables of the Group are cooking oil subsidy receivable from Kementerian Perdagangan Dalam Negeri Dan Kos Sara Hidup of RM30,204,000 (2021: RM61,677,000) and amounts placed with brokers for CPO and sugar futures trading facilities totalling RM36,413,000 (2021: RM92,681,000).

(*Note iii*) Included in current deposits of the Group are deposit in relation to medical insurance facilities amounting to RM7,991,000 (2021: RM7,991,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

26 RECEIVABLES (CONTINUED)

The receivables are denominated as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
- Ringgit Malaysia	936,780	791,222	7,603	14,245
- United States Dollar	797,971	686,739	-	-
- Indonesian Rupiah	687	2,186	-	-
- Thai Baht	2,105	2,144	-	-
- Pakistan Rupee	311	608	-	-
- Singapore Dollars	152	117	-	-
- Indian Rupee	341	200	-	-
- Euro	279	-	-	-
	1,738,626	1,483,216	7,603	14,245

The credit terms of trade receivables are up to 90 days (2021: 90 days).

(a) Reconciliation of loss allowance

(i) Trade receivables using simplified approach

The loss allowance for trade receivables as at 31 December 2022 reconciles to the opening loss allowance balance as follows:

Group	Non-credit impaired RM'000	Credit impaired RM'000	Total RM'000
Opening loss allowance as at 1 January 2021	19,347	172,556	191,903
Decrease in loss allowance (net)	(3,774)	(273)	(4,047)
Write-offs	(88)	(9,816)	(9,904)
Foreign exchange movements	-	(205)	(205)
Loss allowance as at 31 December 2021/1 January 2022	15,485	162,262	177,747
(Decrease)/increase in loss allowance (net)	(394)	2,745	2,351
Write-offs	(33)	(15,340)	(15,373)
Foreign exchange movements	-	3,640	3,640
Closing loss allowance as at 31 December 2022	15,058	153,307	168,365

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

26 RECEIVABLES (CONTINUED)

(a) Reconciliation of loss allowance (continued)

(i) Trade receivables using simplified approach (continued)

The following table contains an analysis of the credit exposure of trade receivables for which an ECL allowance is recognised, based on collective and individual impairment assessment:

Group	Current RM'000	Up to 30 days past due RM'000	31 days to 90 days past due RM'000	More than 91 days past due RM'000	Total RM'000
31 December 2022					
Gross carrying amount	1,105,654	105,097	52,255	318,289	1,581,295
Individual impairment - credit impaired	-	(3,791)	-	(149,516)	(153,307)
	1,105,654	101,306	52,255	168,773	1,427,988
Expected credit loss rate	0%	0.1%	6.1%	6.8%	
Collective impairment	(313)	(143)	(3,180)	(11,422)	(15,058)
Carrying amount (net of loss allowance)	1,105,341	101,163	49,075	157,351	1,412,930
31 December 2021					
Gross carrying amount	845,929	133,446	34,248	226,126	1,239,749
Individual impairment - credit impaired	-	-	-	(162,262)	(162,262)
	845,929	133,446	34,248	63,864	1,077,487
Expected credit loss rate	0%	0.1%	0.9%	23.0%	
Collective impairment	(380)	(96)	(293)	(14,716)	(15,485)
Carrying amount (net of loss allowance)	845,549	133,350	33,955	49,148	1,062,002

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

26 RECEIVABLES (CONTINUED)

(a) Reconciliation of loss allowance (continued)

(ii) Other receivables and deposits using general 3 stage approach

The loss allowance for other receivables and deposits as at 31 December 2022 reconciles to the opening loss allowance for that provision as follows:

Group	Performing RM'000	Under- performing RM'000	Non- performing RM'000	Total RM'000
Opening loss allowance as at 1 January 2021	-	1,318	21,331	22,649
Increase/(decrease) in loss allowance (net)	-	7,165	(176)	6,989
Loss allowance as at 31 December 2021/1 January 2022	-	8,483	21,155	29,638
Increase in loss allowance (net)	-	10,069	1,023	11,092
Write-offs	-	(8,219)	-	(8,219)
Foreign exchange movements	-	-	146	146
Closing loss allowance as at 31 December 2022	-	10,333	22,324	32,657

The following table contains an analysis of the credit exposure of other receivables and deposits for which an ECL allowance is recognised, based on individual impairment assessment:

Group	Performing RM'000	Under- performing RM'000	Non- performing RM'000	Total RM'000
31 December 2022				
Gross carrying amount	129,861	21,470	22,324	173,655
Loss allowance	-	(10,333)	(22,324)	(32,657)
Carrying amount (net of loss allowance)	129,861	11,137	-	140,998
31 December 2021				
Gross carrying amount	179,447	8,615	21,155	209,217
Loss allowance	-	(8,483)	(21,155)	(29,638)
Carrying amount (net of loss allowance)	179,447	132	-	179,579

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

27 AMOUNTS DUE FROM/(TO) ULTIMATE HOLDING COMPANY, SUBSIDIARIES, JOINT VENTURES, AN ASSOCIATE AND OTHER RELATED COMPANIES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<u>Non-current assets</u>				
Amounts due from:				
Ultimate holding company	-	30,263	-	-
Subsidiary	-	-	30,748	172,625
Joint ventures	142,099	142,099	-	-
Other related companies	-	9,278	-	-
	142,099	181,640	30,748	172,625
Provision for impairment:				
Ultimate holding company	-	(15,582)	-	-
Subsidiary	-	-	(28,302)	-
Joint ventures	(142,099)	(142,099)	-	-
Other related companies	-	(171)	-	-
	-	23,788	2,446	172,625
<u>Current assets</u>				
Amounts due from:				
Ultimate holding company	32,683	36,521	4,907	4,053
Subsidiaries	-	-	470,015	183,232
Joint ventures	146,887	205,274	-	-
Associate	4,300	-	-	-
Other related companies	273,817	66,801	1,407	797
	457,687	308,596	476,329	188,082
Provision for impairment:				
Ultimate holding company	(7,029)	-	(4,033)	(4,033)
Subsidiaries	-	-	(12,313)	(11,505)
Other related companies	(12,922)	-	-	-
	(19,951)	-	(16,346)	(15,538)
	437,736	308,596	459,983	172,544
	437,736	332,384	462,429	345,169
<u>Current liabilities</u>				
Amounts due to:				
Ultimate holding company	(239,203)	(276,082)	-	(1,179)
Subsidiaries	-	-	(6,690)	(15,848)
Joint venture	(42)	-	-	-
Associate	(331)	(351)	-	-
Other related companies	(24,350)	(15,970)	(79)	(85)
	(263,926)	(292,403)	(6,769)	(17,112)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

27 AMOUNTS DUE FROM/(TO) ULTIMATE HOLDING COMPANY, SUBSIDIARIES, JOINT VENTURES, AN ASSOCIATE AND OTHER RELATED COMPANIES (CONTINUED)

The amounts due from/(to) ultimate holding company, joint ventures, an associate and other related companies are unsecured, free of financial charges and have credit terms ranging from 15 to 120 days (2021: 15 to 120 days).

The amounts due from/(to) subsidiaries are unsecured, free of financial charges and have credit term of 30 to 180 days (2021: 30 to 180 days), except for amount due from a subsidiary classified as non-current which is charged with interest at 5.0% (2021: 5.3%) per annum.

All amounts due from/(to) ultimate holding company, subsidiaries, joint ventures, an associate and other related companies are denominated in Ringgit Malaysia while amount due from an associate are denominated in USD.

Amounts due from subsidiaries

	Company	
	2022 RM'000	2021 RM'000
At 1 January	344,352	775,893
Net movement during the financial year #	147,602	(426,440)
(Increase)/decrease in loss allowance during the financial year	(29,110)	96
Write-off	-	20
Conversion into ordinary shares* (Note 23)	(2,696)	(5,217)
At 31 December	460,148	344,352
<u>Analysed as:</u>		
Non-current	2,446	172,625
Current	457,702	171,727
	460,148	344,352

Included in the movement during the financial year is a repayment of advances by subsidiaries of RM172,626,000 and advances made to subsidiaries of RM30,748,000 (2021: repayment of advances by subsidiaries of RM443,330,000). The repayment for the financial year ended 31 December 2021 has been reclassified from operating activities to investing activities in the statement of cash flows to better reflect the nature of the cash flows.

* Conversion into ordinary shares

Financial year ended 31 December 2022

- (i) On 23 March 2022, the Company subscribed for 176,594 ordinary shares of USD1.00 each from FGV Investment (L) Pte. Ltd. ("FGVI"), a wholly-owned subsidiary of the Company, satisfied via a conversion of an amount due from FGVI of USD176,594, equivalent to RM745,000.
- (ii) On 1 June 2022, the Company subscribed for 300,360 ordinary shares of USD1.00 each from FGVI, satisfied via a conversion of an amount due from FGVI of USD300,360, equivalent to RM1,327,000.
- (iii) On 24 September 2022, the Company subscribed for 70,826 ordinary shares of USD1.00 each from FGVI, satisfied via a conversion of an amount due from FGVI of USD70,826, equivalent to RM329,000.
- (iv) On 22 December 2022, the Company subscribed for 66,660 ordinary shares of USD1.00 each from FGVI, satisfied via a conversion of an amount due from FGVI of USD66,660, equivalent to RM295,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

27 AMOUNTS DUE FROM/(TO) ULTIMATE HOLDING COMPANY, SUBSIDIARIES, JOINT VENTURES, AN ASSOCIATE AND OTHER RELATED COMPANIES (CONTINUED)

