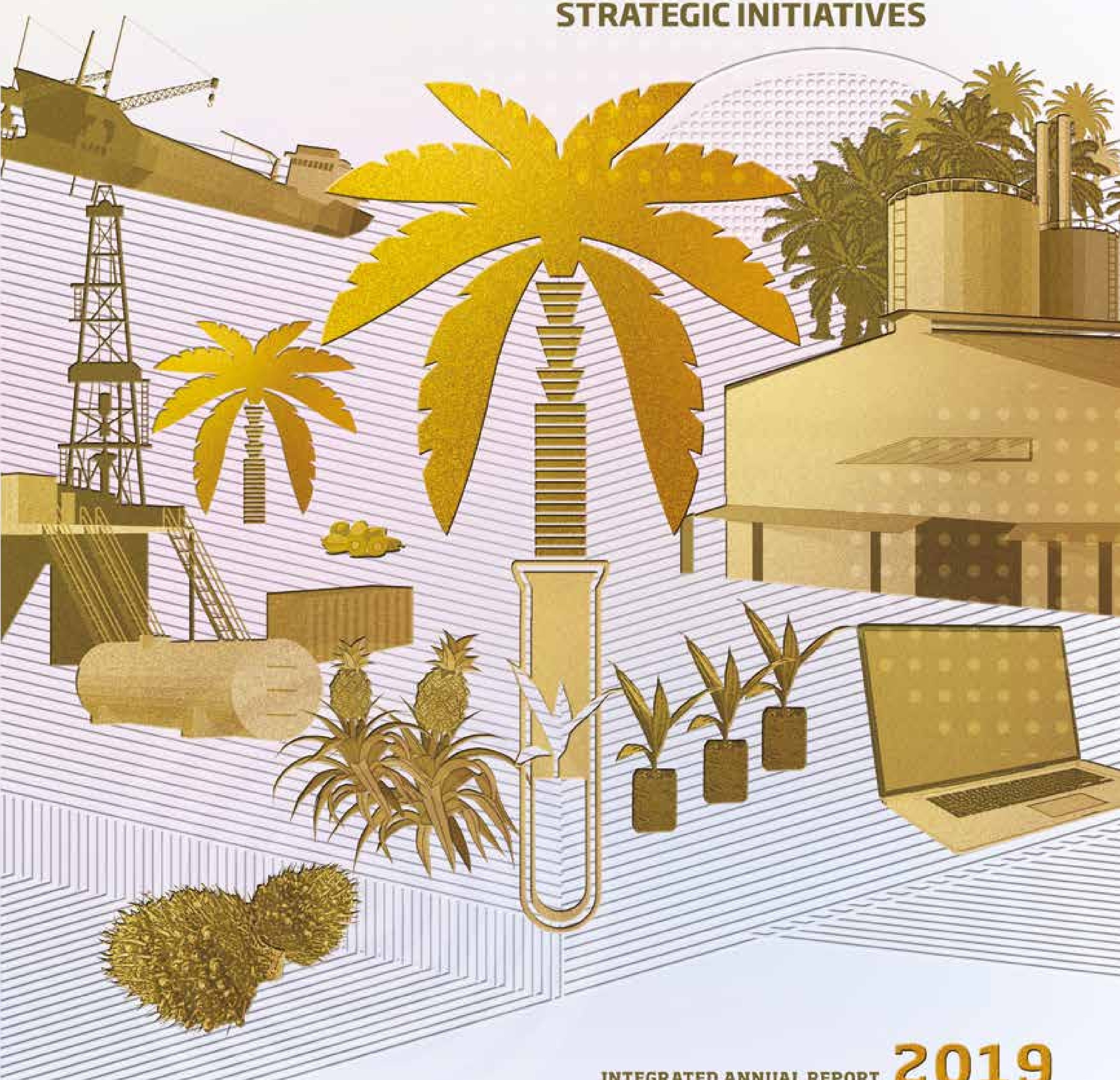
UNLEASHING POTENTIAL
STRATEGIC INITIATIVES