Financial year ended 31 December 2021

- (i) On 5 January 2021, the Company subscribed for 277,750 ordinary shares of USD1.00 each from FGVI, a wholly-owned subsidiary of the Company, satisfied via a conversion of an amount due from FGVI of USD277,750, equivalent to RM1,114,000.
- (ii) On 6 April 2021, the Company subscribed for 74,993 ordinary shares of USD1.00 each from FGVI, satisfied via a conversion of an amount due from FGVI of USD74,993, equivalent to RM310,000.
- (iii) On 29 June 2021, the Company subscribed for 135,144 ordinary shares of USD1.00 each from FGVI, satisfied via a conversion of an amount due from FGVI of USD135,144, equivalent to RM561,000.
- (iv) On 13 September 2021, the Company subscribed for 297,193 ordinary shares of USD1.00 each from FGVI, satisfied via a conversion of an amount due from FGVI of USD297,193, equivalent to RM1,245,000.
- (v) On 1 November 2021, the Company subscribed for 1,687,613 ordinary shares of RM1.00 each from FGVIF, satisfied via a conversion of an amount due from FGVIF of RM1,687,613.
- (vi) On 7 December 2021, the Company subscribed for 70,826 ordinary shares of USD1.00 each from FGVI, satisfied via a conversion of an amount due from FGVI of USD70,826, equivalent to RM299,000.
- (a) Reconciliation of loss allowance

Amounts due from subsidiaries using general 3 stage approach

The loss allowance for amounts due from subsidiaries as at 31 December 2022 reconciles to the opening loss allowance balance as follows:

Company	Performing RM'000	Under- performing RM'000	Non- performing RM'000	Total RM'000
Opening loss allowance as at 1 January 2021	-	-	11,621	11,621
Decrease in loss allowance (net)	-	-	(96)	(96)
Write-off	-	-	(20)	(20)
Loss allowance as at 31 December 2021/ 1 January 2022	-	-	11,505	11,505
Increase in loss allowance (net)	-	-	29,110	29,110
Closing loss allowance as at 31 December 2022	-	-	40,615	40,615

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

27 AMOUNTS DUE FROM/(TO) ULTIMATE HOLDING COMPANY, SUBSIDIARIES, JOINT VENTURES, AN ASSOCIATE AND OTHER RELATED COMPANIES (CONTINUED)

(a) Reconciliation of loss allowance (continued)

Amounts due from subsidiaries using general 3 stage approach (continued)

The following table contains an analysis of the credit exposure of amounts due from subsidiaries for which an ECL allowance is recognised, based on individual impairment assessment:

Company	Performing RM'000	Under- performing RM'000	Non- performing RM'000	Total RM'000
31 December 2022				
Gross carrying amount	460,148	-	40,615	500,763
Loss allowance	-	-	(40,615)	(40,615)
Carrying amount (net of loss allowance)	460,148	-	-	460,148

The significant increase in the loss allowance for the financial year relates to increase of ECL from an amount due from a subsidiary as the curtailment of the subsidiary's business during the financial year is expected to impact its ability to settle the amount due to the Company on a timely manner.

Company	Performing RM'000	Under- performing RM'000	Non- performing RM'000	Total RM'000
31 December 2021				
Gross carrying amount	344,352	-	11,505	355,857
Loss allowance	-	-	(11,505)	(11,505)
Carrying amount (net of loss allowance)	344,352	-	-	344,352

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

27 AMOUNTS DUE FROM/(TO) ULTIMATE HOLDING COMPANY, SUBSIDIARIES, JOINT VENTURES, AN ASSOCIATE AND OTHER RELATED COMPANIES (CONTINUED)

(a) Reconciliation of loss allowance (continued)

Trade amounts due from ultimate holding company, joint ventures and other related companies using simplified approach

The loss allowance for trade amounts due from ultimate holding company, joint ventures and other related companies as at 31 December 2022 reconciles to the opening loss allowance balance as follows:

Group	Non-credit impaired RM'000	Credit impaired RM'000	Total RM'000
Opening loss allowance as at 1 January 2021	5,798	13,619	19,417
Increase/(decrease) in loss allowance (net)	151	(3,815)	(3,664)
Loss allowance as at 31 December 2021/1 January 2022	5,949	9,804	15,753
Increase/(decrease) in loss allowance (net)	7,876	(3,678)	4,198
Closing loss allowance as at 31 December 2022	13,825	6,126	19,951

The following table contains an analysis of the credit exposure trade amounts due from ultimate holding company, joint ventures and other related companies for which an ECL allowance is recognised, based on individual impairment assessment:

Group	Non-credit impaired RM'000	Credit impaired RM'000	Total RM'000
<u>31 December 2022</u>			
Gross carrying amount	444,450	13,237	457,687
Individual assessment	(13,825)	(6,126)	(19,951)
Carrying amount (net of loss allowance)	430,625	7,111	437,736
<u>31 December 2021</u>			
Gross carrying amount	333,540	14,597	348,137
Individual assessment	(5,949)	(9,804)	(15,753)
Carrying amount (net of loss allowance)	327,591	4,793	332,384

The decrease in the loss allowance for the financial year relates to decrease of ECL from amounts due from ultimate holding company and other related companies due to settlement of the long outstanding amounts during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

27 AMOUNTS DUE FROM/(TO) ULTIMATE HOLDING COMPANY, SUBSIDIARIES, JOINT VENTURES, AN ASSOCIATE AND OTHER RELATED COMPANIES (CONTINUED)

(a) Reconciliation of loss allowance (continued)

Non-trade amounts due from joint ventures using general 3 stage approach

The loss allowance for non-trade amounts due from joint ventures as at 31 December 2022 reconciles to the opening loss allowance balance as follows:

Group	Performing RM'000	Under- performing RM'000	Non- performing RM'000	Total RM'000
Loss allowance as at 31 December 2021/ 1 January 2022/31 December 2022	-	-	142,099	142,099

The following table contains an analysis of the credit exposure non-trade amounts due from joint ventures for which an ECL allowance is recognised, based on individual impairment assessment:

Group	Performing RM'000	Non- performing RM'000	Total RM'000
<u>31 December 2022</u>			
Gross carrying amount	-	142,099	142,099
Individual assessment	-	(142,099)	(142,099)
Carrying amount (net of loss allowance)	-	-	-
<u>31 December 2021</u>			
Gross carrying amount	-	142,099	142,099
Individual assessment	-	(142,099)	(142,099)
Carrying amount (net of loss allowance)	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

28 CONTRACT ASSETS

The Group's contract assets relating to the provision of construction and IT services as at financial year end can be summarised as follows:

	Group	
	2022 RM'000	2021 RM'000
<u>Contract assets</u>		
At 1 January	43,994	29,431
Performance obligations performed	42,925	56,214
Transfer from contract assets to receivables	(37,639)	(41,651)
	49,280	43,994
Loss allowance	(1,982)	(1,843)
At 31 December	47,298	42,151

Reconciliation of loss allowance

Contract assets amounts using simplified approach

The loss allowance for contract asset as at 31 December 2022 reconciles to the opening loss allowance for that provision as follows:

	Non-credit impaired RM'000	Credit impaired RM'000	Total RM'000
Loss allowance as at 1 January 2021	1,551	-	1,551
Increase in loss allowance	292	-	292
Loss allowance as at 31 December 2021	1,843	-	1,843
Increase in loss allowance	139	-	139
At 31 December 2022	1,982	-	1,982

The following table contains an analysis of the credit exposure of contract assets for which an ECL allowance is recognised, based on individual impairment assessment:

Group	Non-credit impaired RM'000	Credit impaired RM'000	Total RM'000
<u>31 December 2022</u>			
Gross carrying amount	49,280	-	49,280
Loss allowance	(1,982)	-	(1,982)
Carrying amount (net of loss allowance)	47,298	-	47,298
<u>31 December 2021</u>			
Gross carrying amount	43,994	-	43,994
Loss allowance	(1,843)	-	(1,843)
Carrying amount (net of loss allowance)	42,151	-	42,151

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

29 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2022 RM'000	2021 RM'000
At 1 January	79,136	68,201
Additions	238,527	17,691
Disposals	(218,560)	(4,173)
Fair value (losses)/gains credited to profit or loss (Note 10)	(3,118)	794
Currency translation differences	(14,630)	(3,377)
As at 31 December	81,355	79,136
Analysed as:		
Current	74,767	79,136
Non-current	6,588	-
	81,355	79,136

During the financial year, the Group disposed bond funds for a consideration of RM220.31 million (2021: RM4.21 million), resulting in a gain on disposal of RM1.75 million (2021: RM40,000).

	Group	
	2022 RM'000	2021 RM'000
Quoted investments:		
In Malaysia	90	86
Outside Malaysia	81,265	79,050
	81,355	79,136

Financial assets at fair value through profit or loss are denominated in the following currencies:

	Group	
	2022 RM'000	2021 RM'000
- Ringgit Malaysia	90	86
- Australian Dollar	4,692	7,215
- Pakistan Rupee	76,573	71,835
	81,355	79,136

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

30 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")

Group	2022 RM'000	2021 RM'000
At 1 January	201,569	144,251
Additions	2,706	3,541
Disposals	(4,648)	-
Fair value changes	(34,965)	53,908
Currency translation differences	(1,992)	(131)
At 31 December	162,670	201,569
Analysed as:		
Non-current	162,670	201,569

The financial assets at FVOCI comprise the following:

	2022 RM'000	2021 RM'000
Quoted equity securities:		
- In Malaysia	3,263	2,975
Unquoted equity securities:		
- In Malaysia	69,100	53,498
- Outside Malaysia	90,307	145,096
	162,670	201,569

The Group has irrevocably elected non-trading equity securities above at initial recognition to present its fair value changes in other comprehensive income. The Group considers this classification to be more relevant as these instruments are strategic investments of the Group and not held for trading purpose.

Financial assets at FVOCI are denominated in the following currencies:

	2022 RM'000	2021 RM'000
- Ringgit Malaysia	72,363	56,473
- United States Dollar	90,307	145,096
	162,670	201,569

The fair values of unquoted securities are based on the average of price-to-book or price earnings ratio of similar equities in the market and is a Level 3 fair value computation (Note 4(c)).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

31 BIOLOGICAL ASSETS

Group	Oil Palm RM'000	Dairy Cow RM'000	Total RM'000
2022			
At 1 January	113,791	2,228	116,019
Transfer to inventory	(113,791)	-	(113,791)
Addition	-	502	502
Fair value changes	86,726	(316)	86,410
Sales of livestock	-	(898)	(898)
Livestock written off	-	(25)	(25)
Foreign exchange movement	(28)	-	(28)
At 31 December	86,698	1,491	88,189

2021

At 1 January	57,001	-	57,001
Transfer to inventory	(57,001)	-	(57,001)
Transfer from property, plant and equipment (Note 19)	-	2,228	2,228
Fair value changes	113,781	-	113,781
Foreign exchange movement	10	-	10
At 31 December	113,791	2,228	116,019

Analysed as:

	2022 RM'000	2021 RM'000
Non-current	1,491	2,228
Current	86,698	113,791
	88,189	116,019

Oil Palm

Oil palm represents the fresh fruit bunches ("FFB") of up to 15 days prior to harvest for use in the Group's palm product operations. During the financial year ended 31 December 2022, the Group harvested approximately 3,991,555 metric tonnes ("MT") of FFB (2021: 3,975,591 MT). The quantity of unharvested FFB of the Group as at 31 December 2022 included in the fair valuation of FFB was 140,660 MT (2021: 126,653 MT).

In arriving at the fair value, the Group adopted the income approach which considers the net present value of all directly attributable cash inflows, cash outflows and imputed contributory asset charges where no actual cash flows associated with the use of assets essential to the agricultural activity.

Changes to the assumed prices of the FFB and tonnage included in the valuation will have a direct effect on the reported valuation.

The Groups biological assets computation is a Level 3 fair value estimation.

If the selling prices of FFB or tonnage changed by 10%, the Group's fair value of FFB would have increased or decreased by approximately RM20.90 million (2021: RM25.98 million).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

31 BIOLOGICAL ASSETS (CONTINUED)

Dairy Cow

In arriving at the fair value, the Group had adopted the discounted cash flows method in which the dairy cows were considered for its projected quantity of milk to be produced over the life of the milkers as well as the projected market price of the transformation from calves to heifers and taking into account the expected feeding cost and both the calves and milkers' mortality rate. Changes to the projected milk quantity per dairy cow per day, the culling rate per annum of the milkers and calves and the feed cost of milkers and calves per day per dairy cow included in the valuation will have a direct effect on the reported valuation.

The Group's biological assets computation is a Level 3 fair value estimation.

If the projected milk quantity per dairy cow per day changed by 5%, the Group's fair value of dairy cows would have increased or decreased by RM186,000 (2021: RM274,000).

32 INVENTORIES

	Group	
	2022 RM'000	2021 RM'000
At cost:		
- Finished goods	1,017,158	945,693
- Raw materials	974,705	689,963
- Work in progress	30,182	64,727
- Chemicals	141,878	59,226
- Stores, consumables and replaceable products	57,370	64,194
At net realisable value:		
- Finished goods	30,236	3,258
- Raw materials	54,995	58,145
- Work in progress	43,524	23,293
- Stores, consumables and replaceable products	11,375	5,904
	2,361,423	1,914,403

33 LOANS DUE FROM SUBSIDIARIES

	Company	
	2022 RM'000	2021 RM'000
At 1 January	216,830	368,886
Additions	864,573	446,539
Repayment	(874,392)	(598,595)
At 31 December	207,011	216,830
The loans are denominated as follows:		
- Ringgit Malaysia	207,011	216,830
	207,011	216,830

Financing terms of short term loans due from subsidiaries are between 30 to 365 days (2021: 30 to 365 days) with interest ranging from 2.85% to 5.40% (2021: 0.70% to 2.10% per annum).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

34 DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

	Group					
	2022			2021		
	Contract/ notional amount RM'000	Assets RM'000	Liabilities RM'000	Contract/ notional amount RM'000	Assets RM'000	Liabilities RM'000
<u>Non-current</u>						
Islamic profit rate swap	125,000	-	193	208,333	-	3,571
<u>Current</u>						
Foreign currency forward contracts	628,390	2,006	16,889	418,293	1,978	653
Palm oil futures contracts	2,844	1,159	-	13,275	1,561	-
Sugar futures contracts	-	-	-	1,882	-	963
Brent crude oil futures contracts	1,980	-	853	4,155	-	2,133
	633,214	3,165	17,742	437,605	3,539	3,749
	758,214	3,165	17,935	645,938	3,539	7,320

The Group classifies derivative financial instruments as financial assets/liabilities at fair value through profit or loss. The Islamic profit rate swap is accounted for as cash flow hedge.

The notional amount of contracts outstanding are as follows:

	2022	2021
Foreign currency forward contracts	USD151,629,960	USD99,700,083
Brent crude oil futures contracts	USD451,000	USD997,560
Palm oil futures contracts	1,000 MT	2,925 MT
Sugar futures contracts	-	51 MT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

35 DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Fixed deposits in:				
- Licensed banks	947,159	1,488,122	51,869	327,178
- Licensed financial institutions	79,870	118,097	-	-
	1,027,029	1,606,219	51,869	327,178
Cash and bank balances	370,077	425,447	16,798	11,497
Deposits, cash and bank balances	1,397,106	2,031,666	68,667	338,675
Less: Restricted cash	(67,823)	(64,475)	-	-
Cash and cash equivalents	1,329,283	1,967,191	68,667	338,675

Restricted cash of RM67,823,000 (2021: RM64,475,000) relates to cash pledged in order to obtain certain bank facilities.

The fixed deposits, cash and bank balances are denominated as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Ringgit Malaysia	1,231,971	1,857,469	67,491	337,687
United States Dollar	138,531	152,027	143	143
Indonesian Rupiah	11,074	5,602	-	-
Thai Baht	10,184	9,886	-	-
Pakistan Rupees	2,418	2,806	-	-
Great Britain Pound	1,110	845	1,033	845
Others	1,818	3,031	-	-
	1,397,106	2,031,666	68,667	338,675

The weighted average finance rates (per annum) of fixed deposits and bank balances that were effective at the financial year end were as follows:

	Group		Company	
	2022 %	2021 %	2022 %	2021 %
- Licensed banks	2.54	1.95	2.10	1.80
- Licensed financial institutions	2.33	2.03	1.82	2.06

Fixed deposits as at 31 December 2022 for the Group and for the Company have average maturity periods of 75 days (2021: 88 days) and 89 days (2021: 80 days) respectively. Cash and bank balances are deposits held at call with banks.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

36 ASSETS HELD FOR SALE

The details of assets held for sale are as follows:

	Group	
	2022 RM'000	2021 RM'000
<u>Assets</u>		
Property, plant and equipment	20,359	16,559
Right-of-use assets	7,682	7,682
Assets held for sale	28,041	24,241

Property, plant and equipment

- (i) During the financial year, the Lahad Datu palm oil refinery in FGV Refinery Sdn. Bhd., a subsidiary of the Group, whose carrying value was previously RM5.26 million, has been revised to RM11.36 million due to a reversal of impairment of RM6.10 million. The revised carrying value is supported by an external valuation and discussions are in place with potential buyers to realise the plant disposal.
- (ii) During the financial year, the carrying value of a biodiesel plant in FGV Green Energy Sdn. Bhd., an indirect subsidiary of the Group which had been fully impaired previously, has been revised to RM9.0 million following an offer received to acquire the said plant. The plant purchase price has been fully settled and the sale has been completed in the first quarter of 2023.
- (iii) In the previous financial year, MSMH, a subsidiary of the Group had received an offer in respect of certain plant and machinery from a scrap metal purchaser. These plant and machinery were part of assets impaired in financial year ended 31 December 2019 following cessation of refinery operations in its previous subsidiary, MSM Perlis Sdn. Bhd.. Following this offer, the Group had reversed the impairment recognised of RM11,300,000 based on the recoverable amount of the assets which is equivalent to the offer price. As the assets were planned for disposal, the assets had been reclassified to assets held for sale from property, plant and equipment. The sale of assets was completed on 17 February 2022 with no gain or loss.
- (iv) In the previous financial year, an apartment with carrying value of RM1.07 million in FGV Refineries Sdn. Bhd., an indirect subsidiary of the Group was disposed off for a total consideration of RM2 million, resulting in a gain on disposal of RM0.93 million.

Right-of-use assets

- (i) In the previous financial year, MSM Prai Berhad ("MSM Prai"), an indirect subsidiary of the Group had transferred two vacant land in Pulau Indah under the right-of-use assets to assets held for sale amounting to RM7.68 million as it met the criteria of MFRS 5 'Non-current Assets Held For Sale and Discontinued Operations'.

On 29 June 2022, MSM Prai has accepted an offer for a consideration of RM16.11 million. The Sale and Purchase Agreement was signed on 29 July 2022. The recognition of the sale is conditional upon receipt of Selangor State approval.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

37 SHARE CAPITAL

	Group and Company			
	2022 Number of shares '000	2021 Number of shares '000	2022 RM'000	2021 RM'000
Issued and fully paid up:				
<u>Ordinary shares with no par value</u>				
At 1 January/31 December	3,648,152	3,648,152	7,029,889	7,029,889
Special share				
At 1 January/31 December	#	#	#	#

Relating 1 unit special shares held by Minister of Finance of RM1

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

The special share held by the Minister of Finance (Incorporated) has the following characteristics:

- The Special Share may be held only by or transferred only to the Minister of Finance (Incorporated) or its successor or any Minister, representative or any person authorised by the Government of Malaysia to act on its behalf.
- The Special Shareholder shall have the right from time to time to appoint any existing Director to be a Government Appointed Director so that there shall not be more than three (3) Government Appointed Director at any one time and such Government Appointed Directors shall hold the position of the Chairman of the Board of Directors, Managing Director/Chief Executive Officer and one (1) Director.
- The Special Shareholder or any person acting on behalf of the Special Shareholder shall be entitled to receive notice of and to attend and speak at all general meetings or any other meeting of any class or shareholders of the Company, but the Special Share shall carry no right to vote nor any other rights at any such meeting.
- The Special Shareholder may, subject to the provisions of the Acts, require the Company to redeem the Special Share at par at any time by serving written notice upon the Company and delivering the relevant share certificate.
- In a distribution of capital in a winding up of the Company, the Special Shareholder shall be entitled to repayment of the capital paid up on the Special Share in priority to any repayment of capital to any other Member. The Special Share shall confer no other right to participate in the capital or profits of the Company.