Kulim (Malaysia) Berhad



INTEGRATED ANNUAL REPORT 2019

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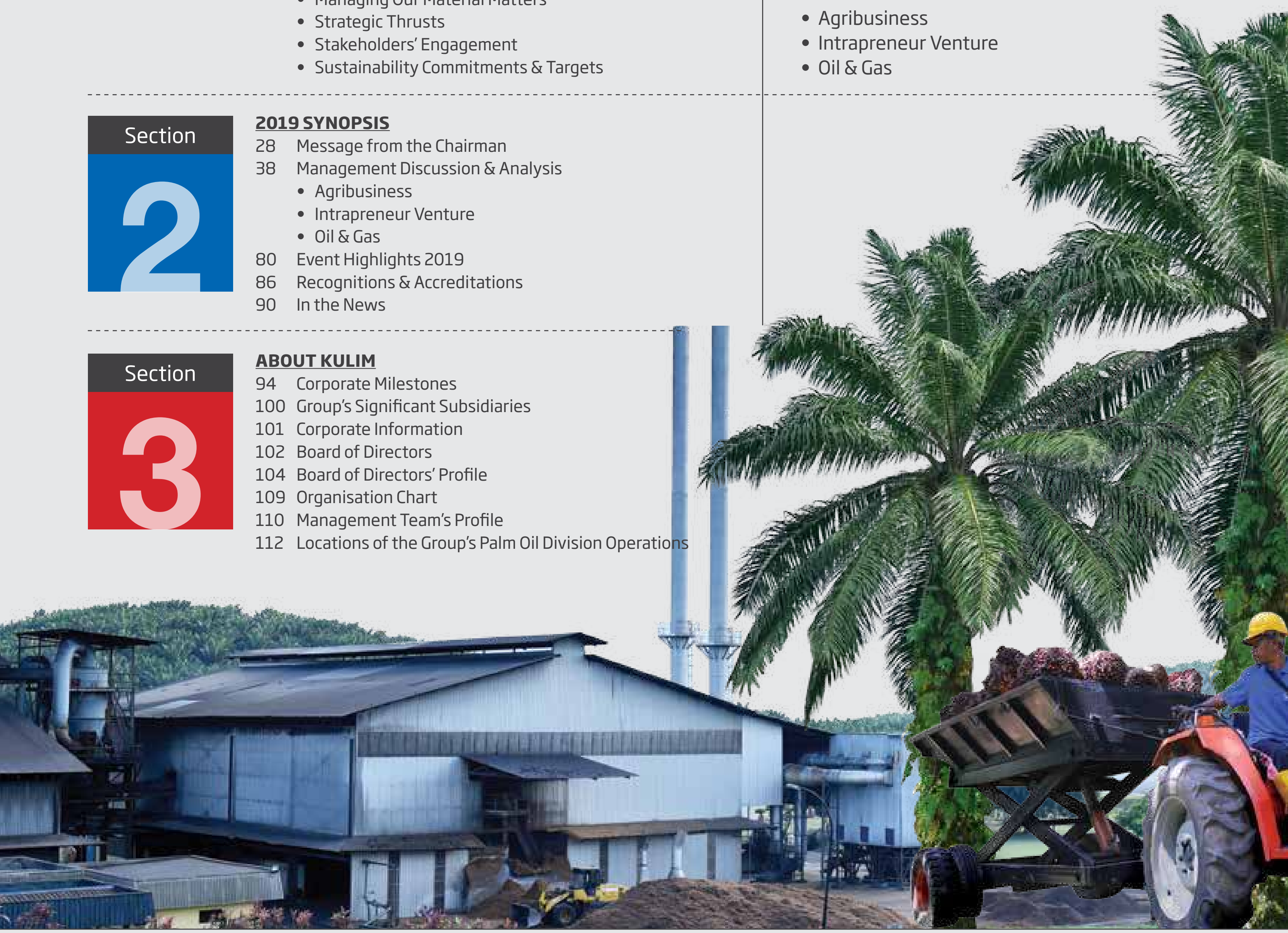