38 TREASURY SHARES

During the financial year, the Company redeemed the treasury shares amounting to RM518,000.

39 FOREIGN EXCHANGE RESERVE

The foreign exchange reserve is used to record exchange difference arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It also represents the share of foreign exchange differences in the cumulative net investment of foreign associates and joint ventures.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

40 REORGANISATION RESERVE

The reorganisation reserve represents the difference between the fair value of the purchase consideration and carrying value of the net assets acquired arising from the acquisition of plantation estates.

41 OTHER RESERVES

Group	Other comprehensive income RM'000	Cash flow hedge reserve RM'000	Total RM'000
2022			
At 1 January 2022	69,297	(1,870)	67,427
Fair value changes	(35,031)	-	(35,031)
Realisation of other comprehensive income upon disposal of FVOCI	(4,648)	-	(4,648)
Cash flow hedges	-	1,747	1,747
At 31 December 2022	29,618	(123)	29,495
2021			
At 1 January 2021	15,321	(4,697)	10,624
Fair value changes	53,976	-	53,976
Cash flow hedges	-	2,827	2,827
At 31 December 2021	69,297	(1,870)	67,427

Cash flow hedge reserve

The Group manages its cash flow interest rate risk with floating-to-fixed interest rate swaps which are designated in cash flow hedge relationships. To the extent this hedge is effective, the change in fair value of the hedge instrument is recognised in the cash flow hedge reserve. The gain or loss relating to the effective portion of the interest rate swaps is reclassified to profit or loss and recognising within 'finance cost'.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

42 BORROWINGS

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<u>Current</u>				
Secured:				
Short term trade financing	5,851	30,421	-	-
Islamic term loans	153,858	142,753	-	-
Unsecured:				
Islamic short term trade financing	1,222,040	1,946,431	-	-
Short term trade financing	393,520	210,752	-	-
Hire purchase	6,309	-	-	-
Sukuk	100,000	-	100,000	-
	1,881,578	2,330,357	100,000	-
<u>Non-current</u>				
Secured:				
Islamic term loans	403,018	536,689	-	-
Unsecured:				
Hire purchase	43,674	-	-	-
Sukuk	397,374	496,451	397,374	496,451
	844,066	1,033,140	397,374	496,451
Total borrowings	2,725,644	3,363,497	497,374	496,451

The maturity profile of borrowings are as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<u>Total borrowings</u>				
Islamic short term trade financing	1,222,040	1,946,431	-	-
Short term trade financing	399,371	241,173	-	-
Islamic term loans	556,876	679,442	-	-
Hire purchase	49,983	-	-	-
Sukuk	497,374	496,451	497,374	496,451
	2,725,644	3,363,497	497,374	496,451
Less: Repayable after more than one year	(844,066)	(1,033,140)	(397,374)	(496,451)
	1,881,578	2,330,357	100,000	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

42 BORROWINGS (CONTINUED)

The maturity profile of borrowings are as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Less than 1 year	1,881,578	2,330,357	100,000	-
Between 1 and 5 years	694,066	808,140	247,374	271,451
More than 5 years	150,000	225,000	150,000	225,000
	2,725,644	3,363,497	497,374	496,451

The borrowings are denominated as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
- Ringgit Malaysia	2,542,859	3,162,145	497,374	496,451
- United States Dollar	176,934	196,988	-	-
- Thai Baht	5,851	4,364	-	-
	2,725,644	3,363,497	497,374	496,451

Effective finance rates for borrowings are as follows:

	Group		Company	
	Finance rate	Effective finance rate at date of statement of financial position per annum %	Finance rate	Effective finance rate at date of statement of financial position per annum %
2022				
Islamic short term trade financing	Fixed	2.36 - 5.85	-	-
Short term trade financing	Fixed	2.60 - 6.36	-	-
Islamic term loans	Fixed/floating	3.75 - 5.53	-	-
Hire purchase	Fixed	1.96 - 2.87	-	-
Sukuk	Fixed	5.20 - 5.63	Fixed	5.20 - 5.63
2021				
Islamic short term trade financing	Fixed	0.65 - 4.21	Fixed	2.65 - 3.83
Short term trade financing	Fixed	2.30 - 6.87	-	-
Islamic term loans	Fixed/floating	3.75 - 4.37	-	-
Sukuk	Fixed	5.20 - 5.63	Fixed	5.20 - 5.63

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

42 BORROWINGS (CONTINUED)

The secured Islamic term loans consists of the following:

- (i) RM556,876,000 (2021: RM679,442,000) Islamic term loans is secured against a leasehold land, debenture, certain bank balances of the Group and a director of subsidiary.

The secured short term trade financing consists of the following:

- (i) RM5,851,000 (2021: RM30,421,000) short term trade financing is secured over certain property, plant and equipment.

Islamic term loans

MSM Malaysia Holdings Berhad ("MSMH"), a subsidiary of the Company is required to comply with certain financial covenants i.e. consolidated net debt and financing to equity ratio, consolidated net debt and financing to earnings before interest, tax, depreciation and amortisation ("EBITDA") ratio and consolidated finance payment cover ratio (collectively known as "financial covenants"). The financial covenants are to be complied with annually (2021: annually).

MSMH had received a waiver letter dated 8 November 2022 from the lender granting a waiver on one of the financial covenants for the financial year ended 31 December 2022 and therefore was not required to meet this covenant. MSMH has complied with the other two of the financial covenants for the year ended 31 December 2022.

In the previous financial year, MSMH has made an additional prepayment of RM114,256,000. As a result of the prepayments, MSMH has recorded a loan modification cost of RM9,749,000.

Sukuk

On 31 December 2021, the Company made the first issuance of Sukuk Murabahah of RM500 million in nominal value pursuant to the Sukuk Murabahah Programme. The Sukuk Murabahah Programme has a tenure of eight (8) years from the date of the first issue of Sukuk Murabahah under the Sukuk Murabahah Programme. The tenure of each Sukuk Murabahah is between one (1) year and up to eight (8) years and is unrated.

The financing terms of Sukuk are from 31 December 2021 until 31 December 2029 (2021: 31 December 2021 until 31 December 2029) with interest ranging from 5.20% to 5.41% (2021 : 5.20% to 5.41%).

The Sukuk issued by the Company has been reflected as an unsecured borrowing pending completion of certain condition subsequent as at 31 December 2022. Upon completion of the condition subsequent, the Sukuk will be reflected as a secured borrowing.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

43 LEASE LIABILITIES

	Group	
	2022 RM'000	2021 RM'000
At 1 January	322,099	385,826
Additions	59,385	13,311
Interest accretion	16,514	14,969
Repayments	(64,690)	(46,794)
Termination of lease contracts	(1,069)	(12)
Remeasurement of lease contracts	(1,978)	(45,772)
Currency translation differences	1,098	571
At 31 December	331,359	322,099
Non-current	293,738	294,581
Current	37,621	27,518
	331,359	322,099

	Company	
	2022 RM'000	2021 RM'000
At 1 January	28,318	32,065
Interest accretion	1,290	1,487
Repayments	(5,531)	(5,234)
At 31 December	24,077	28,318

	Company	
	2022 RM'000	2021 RM'000
Non-current	20,714	24,955
Current	3,363	3,363
	24,077	28,318

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

44 LOANS DUE TO ULTIMATE HOLDING COMPANY

	Group and Company	
	2022 RM'000	2021 RM'000
Unsecured:		
- Non-current	-	632,151
- Current	333,316	2,514
	333,316	634,665

Early settlement of loans due to ultimate holding company of RM300 million (2021: RM250 million) was made in the current financial year.

The loans are denominated as follows:

	Group and Company	
	2022 RM'000	2021 RM'000
- Ringgit Malaysia	333,316	634,665

Effective finance rate for the loans at date of statement of financial position per annum is as follows:

	Group and Company			
	Finance rate %	2022 Effective finance rate %	Finance rate	2021 Effective finance rate
Loans due to ultimate holding company	Fixed	4.837	Fixed	4.837

The carrying amount and fair value of the loans due to ultimate holding company are as follows:

	Group and Company			
	Carrying amount		Fair value	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Loans due to ultimate holding company	333,316	634,665	335,415	635,129

The fair value of loans due to ultimate holding company is based on cash flows discounted using a rate based on the borrowing rate of 4.2% (2021: 4.8%). The fair value of the loans due to ultimate holding company is a Level 2 computation.

The terms of loans due to ultimate holding company are from 2 June 2014 until 4 December 2023 (2021: 2 June 2014 until 4 December 2023) with fixed interest of 4.84% (2021: 4.84%).

Cash flows and non-cash changes arising from loans due to ultimate holding company financing activities are disclosed in statements of cash flows.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

45 LOANS DUE TO SUBSIDIARIES

	Company	
	2022 RM'000	2021 RM'000
Unsecured:		
- Non-current	736,486	806,047
- Current	74,548	742
	811,034	806,789
The loans are denominated as follows:		
- Ringgit Malaysia	811,034	806,789
	811,034	806,789

Effective finance rate for the loans at date of statement of financial position per annum is as follows:

	Company			
	2022		2021	
	Finance rate	Effective finance rate %	Finance rate	Effective finance rate %
Loans due to subsidiaries	Fixed	5.02	Fixed	5.02

The carrying amount and fair value of the loans due to subsidiaries are as follows:

	Company			
	Carrying amount		Fair value	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Loans due to subsidiaries	811,034	806,789	822,948	809,782

The fair value of loans due to subsidiaries is based on cash flows discounted using a rate based on the borrowing rate of 5.02% (2021: 5.02%). The fair value of the loans due to subsidiaries is a Level 2 computation.

The terms of long term loans due to subsidiaries are from 26 December 2019 until 31 December 2034 (2021: 26 December 2019 until 31 December 2034) with interest ranging from 5.02% to 5.78% (2021: 5.02% to 5.78%).

Cash flows and non-cash changes arising from loans due to subsidiaries, financing activities are disclosed in statements of cash flows.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

46 LAND LEASE AGREEMENT ("LLA") LIABILITY

The land lease agreement liability is calculated based on the terms set out in the various agreements as follows:

(i) Land Lease Agreement ("LLA")

The Company entered into an agreement with FELDA on 1 November 2011 to lease for a period of 99 years; (i) land with individual land titles issued to FELDA as the registered owner; (ii) existing land granted to FELDA for development but where individual land titles have not been issued to FELDA; and (iii) other land to be alienated or to be acquired by FELDA in the future.

FELDA may terminate lease on certain land as follows:

- (a) Land with minerals, as the rights for minerals are excluded from the lease;
- (b) Acquisition or intended acquisition under the Land Acquisition Act, 1960 ("LAA"), notice of reclamation by the relevant authority or such other notice of a similar nature issued pursuant to any legislation of Malaysia.

In the event of termination, FELDA will provide a notice period ranging from 10 days – 18 months, depending on the size of the land and circumstances of the reclamation.

Upon reclamation, compensation will be receivable from FELDA by the Group for the loss of expected future profits in respect of the land, calculated based on the average profit per hectare and the age profile of the applicable biological assets given up.

For land reclaimed by FELDA on behalf of third parties under Tenancy Agreement dated on 21 January 2012, no compensation will be receivable by the Company.

During the financial year, the Group received a compensation of RM15,343,000 from FELDA for termination of certain lands under compulsory acquisition and for the purpose of mining and timber activities.

(ii) LLA Addendum

On 2 January 2012, the Company entered into an addendum to LLA ("LLA Addendum") to acquire certain assets and liabilities other than biological assets of the plantation estates owned by FELDA for a purchase consideration equivalent to the carrying values of the assets and liabilities acquired as at 31 December 2011 amounting to RM54,690,000, removing the requirement for consents from State Authority prior to commencement of LLA and amending the definition of categories of assets requiring to be maintained by the Company. As a result, the LLA commenced on 1 January 2012.

(iii) Novation Agreement

FGV Plantations (Malaysia) Sdn. Bhd. ("FGVPM"), a subsidiary of the Company had entered into a novation agreement whereby all benefits, rights, title, interest, obligations, undertakings, covenants and liabilities of the Company under the LLA and LLA Addendum shall be transferred by the Company to FGVPM from 1 January 2012 and FELDA has consented to the transfer of all of the Company's benefits, rights, title, interest, obligations, undertakings, covenants and liabilities to FGVPM subject to the terms and conditions of the novation agreement.

46 LAND LEASE AGREEMENT ("LLA") LIABILITY (CONTINUED)

The land lease agreement is calculated based on the terms set out in the various agreements as follows: (continued)

(iv) Tenancy Agreements

On 6 January 2012, FELDA and FGVPM entered into a tenancy agreement in respect of the LLA of which this tenancy shall be for an initial period of three years and upon expiry of the three year period, FGVPM shall have the option to renew the tenancy for further terms of three years each up to a total duration of 99 years unless terminated in accordance with the provisions of the LLA. The option to renew shall be exercisable by written notice, or by conduct of the parties allowing continued enjoyment of rights of the Land by FGVPM under the agreement. In the event that the Approvals for any part of the Land are obtained from time to time or individual land titles are issued by the state authorities for any part of the Additional Existing Land and the Approvals are obtained, the parties will proceed to register the lease in accordance with the LLA, and thereafter the Approved Land shall be excluded from this agreement and the tenancy therein and shall fall under the lease in the LLA.

On 21 January 2012, FELDA and FGVPM entered into a tenancy agreement in respect of certain plantation land which are vested in FELDA. This tenancy shall commence on 1 January 2012 and shall be for an initial period of three years. Upon expiry of the initial tenancy agreement's three years term, FGVPM shall have the option to renew the tenancy for further terms of three years each up to a total duration of 99 years unless terminated in accordance with the provisions of the LLA and at an agreed consideration which reflects the Lease Consideration in accordance with the LLA. In the event FELDA loses rights to these land, no compensation is payable to FGVPM.

(v) Management Agreement

On 21 May 2012, the Tenancy Agreement dated 6 January 2012 was supplemented by an addendum, whereby both FELDA and FGVPM acknowledged that as at 1 January 2012, FGVPM has yet to be deemed or recognised as native in respect of the lands in Sarawak to the Sarawak Land Code. Both FELDA and FGVPM agree to exclude all the Sarawak Land from the Tenancy Agreement and the LLA. Both FELDA and FGVPM agree that no lease consideration shall be deemed payable in respect of these Sarawak Land for the tenancy for the period commencing from 1 January 2012 until FGVPM has duly obtained the status of native, all Approvals have been obtained and upon registration of the lease in accordance with the Sarawak Land Code. Upon fulfilment of the aforementioned conditions, the Sarawak Lands will be included as part of the Remaining Existing Lands and the terms of the Land Lease Agreement shall be applicable in respect thereof and the accounting application shall remain the same as per LLA.

In the event the land or any part thereof at any time become affected by any notice by acquisition under Land Acquisition Act, 1960, the lessor may not be compensated for the termination costs.

(vi) Clarification Letter

On 17 July 2015, FELDA and FGVPM agreed upon the clarification of several terms within the LLA and its ancillary agreements, as follows:

- Maintenance costs of utilities on the lands managed by FELDA in Sahabat shall be charged to FGVPM;
- The refund of the security deposit paid by the company in respect of the LLA (Note 26) shall be by way of set-off towards any payment of the lease amount prior to expiry or sooner determination of the LLA; and
- The agreed formula to compute the Implied Revenue with respect to calculating the average fresh fruit bunches ("FFB") price used by FGVPM in the preparation of the statement of plantation operating profit is now clarified via a detailed formula and accompanying assumptions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

46 LAND LEASE AGREEMENT (“LLA”) LIABILITY (CONTINUED)

The leased land consists of planted oil palm and rubber areas. Based on the agreed leased area, the annual fixed lease amount payable is estimated to be RM243,623,925 (2021: RM243,552,000) per annum together with 15% (2021: 15%) of yearly plantation operating profit attributable to the land.

	Group	
	2022 RM'000	2021 RM'000
Non-current	3,264,463	3,314,874
Current	415,891	489,916
	3,680,354	3,804,790

Movement in LLA liability is as follows:

	Group	
	2022 RM'000	2021 RM'000
At 1 January	3,804,790	4,213,824
Fair value changes charged to profit or loss (Note 10)	352,870	3,984
Repayment during the financial year	(477,306)	(413,018)
At 31 December	3,680,354	3,804,790

The fair value of the LLA liability is measured using a discounted cash flow calculation using cash flow projections covering a 89 year period. The cash flow projection is approved by the LLA Steering Committee based on the 2023 approved financial budgets by the Directors plus the projection for the remaining period reflective of the forecasted operational results.

The key assumptions used to compute the fair value of the LLA liability are as follows:

LLA Key assumptions	2022			2021		
	Short Term	Mid Term	Long Term	Short Term	Mid Term	Long Term
CPO Price (per MT)	4,000	3,000	2,600	4,300	2,500 - 2,900	2,450
PK Price (per MT)	2,400	1,800	1,800	2,645	1,500 - 1,740	1,800
Average FFB yield (MT/ha)	17.8	18.1 - 18.3	16.6 - 22.0	16.9	17.6 - 18.5	16.6 - 21.8
Mature estate cost (per hectare)	6,486	6,370 - 6,424	5,229 - 5,588	5,709	4,703 - 4,845	4,921 - 5,114
Immature estate cost (per hectare)	5,963	5,842 - 5,847	5,104	5,402	4,575 - 4,629	4,786
Discount rate (%)	9.5%			9.5%		

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

46 LAND LEASE AGREEMENT (“LLA”) LIABILITY (CONTINUED)

The sensitivity of the LLA liability to changes in key assumptions is as follows:

Key assumptions	Change in assumption	Impact on LLA liability
2022		
(i) Discount rate	Increase by 0.5%	Decrease by RM185 million
	Decrease by 0.5%	Increase by RM207 million
(ii) Short term CPO price	Increase by RM500 per metric tonne	Increase by RM47 million
	Decrease by RM500 per metric tonne	Decrease by RM47 million
Medium term CPO price	Increase by RM250 per metric tonne	Increase by RM45 million
	Decrease by RM250 per metric tonne	Decrease by RM50 million
(iii) Short term PK price	Increase/decrease by RM200 per metric tonne	Increase/decrease by RM5 million
	Increase/decrease by RM100 per metric tonne	Increase/decrease by RM5 million
(iv) Improvement/reduction in short to medium term FFB yield	Increase/decrease by 10%	Increase/decrease by RM89.0 million
(v) Short to medium term mature estate cost	Increase/decrease by 10%	Decrease/increase by RM62 million
(vi) Short to medium term immature estate cost	Increase/decrease by 10%	Decrease/increase by RM15 million
2021		
(i) Discount rate	Increase by 0.5%	Decrease by RM185 million
	Decrease by 0.5%	Increase by RM115 million
(ii) Short term CPO price	Increase by RM1,000 per metric tonne	Increase by RM93 million
	Decrease by RM1,000 per metric tonne	Decrease by RM98 million
Medium term CPO price	Increase by RM250 per metric tonne	Increase by RM65 million
	Decrease by RM250 per metric tonne	Decrease by RM68 million
(iii) Short term PK price	Increase/decrease by RM300 per metric tonne	Increase/decrease by RM8 million
	Increase/decrease by RM100 per metric tonne	Increase/decrease by RM7 million
(iv) Improvement/reduction in short to medium term FFB yield	Increase/decrease by 10%	Increase/decrease by RM108 million
(v) Short to medium term mature estate cost	Increase/decrease by 10%	Decrease/increase by RM64 million
(vi) Short to medium term immature estate cost	Increase/decrease by 10%	Decrease/increase by RM16 million

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

47 PROVISION FOR ASSET RETIREMENT

	Group	
	2022 RM'000	2021 RM'000
At 1 January	42,015	33,001
(Reversal of provision)/provision for the year	(10,116)	8,245
Unwinding of discount	421	447
Payment made during the financial year	(26)	(10)
Currency translation differences	527	332
At 31 December	32,821	42,015

Provision for asset retirement mainly relates to the Group's fatty acids manufacturing facility in USA and mills in Malaysia. The asset retirement obligation is computed based on detailed estimates, adjusted for inflation, escalated to the estimated spending dates, and then discounted using an average risk-free interest rate of which represents management's best estimate of the liability. Actual costs to be incurred in future periods may vary from estimates, given the inherent uncertainties in evaluating certain exposures subject to the imprecision in estimating the asset retirement obligation.