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KULIM (MALAYSIA) BERHAD

INTEGRATED ANNUAL REPORT 2019

COVER RATIONALE

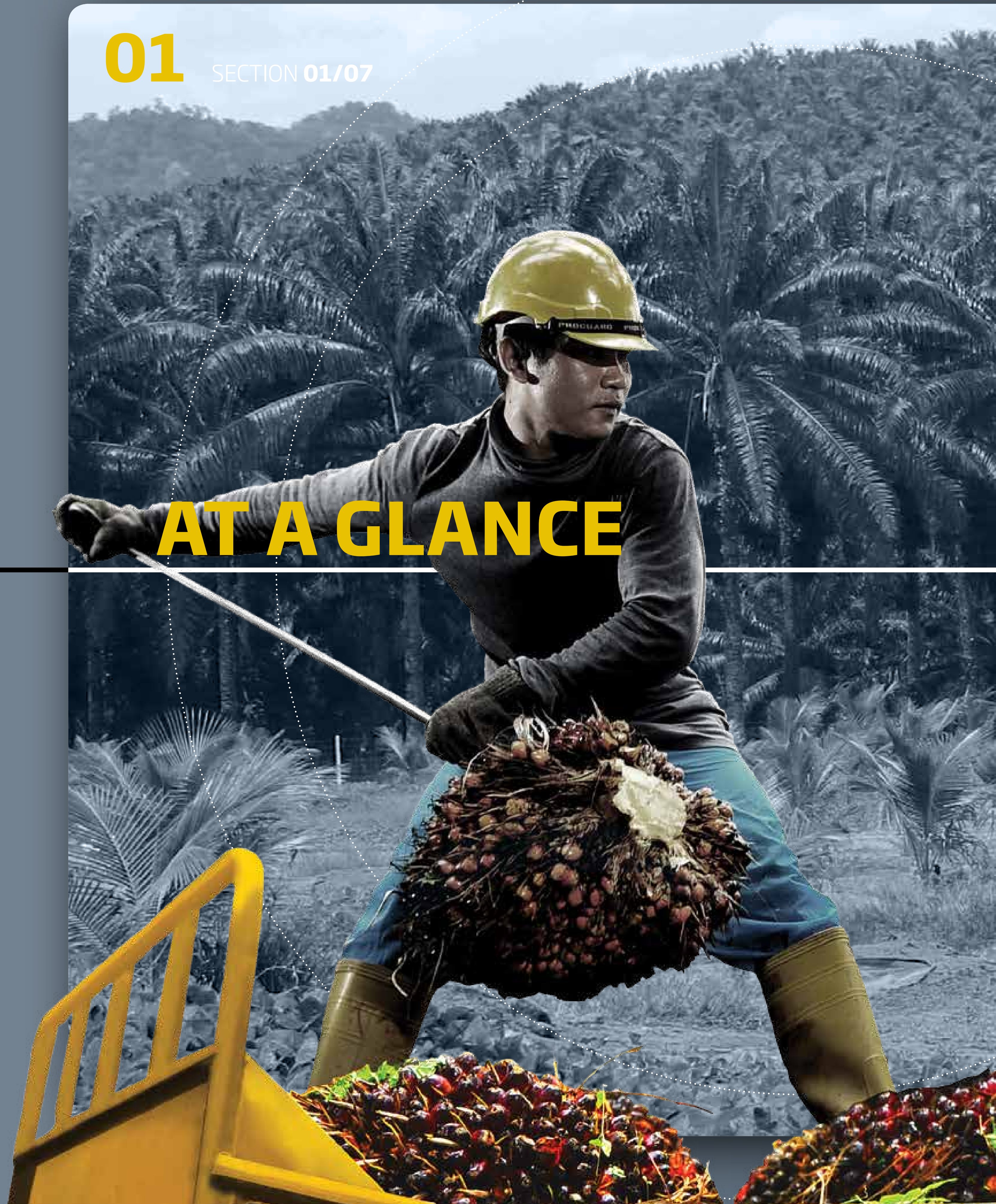
The thematic direction for the year 2019 emphasizes the creation of long-term and sustainable value derived from the implementation of strategic initiatives.

"**Unleashing Potential. Strategic Initiatives**" illustrates our commitment to continuously innovate our business offerings to provide viable solutions which contributes toward the Group's progressive and sustainable growth.

Kulim Group. We are focused on realising our potentials albeit surging towards a new era of infinite possibilities.

01 SECTION **01/07**

AT A GLANCE



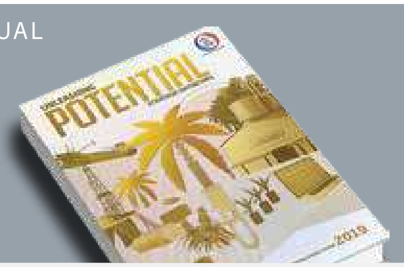
We salute our workers for their dedication, sweat and tears; for they have made Kulim the Company that it is today

About Our Report

This Integrated Annual Report covers the activities of Kulim (Malaysia) Berhad for the Financial Year Ended 31 December 2019 ("FYE 2019") up to 16 March 2020, being the last practicable date before the printing of this report.

The Integrated Annual Report aims to provide concise, relevant and reliable information. A supplementary section of the Integrated Annual Report which expands on the Group's issues and individual stakeholder requirements is available on the Group's website at **www.kulim.com.my.**

INTEGRATED ANNUAL REPORT



CONTENTS:

Primary source of information on our Group's financial and non-financial performance for FYE 2019 and outlook for FYE 2020 across our operations in Malaysia and Indonesia.

REGULATIONS COMPLIED:

- Companies Act 2016
- Malaysian Financial Reporting Standard
- International Financial Reporting Standard
- International Integrated Reporting Framework
- Malaysian Code on Corporate Governance 2017

SUSTAINABILITY REPORT

CONTENTS:

The Kulim Sustainability Report 2016-2017 provides a balanced and comprehensive report of the Group's sustainability performance in relation to issues material to the Group and its stakeholders, and complies with the Global Reporting Initiative ("GRI") on Sustainability Reporting Standards. The Sustainability Report 2018-2019 will be published in 2020.

The report is available at **www.kulim.com.my**

INTEGRATED REPORTING <IR>

We are on the <IR> journey as part of our continuous efforts in enhancing information disclosure. Our <IR> scope includes a Group-wide discussion on sustainable value creation vis-à-vis our medium-to-long-term business goals and we have identified key material risks and opportunities by our business pillars.

We create value through six (6) identified capitals:

- Financial Capital
- Intellectual Capital
- Natural Capital
- Human Capital
- Manufactured Capital
- Social & Relationship Capital

Discussions that relate to our stakeholders have been identified and highlighted with the following icons:

- Employees
- Unions
- Business Partners
- Government & Regulators
- Workers
- Communities & Outgrowers
- Shareholders
- Customers
- Media
- NGOs
- Suppliers
- Management

ONLINE VERSION

www.kulim.com.my

CROSS REFERENCES

IR: Tells you where you can find more information within the reports.

SCAN ME: Scan the QR code to find more detailed information on our website.

Corporate Philosophy

BUSINESS POLICY

Our operation is currently focused on Agribusiness, Intrapreneur Venture ("IV"), Oil and Gas ("O&G") and Property - a balanced growth strategy with involvement in industries that will reduce income and profit fluctuations for the Group; of which will be managed with due skill, care and prudence.

PEOPLE POLICY

Our people are given top priority, in which we are committed to developing their career success while ensuring the immediate and long-term benefits of the organisation and other stakeholders are not jeopardised.

ETHICS POLICY

Our business is conducted to the highest standards of ethics, integrity and governance, and governed by the various operating standards, policies and procedures.

SUSTAINABILITY POLICY

We believe in the goal of Sustainable Development as the cornerstone of our business policy, which recognises the responsibilities in safeguarding the environment in the course of our business operations.