	Group	
	2022 RM'000	2021 RM'000
Analysed as:		
Non-current	32,119	41,349
Current	702	666
	32,821	42,015

48 PROVISION FOR DEFINED BENEFIT PLAN

The Group operates defined benefit retirement plans in Malaysia, Thailand and Indonesia for all eligible employees. All of the plans are lump sum payments depending on members' length of service and their salary in the final years leading up to retirement. As the retirement benefit plans are unfunded, the Group meets the defined benefit payment obligations as they fall due.

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Non-current				
- Retirement benefit scheme	26,709	28,513	480	535
- Housing assistance scheme	17,573	18,567	-	-
- Long service award	3,699	4,056	88	97
	47,981	51,136	568	632

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

48 PROVISION FOR DEFINED BENEFIT PLAN (CONTINUED)

The retirement benefit scheme is a final salary defined benefit plan with a guaranteed lump sum payment at retirement, which remains open to new entrants. The housing assistance scheme is a final salary defined benefit plan with a guaranteed lump sum payment at retirement or at an earlier exit through ill-health retirement or death-in-service in Malaysia, which remains open to new entrants. The long service award is for eligible employees that have served the Group upon attainment of 15, 25 and 35 years of service in Malaysia (2021: 15, 25 and 35 years of service).

In the previous financial year, the actuarial cost method for the retirement benefit scheme was revised to attribute the benefits over the employment period up to the retirement age (versus over the entitlement period previously). This change in methodology has resulted in a reduction in the defined benefit obligation as at 31 December 2021 which was fully recognised in the other comprehensive income as part of remeasurements as the impact of the change to the prior periods' financial statements is not deemed to be material.

The Group benefit for retirement scheme shall be paid to the employees who reached the compulsory retirement age and have served the Group for at least twenty (20) years of service in Malaysia (2021: follows the Malaysian Minimum Retirement Age Act 2012 at age of 60). However, the normal retirement age for the housing assistance scheme will remain at age 56 which will be payable at attainment of 56 years old, regardless of whether employees continue employment until the minimum retirement age of 60 years old. There will be no benefits payable for services rendered from age 55 to 60.

The defined benefit plan for Indonesian subsidiary is described under Indonesian Labour Law No. 13/2003 and the Thailand subsidiary is under the Legal Severance Plan where the companies are required to pay legal severance payments to employees who leave employment at their retirement age, or are terminated by the companies without reason.

The movements during the financial year in the amounts recognised in the statement of financial position of the Group and Company are as follows:

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Present value of unfunded obligation:				
At 1 January	51,136	67,492	632	877
Charge to profit or loss	5,436	7,345	74	83
Benefits paid	(5,646)	(4,089)	(98)	(66)
Re-measurement	(2,770)	(19,517)	(40)	(262)
Currency translation difference	(175)	(95)	-	-
At 31 December	47,981	51,136	568	632

The remeasurement amounts recognised in the other comprehensive income are determined as follows:

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Re-measurement:				
- Changes in financial assumptions	(2,320)	(4,718)	(16)	(66)
- Experience adjustments	(450)	(14,799)	(24)	(196)
	(2,770)	(19,517)	(40)	(262)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

48 PROVISION FOR DEFINED BENEFIT PLAN (CONTINUED)

The amounts recognised in profit or loss are as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Current service cost	2,484	4,908	46	49
Finance cost	2,172	2,487	28	34
Past service cost adjustment	(255)	-	-	-
Remeasurement	1,035	(50)	-	-
Charge recognised in profit or loss	5,436	7,345	74	83

The defined benefit obligations for the Group by country are as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Present value of obligation:				
- Malaysia	44,815	47,692	568	632
- Indonesia	2,426	2,408	-	-
- Thailand	740	1,036	-	-
	47,981	51,136	568	632

The principal actuarial assumptions used in respect of the Group's and the Company's unfunded defined retirement benefits are as follows:

	Group		Company	
	2022 %	2021 %	2022 %	2021 %
Discount rate	5.40	4.70	5.40	4.70
Expected rate of salary increase	5.00	5.00	5.00	5.00

The sensitivity of the defined benefit obligation of the Group to changes in the weighted principal assumption is:

	Change in assumption	Impact on defined benefit obligation RM'000
i) Discount rate	Increase 1% Decrease 1%	Decrease by RM1,887 Increase by RM2,196
ii) Salary growth rate	Increase 1% Decrease 1%	Increase by RM774 Decrease by RM1,007

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

48 PROVISION FOR DEFINED BENEFIT PLAN (CONTINUED)

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the benefit liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis have not changed compared to the previous financial year.

The weighted average duration of the defined benefit obligation is 12 to 26 (2021: 12 to 24) years.

Expected maturity analysis of undiscounted defined benefit obligation:

	Less than a year RM'000	Between 1 – 2 years RM'000	Between 2 – 5 years RM'000	Over 5 years RM'000	Total RM'000
Provision for defined benefit plan					
At 31 December 2022	2,486	3,044	10,544	94,861	110,935
At 31 December 2021	2,133	2,531	8,971	88,218	101,853

49 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Subject to income tax				
- Deferred tax assets	231,316	295,131	5,995	6,527
- Deferred tax liabilities	(577,718)	(575,740)	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

49 DEFERRED TAXATION (CONTINUED)

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At 1 January	(280,609)	(108,829)	6,527	-
(Charged)/credited to profit or loss (Note 15):				
- intangible assets	(29)	(282)	-	-
- property, plant and equipment	9,380	(49,643)	(182)	(966)
- lease liabilities	(4,299)	2,604	29	865
- biological assets	8,449	(13,630)	-	-
- inventories	(8,416)	13,107	-	-
- receivables	(759)	15,257	-	-
- payables	6,535	(4,493)	(145)	5,471
- unused tax losses	(50,282)	(35,275)	-	-
- LLA liability	(29,865)	(98,168)	-	-
- others	3,380	(1,370)	(234)	1,157
	(65,906)	(171,893)	(532)	6,527
Currency translation differences	113	113	-	-
At 31 December	(346,402)	(280,609)	5,995	6,527
Deferred tax assets				
- receivables	17,711	18,470	-	-
- property, plant and equipment	-	3,350	-	-
- lease liabilities	2,992	7,291	894	865
- intangible assets	-	809	-	-
- investment properties	8,699	8,699	-	-
- inventories	17,138	25,554	-	-
- LLA liability	883,285	913,150	-	-
- payables	108,241	101,706	5,326	5,471
- unused tax losses	40,084	90,366	-	-
- others	3,452	3,448	923	1,157
Amount before offsetting	1,081,602	1,172,843	7,143	7,493
Offsetting	(850,286)	(877,712)	(1,148)	(966)
	231,316	295,131	5,995	6,527

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

49 DEFERRED TAXATION (CONTINUED)

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Deferred tax liabilities				
- intangible assets	(12,247)	(13,027)	-	-
- property, plant and equipment	(1,385,824)	(1,398,554)	(1,148)	(966)
- biological assets	(18,861)	(27,310)	-	-
- inventories	(3,666)	(3,666)	-	-
- others	(7,406)	(10,895)	-	-
Amount before offsetting	(1,428,004)	(1,453,452)	(1,148)	(966)
Offsetting	850,286	877,712	1,148	966
	(577,718)	(575,740)	-	-

Under the Malaysia Finance Act 2018 which was gazetted on 27 December 2018, unutilised tax losses will be imposed with a limit of utilisation for 7 consecutive years. In Budget 2022, the existing time limit to carry forward unutilised business losses to be extended to 10 consecutive YAs. The existing transitional provision for unutilised business losses from YA 2018 be allowed to be carried forward for 10 consecutive YAs, until YA 2028.