Corporate Values

Kulim (Malaysia) Berhad believes that the spirit of caring is integral to the prosperity and survival of our business. Our concept of caring integrates and extends beyond our capital providers, to include our employees, our society and our environment. It means building our **COMPETITIVE** capacity with intense biasness towards **ACTION** in generating profitable growth whilst being firmly guided by our pledge to be **RESPONSIBLE** and **ETHICAL**.

WE... C A R E

COMPETITIVE — ACTION — RESPONSIBLE — ETHICAL

So we ensure our shareholders are rewarded with superior returns.

So we teach and nurture the same spirit among our employees.

So we contribute and enrich the lives of our community and society.

So we treat the earth with respect for it has given us our reason for being.

We Care,
So we share.

OUR VISION

DELIVERING VALUE

To excel in delivering value to all our stakeholders through high performance teams who are committed to the highest standards of ethics, integrity and professionalism.

OUR MISSION

We aim to be the most progressive, efficient, profitable and respectable corporate organisation.

We shall:

- Enhance and deliver value to the stakeholders
- Optimise the use of resources
- Produce superior quality products
- Be as socially and environmentally responsible corporate citizen
- Operate with due regard for the welfare, health and safety of employees, the local community and the wider public

WHO WE ARE

CORPORATE PROFILE

Kulim (Malaysia) Berhad ("Kulim") traces its history back to 1933 when Kulim Rubber Plantations Ltd was incorporated in the United Kingdom. Kulim was later incorporated as a public listed company and was listed on the Main Board of the Kuala Lumpur Stock Exchange (now known as the Main Market of Bursa Malaysia Securities Berhad) in 1975. In 1976, Johor Corporation ("JCorp") became the major shareholder of Kulim. On 4 August 2016, pursuant to the completion of Selective Capital Reduction and Repayment ("SCR") exercise, Kulim became a wholly-owned subsidiary of JCorp and was removed from the official listing of Bursa Malaysia Securities Berhad.

Over the years, Kulim has grown to become a diversified plantation company and continues to strengthen its position by securing new hectarages whilst developing and strengthening its Intrapreneur Venture. At end-2013, Kulim once again made its way into Indonesia with the acquisition of 74% equity in PT Wisesa Inspirasi Nusantara ("PT WIN"), a plantation holding company in Indonesia, holding rights over 40,645 hectares of potential oil palm land in Central Kalimantan ("BarUt"). Subsequently, on 28 December 2017, Kulim completed the disposal of BarUt. The rationalisation of investments undertaken as part of our exit strategy to unlock the value of BarUt.

On 23 June 2016, Kulim completed the acquisition of PT Tempirai Palm Resources ("PT TPR") and PT Rambang Agro Jaya ("PT RAJ") adding 8,345 hectares of oil palm planted in South Sumatera. With the completion of this strategic acquisition, the Kulim Group's total oil palm planted area boosted to 55,501 hectares at end-2019 spread across Malaysia and Indonesia. After having footholds in other O&G related business in Malaysia, Kulim had on 10 December 2014, entered into a Conditional Subscription and Shares Purchase Agreement ("CSSPA") with the existing shareholders of PT Citra Sarana Energi ("PT CSE") for acquisition of 60% equity in the company. This will enable Kulim to expand its involvement in the O&G sector particularly in Indonesia, moving up the value chain into upstream activities - exploration and production.

THE IMPLEMENTATION OF OUR STRATEGIC CORPORATE INITIATIVES WHICH HAD RESULTED IN THE EXPANSION OF THE PLANTATION SEGMENT TO WHAT IS NOW KNOWN AS AGRIBUSINESS. THIS NEW BUSINESS SEGMENT WHICH INCLUDES OIL PALM, PINEAPPLE, CATTLE, COCONUT AND OTHER CROPS, WILL FURTHER EXPLORE THE OPPORTUNITIES TO PARTICIPATE IN THE INTEGRATED VALUE CHAIN WHICH WILL DELIVER LONG-TERM VALUE AND SIGNIFICANTLY CONTRIBUTE TOWARDS THE GROUPS PROFITABILITY. KULIM WILL CONTINUOUSLY REMAIN OPTIMISTIC AS WE PROGRESS TOWARDS THE FUTURE.