The Group's and Company's unused tax losses as at 31 December 2022 for which no deferred tax assets were recognised based on the year of assessment ("YA") expiry for the Group and Company are as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Expiring in YA 2028	831,731	831,731	-	-
Expiring in YA 2029	367,329	367,329	-	-
Expiring in YA 2030	162,571	162,571	-	-
Expiring in YA 2031	13,443	13,443	-	-
Expiring in YA 2032	55,359	-	-	-
	1,430,433	1,375,074	-	-

The amount of unused tax losses for which no deferred tax assets are recognised in the statement of financial position by certain subsidiaries of the Group and by Company as the Directors are of the view it is not probable that sufficient taxable profits will be available to allow the deferred tax assets to be utilised by year of assessment 2025 is as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Unused tax losses	1,430,433	1,375,074	-	-
Deductible temporarily differences	380,706	130,932	-	-
	1,811,139	1,506,006	-	-

The Company was granted exemption on the treatment as Investment Holding Company pursuant to Section 60F and Section 50FA of the Income Tax Act 1967 for the period from YA2010 to YA2021. The exemption period had expired in the current financial year, resulting in the unused tax losses of the Company being disregarded and no longer being carried forward.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

50 PAYABLES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<u>Non-current liabilities</u>				
Trade payables	-	10,189	-	-
<u>Current liabilities</u>				
Trade payables	642,702	323,623	-	-
Other payables and accruals	1,298,327	1,071,019	68,508	63,950
Provision for litigation loss	-	19,802	-	-
	1,941,029	1,414,444	68,508	63,950
	1,941,029	1,424,633	68,508	63,950

Included in other payables and accruals are purchases of raw materials of RM223,000,000 (2021: RM213,000,000) and provision for remediation of recruitment fees amounting to RM112,000,000 (2021: RM Nil) to its existing and former foreign workers. Refer to Note 57 to the financial statements for further details of the provision for compensation of foreign workers.

Included in non-current trade payables in the previous financial year was outstanding net present value of minimum lease payment made under finance lease payables.

The payables are denominated as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
- Ringgit Malaysia	1,860,342	1,345,509	66,982	58,230
- United States Dollar	55,619	53,689	1,526	5,525
- Indonesian Rupiah	12,140	13,202	-	-
- Pakistan Rupee	11,550	11,035	-	-
- Thai Baht	1,353	948	-	-
- Japanese Yen	25	-	-	-
- Singapore Dollar	-	55	-	-
- Great Britain Pounds	-	120	-	120
- Chinese Yuan	-	75	-	75
	1,941,029	1,424,633	68,508	63,950

The credit terms of trade payables range up to 90 days (2021: up to 90 days).

The fair value of the payables approximates their carrying values, as the impact of discounting is not significant.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

51 CONTRACT LIABILITIES

	Group	
	2022 RM'000	2021 RM'000
<u>Contract liabilities</u>		
At 1 January	132,340	104,168
Revenue recognised that was included in the contract liability balance at the beginning of financial period	(129,316)	(97,554)
Cash received/amount billed for unfulfilled obligations	106,335	125,726
At 31 December	109,359	132,340

Revenue recognised in relation to contract liabilities:

The following table shows how much of the revenue recognised in the current reporting period relates to carried forward contract liabilities.

	Group	
	2022 RM'000	2021 RM'000
Revenue recognised that was included in the contract liability balance at the beginning of the period		
- Sales of palm products	93,814	54,299
- Sales of other commodities and by-products	22,570	16,770
- Provision of services	2,544	20,777
- Others	10,388	5,708
	129,316	97,554

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting date, of which the Group expects to recognise in the next 12 months is RM109,359,000 (2021: RM132,340,000).

All other contracts are for periods of one year or less or are billed based on time incurred. As permitted under MFRS 15, the Group applied the practical expedient in MFRS 15 and did not disclose information about recognising performance obligations that have original expected duration of one year or less.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

52 FINANCIAL INSTRUMENTS

Financial instruments by category

	Group 31 December 2022			
	Amortised cost RM'000	Financial assets at fair value through profit or loss RM'000	Financial assets at fair value through other comprehensive income RM'000	Total RM'000
<u>Assets as per statement of financial position</u>				
Receivables (excluding prepayments and SST receivable)	1,553,928	-	-	1,553,928
Amount due from ultimate holding company	25,654	-	-	25,654
Amounts due from other related companies	260,895	-	-	260,895
Amounts due from joint ventures	146,887	-	-	146,887
Amounts due from an associates	4,300	-	-	4,300
Financial assets at fair value through other comprehensive income	-	-	162,670	162,670
Financial assets at fair value through profit or loss	-	81,355	-	81,355
Derivative financial assets	-	3,165	-	3,165
Deposits, cash and bank balances	1,397,106	-	-	1,397,106
Total	3,388,770	84,520	162,670	3,635,960

	Liabilities at fair value through profit or loss RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
<u>Liabilities as per statement of financial position</u>			
Amount due to ultimate holding company	-	239,203	239,203
Amounts due to other related companies	-	24,350	24,350
Amount due to a joint venture	-	42	42
Amount due to an associate	-	331	331
Loans due to ultimate holding company	-	333,316	333,316
Borrowings	-	2,725,644	2,725,644
Lease liabilities	-	331,359	331,359
LLA liability	3,680,354	-	3,680,354
Derivative financial liabilities	17,935	-	17,935
Payables	-	1,941,029	1,941,029
Total	3,698,289	5,595,274	9,293,563

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

52 FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments by category (continued)

	Group 31 December 2021			
	Amortised cost RM'000	Financial assets at fair value through profit or loss RM'000	Financial assets at fair value through other comprehensive income RM'000	Total RM'000
<u>Assets as per statement of financial position</u>				
Receivables (excluding prepayments and SST receivable)	1,303,258	-	-	1,303,258
Amount due from ultimate holding company	51,202	-	-	51,202
Amounts due from joint ventures	205,274	-	-	205,274
Amounts due from other related companies	75,908	-	-	75,908
Financial assets at fair value through other comprehensive income	-	-	201,569	201,569
Financial assets at fair value through profit or loss	-	79,136	-	79,136
Derivative financial assets	-	3,539	-	3,539
Deposits, cash and bank balances	2,031,666	-	-	2,031,666
Total	3,667,308	82,675	201,569	3,951,552

	Liabilities at fair value through profit or loss RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
<u>Liabilities as per statement of financial position</u>			
Amount due to ultimate holding company	-	276,082	276,082
Amount due to an associate	-	351	351
Amounts due to other related companies	-	15,970	15,970
Loans due to ultimate holding company	-	634,665	634,665
Borrowings	-	3,363,497	3,363,497
Lease liabilities	-	322,099	322,099
LLA liability	3,804,790	-	3,804,790
Derivative financial liabilities	7,320	-	7,320
Payables	-	1,414,444	1,414,444
Total	3,812,110	6,027,108	9,839,218

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

52 FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments by category (continued)

	Company Amortised cost	
	2022 RM'000	2021 RM'000
<u>Assets as per statement of financial position</u>		
Receivables (excluding prepayments)	7,328	13,950
Amount due from ultimate holding company	874	20
Amounts due from subsidiaries	460,148	344,352
Amounts due from other related companies	1,407	797
Loans due from subsidiaries	207,011	216,830
Deposits, cash and bank balances	68,667	338,675
Total	745,435	914,624

	Company Other financial liabilities at amortised cost	
	2022 RM'000	2021 RM'000
<u>Liabilities as per statement of financial position</u>		
Payables	68,508	63,950
Amount due to ultimate holding company	-	1,179
Amounts due to subsidiaries	6,690	15,848
Amounts due to other related companies	79	85
Loans due to ultimate holding company	333,316	634,665
Loans due to subsidiaries	811,034	806,789
Borrowings	497,374	496,451
Lease liabilities	24,077	28,318
Total	1,741,078	2,047,285

53 SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances.

Federal Land Development Authority ("FELDA"), the Group and Company's ultimate holding company, is a statutory body corporate set up under the Land Development Act 1956, and controlled by the Malaysian Government. The Group considers that, for the purpose of MFRS 124 – "Related Party Disclosures", FELDA and the Malaysian Government is in the position to exercise significant influence over it. As a result, the Malaysian Government and Malaysian Government controlled bodies (collectively referred to as "government-related entities") are related parties of the Group and the Company.

Apart from the individually significant transactions as disclosed in Notes 27, 44, 45, 46, 53(a), 53(b), 53(c) and 53(e) to the financial statements, the Group and the Company have collectively, but not individually, significant transactions with other government-related entities which include but not limited to the following:

- (i) Purchasing of goods and services, including use of public utilities and amenities
- (ii) Placing of bank deposits with government-related financial institutions

These transactions are conducted in the ordinary course of the Group's business on terms consistently applied in accordance with the Group's internal policies and processes. These terms do not depend on whether the counterparties are government-related entities or not.

Significant related parties and relationships are summarised as follows:

(i) Subsidiaries

FGV Trading Sdn. Bhd. ("FGV Trading")
 FGV Kernel Products Sdn. Bhd. ("FKPSB")
 FGV Bulkers Sdn. Bhd. ("FBSB")
 FGV Fertiliser Sdn. Bhd. ("FGVF")
 FGV Prodata Systems Sdn. Bhd. ("Prodata")
 FGV Security Sdn. Bhd. ("FSSSB")
 FGV Agri Services Sdn. Bhd. ("FASSB")
 Felda Travel Sdn. Bhd. ("Felda Travel")
 FGV Capital Sdn. Bhd. ("FGVC")
 FGV Plantations (Malaysia) Sdn. Bhd. ("FGVPM")
 FGV Rubber Industries Sdn. Bhd. ("FRISB")

(ii) Joint ventures

FGV Iffco Sdn. Bhd. Group ("FISB Group")
 MAPAK Edible Oil Pvt. Ltd. ("MAPAK")

(iii) Associate

F.K.W Global Commodities (Private) Limited ("FKW")

(iv) Other related companies

Yayasan FELDA (Entity controlled by FELDA)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

53 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
(a) Sales of goods, services and investments				
(i) <u>Transactions with subsidiaries</u>				
Dividend received/receivable from subsidiaries	-	-	704,614	374,547
Management fees charged to subsidiaries	-	-	129,837	116,241
(ii) <u>Transactions with joint ventures</u>				
Sales of CPO by FGV Trading to FISB Group	821,700	587,372	-	-
Sales of CPKO, RBDPKO and PFAD by FKPSB to FISB Group	341,793	264,737	-	-
Sales of CPO by FGV Trading to MAPAK	292,231	215,617	-	-
Provision of storage space for vegetable oil by FBSB to FISB Group	22,824	21,135	-	-
(iii) <u>Transactions with an associate</u>				
Sales of Processed Palm Oil ("PPO") by FGV Trading to FKW	28,955	29,597	-	-
(iv) <u>Transactions with FELDA and its non-FGV subsidiaries</u>				
Sales of fertiliser by FGVF	423,335	233,409	-	-
IT services rendered by Prodata	38,564	37,253	-	-
Security services rendered by FSSSB	22,657	21,705	-	-
Sales of seedlings and planting materials by FASSB	17,750	13,033	-	-
Travel and hospitality services by Felda Travel	1,683	263	-	-
Contributions to Yayasan FELDA	5,000	5,000	457	-
Management fees charged to FELDA	-	-	501	-
(b) Purchase of goods and services				
(i) <u>Transactions with subsidiaries</u>				
Finance costs charged by by FGVC	-	-	40,442	34,524
Purchase of IT services from Prodata	-	-	4,744	2,003
Purchase of security services from FSSSB	-	-	218	146
Purchase of travel services from Felda Travel	-	-	2,658	232
(ii) <u>Transactions with FELDA and its non-FGV subsidiaries</u>				
Repayment of loans	300,000	250,000	300,000	250,000
Finance expense charged	28,542	40,759	28,542	40,759
Building rental charged	2,403	2,281	-	52
LLA liability paid by FGVPM	477,306	413,018	-	-
Purchase of latex by FRISB	120,961	148,117	-	-
Purchase of FFB by FGVT	6,770,968	5,333,216	-	-
Joint Consultative Committee Payment FGVPM to FELDA	19,231	16,953	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

53 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
(c) Transactions with Government-related entities				
Transactions between subsidiaries and other government agencies				
Cooking oil subsidy received from Malaysia Palm Oil Board ("MPOB") and Kementerian Perdagangan Dalam Negeri dan Kos Sara Hidup	376,360	202,519	-	-
Cess payment to MPOB	46,395	42,240	-	-

(d) Key management compensation

Key management personnel comprise of Directors and senior management with the rank of Vice President and above, having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly.

The aggregate amount of emoluments received/receivable by key management personnel of the Group and the Company during the financial year is as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Fees	2,070	1,659	1,930	1,630
Salaries and bonuses	34,995	32,018	21,080	20,856
Defined contribution and benefit plans	6,189	5,698	3,731	3,713
Other short-term employee benefits	6,721	6,185	3,798	3,545
	49,975	45,560	30,539	29,744

(e) Loans due from subsidiaries

Terms and conditions of the loans are disclosed in Note 33 to the financial statements.

	Company	
	2022 RM'000	2021 RM'000
At 1 January	216,830	368,886
Addition	864,573	446,539
Repayment	(874,392)	(598,595)
At 31 December	207,011	216,830

(f) Issuance of letter of financial support letter

The Company has confirmed its intention to provide continuing financial support to MSM Malaysia Holdings Berhad ("MSMH"), a direct listed subsidiary of the Company to enable MSMH and its subsidiaries to meet its liabilities as they fall due within the next twelve months from the date of the support letter, 24 March 2023.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

54 CAPITAL COMMITMENTS

	Group	
	2022 RM'000	2021 RM'000
Capital expenditure approved and contracted for:		
- Property, plant and equipment	407,048	124,368
	407,048	124,368

55 CONTINGENT LIABILITIES

Other than those disclosed in Note 56, there are no significant contingent liabilities as at the financial year end.

56 MATERIAL LITIGATION

- (i) On 18 May 2021, FGV Prodata System Sdn. Bhd. ("Prodata" or "the 1st Defendant") an indirect subsidiary of the Company, was served with a sealed Writ of Summons dated 12 May 2021 ("the Writ") by VDSL Technology Sdn. Bhd. ("VDSL" or "the Plaintiff").

The Plaintiff claimed for compensation and damages amounting RM170,707,600 due to the 1st Defendant and FELDA's ("2nd Defendant") alleged breaches on various arrangements agreed upon by the parties with regard to the Felda Broadband Initiative Project.

On 1 November 2021, VDSL has filed amended statement of claim and case management was held on the same day for the main suit, Prodata's application for security cost and VDSL's application for protective order. Pursuant to the hearing on 19 January 2022, the Judge directed the case be fixed for mediation for parties to explore and discuss a possible amicable settlement; while the court proceedings to continue to run its course. On 11 May 2022, the Mediator acknowledged that the mediation was unsuccessful. No further mediation is fixed.

On 9 November 2022, Prodata has informed the Judge that Prodata is not agreeable to record a consent order on VDSL's protective order application. On 16 December 2022, the Judge recorded the consent order between VDSL and Felda in respect of both VDSL's protective order application and Felda's discovery application.

The Judge dismissed the security for costs applications filed by Prodata and Felda respectively, with costs of RM5,000 (subject to allocator fee of RM200, therefore totaling RM5,200) payable by each of Prodata and Felda to VDSL.

On 9 January 2023, Prodata has filed an appeal to Court of Appeal against the High Court's dismissal of Prodata's application for security for costs. On 18 January 2023, during the case management, parties were informed as follows:

- (i) Both Felda & Prodata are appealing the High Court's decision on the Security for Costs applications;
- (ii) Felda also filed an appeal on the High Court's decision on Felda's Striking Out application;
- (iii) VDSL would like to file an application to amend its Amended Statement of Claim

The Court of Appeal (against the High Court's dismissal of Prodata's application for security for costs) has fixed case management on 10 April 2023. The purpose of this case management is to fix a date for hearing of Prodata's appeal.

On 14 March 2023, Prodata and Felda have informed the Court that they will oppose VDSL's application of its Amended Statement of Claim. The High Court has fixed 16 May 2023 for the hearing.

Based on legal opinion, there is a fair chance of Prodata succeeding in defending the claim from VDSL.

56 MATERIAL LITIGATION (CONTINUED)

- (ii) On 12 February 2019, all Defendants to the suit filed by the Company on 23 November 2018 against its former members of the Board of Directors and former employees on the acquisition of APL ("Company suit") had filed their respective Defences except for one, who was directed by the High Court to file his Defence on or before 4 March 2019.

On 11 February 2019, certain Defendants to the Company suit had filed a counterclaim ("the Counterclaim") against the Company and the previous members of the Board of Directors of the Company ("Counterclaim Defendants"). The Counterclaim seeks reliefs, jointly and severally, against the Company and the Counterclaim Defendants for declaration that the Company and the Counterclaim Defendants were liable for the loss of RM514 million (in the Company's suit) and for any damages, general damages and interest at 5% per annum to be indemnified by the Company and Counterclaim Defendants.

On 8 November 2019, the Counterclaim Defendants filed an application to strike out the Counterclaim. The High Court after hearing both parties, had struck out the Counterclaim and dismissed the 10th to 14th Defendants' claim with costs. The High Court also directed the Defendants to file and serve their Amended Defence. On 13 January 2020, the Solicitors of 8th Defendant updated the Court that they had filed an application to amend their Defence. On 6 September 2021, the Court of Appeal heard and allowed the 10th to 14th Defendants' appeal and reversed the decision of the High Court. The Company filed an application for leave to appeal to the Federal Court ("Leave Application"). The Court had on 8 June 2022 informed that the case would be transferred to NCvC 12 (new civil court) and no official letter of the direction from the new judge.

On 5 October 2022, the Federal Court did not allow the Plaintiff's application for Leave to Appeal and therefore, the Main Action and the Counterclaim will proceed to trial in the High Court. The Court has fixed new trial dates on 17 to 19 April 2023 and fixed for a case management and hearing for 10th to 14th Defendants amendment application on the counter claim on 22 February 2023.

On 22 February 2023, the Judge indicated that this case would be more suitable to be heard in a Commercial Court (the case was filed in a Civil Court). Hence, the case management and hearing of 10th to 14th Defendants amendment application on the counter claim could not proceed. Additionally, the 1st Defendant has filed an application to amend his defence.

The case has been transferred to the Commercial Court. The Court has fixed a case management on 31 March 2023.

The remaining claims are not material to be disclosed in the financial statements and deemed remote by the Directors.

57 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

On 30 September 2020, United States Customs and Border Protection (CBP) issued a Withhold Release Order (WRO) against the Group's palm oil and palm products.

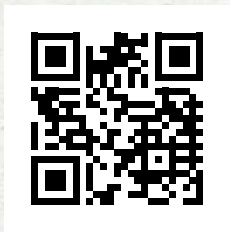
In November 2020, the Group established a Foreign Workers Working Committee (FWWC) to focus on continuous improvement with regards to infrastructures on the ground that will further strengthen its labour practices. These include among other things, further upgrading of workers' housing, improving access to healthcare by establishing clinics in remote areas, upgrading facilities to provide uninterrupted water supply and electricity in areas that do not have access to the national power grid and state-provided water supply, implementing FGV's e-Wallet system for more convenient salary payment and cashless transactions, and establishing FGV mobile shops to provide regular access to fresh food supplies.

On 16 November 2021, the Group has appointed Elevate Limited ("Elevate") as the independent auditing firm to conduct an assessment of FGV's operations against the 11 International Labour Organization ("ILO") Indicators of Forced Labour. The assessment was part of the Group's efforts towards petitioning for the revocation of the WRO by the CBP. Elevate is an independent sustainability and supply chain service provider with vast experience in advancing social compliance and addressing forced labour risks by applying a worker-centric approach.

On 28 February 2023, the Group issued a press release stating that Elevate has concluded its on-site assessments and the Group is implementing Elevate's recommendations and anticipates submitting the final report to CBP in the near future. Aligned with the Group's No Recruitment Fees policy, the Group will reimburse its current and former foreign workers, who were employed after 27 June 2019 and had to pay recruitment fees to agents or other third parties in their countries of origin. The payment to the foreign workers will be made in three tranches between March and September 2023.

58 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 29 March 2023.



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