DATUK ANUAR AHMAD
Chairman
Kulim (Malaysia) Berhad

Our Core Businesses

PRINCIPAL

AGRIBUSINESS

Focused on leveraging on our expertise in plantation by expanding agribusiness activities which include integrated value chain of oil palm, pineapple, cattle, coconut and other crops.

In the palm oil industry, Kulim is recognised as one of the leading palm oil groups with operations currently spanning over Malaysia and Indonesia.

Kulim was amongst the earliest palm oil producers to be certified to the Roundtable on Sustainable Palm Oil ("RSPO") standard. Our management and growth strategy is fundamentally guided by "Vision 30:30" FFB, which aims to raise fruit yields to 30 tonnes per hectare and palm product extraction rates to 30%, balanced with sustainable development principles.

SECONDARY

INTRAPRENEUR VENTURE

Envisioned as a strategic transformational business division, IV Division is involved in a diverse range of businesses including support operations for plantation, biofertilizer, agricultural machinery, oil palm nursery, and provide training and other related services to occupational, safety and health as well as IT-related and insurance broking services. These companies are poised to be developed and nurtured to form strategic pillars of growth for the Group.

OIL & GAS

Driven by our Balanced Business Strategy, Kulim will continue to strengthen the O&G Division in the quest for value deliverance to its shareholders.

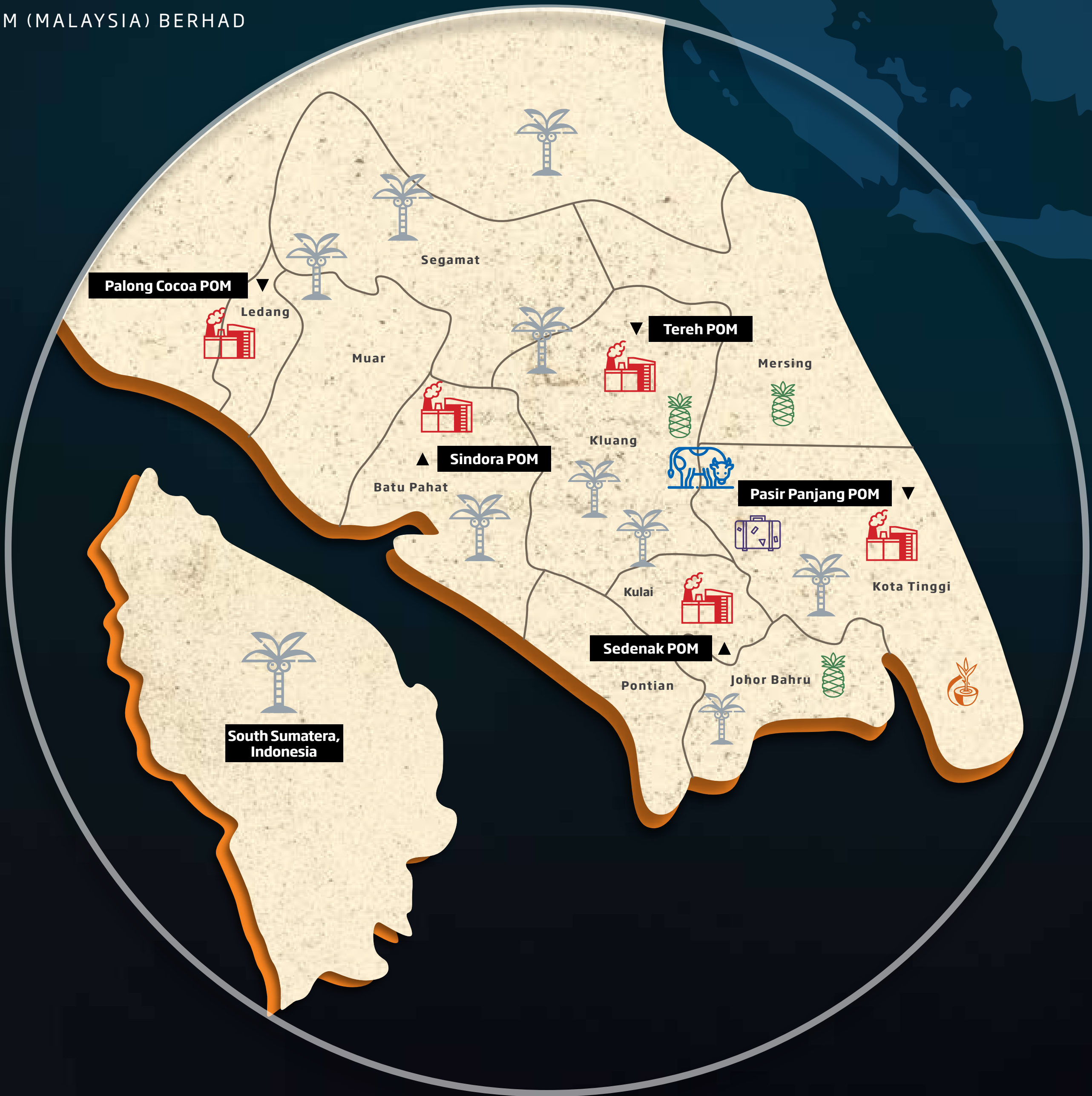
Having footholds in O&G related businesses such as transportation of clean petroleum products and fabrication of O&G pipelines, Kulim aims at moving up the O&G value chain to expand into upstream O&G activities such as exploration, development and production, particularly in Indonesia. This enables us to tap into strategic investment opportunities that will broaden our earnings base and generate sustainable growth.


This is
KUL


LIM

AGRIBUSINESS NETWORK

KULIM (MALAYSIA) BERHAD



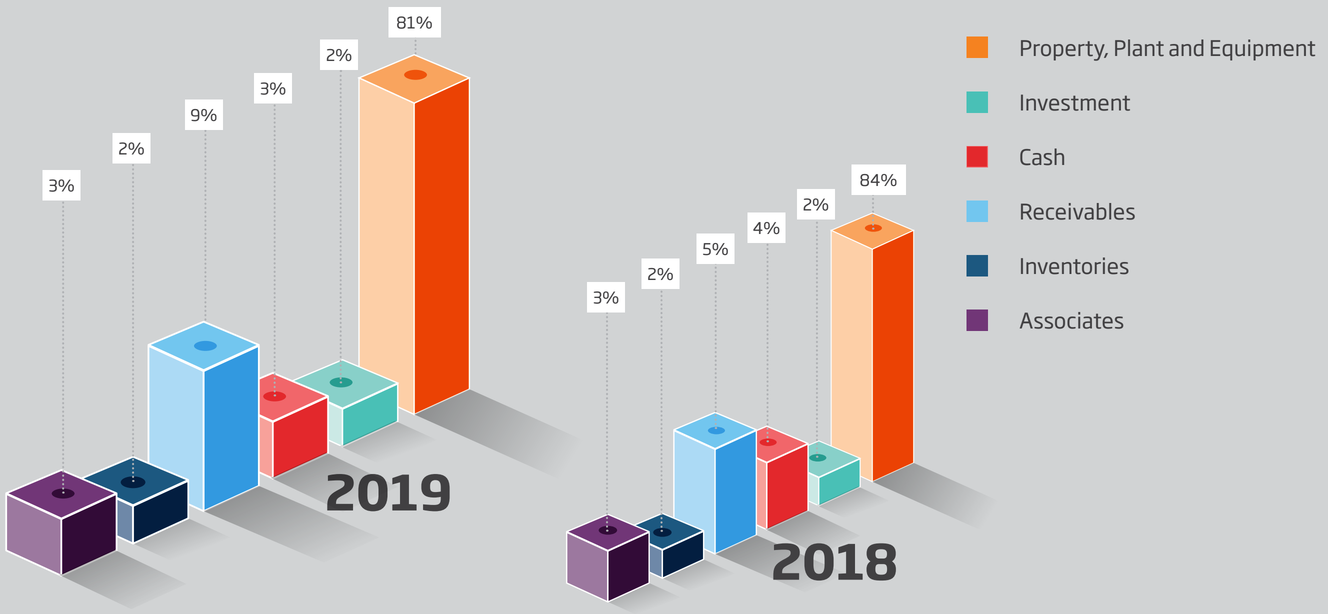
Legend:

- Oil Palm Estates
- Palm Oil Mills
- Pineapple Farms
- Cattle Farming
- Coconut Planting
- Eco-Tourism

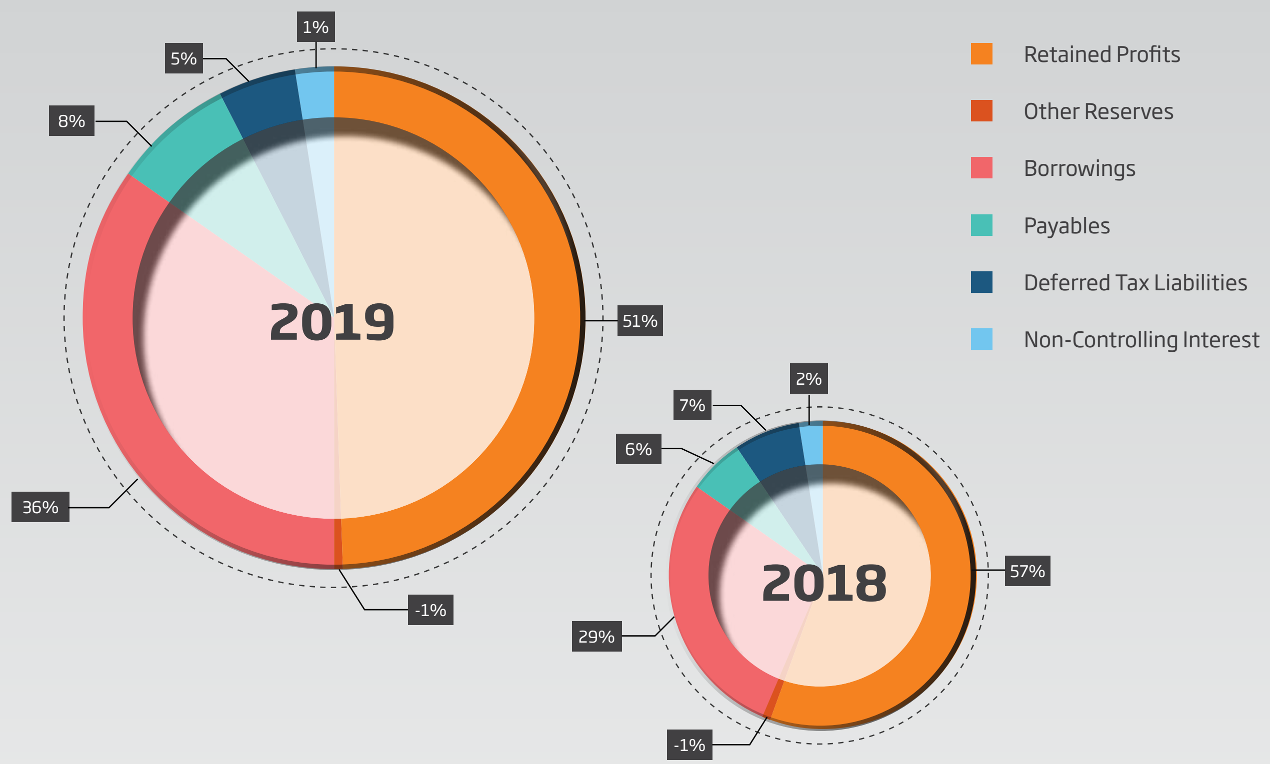
At A Glance

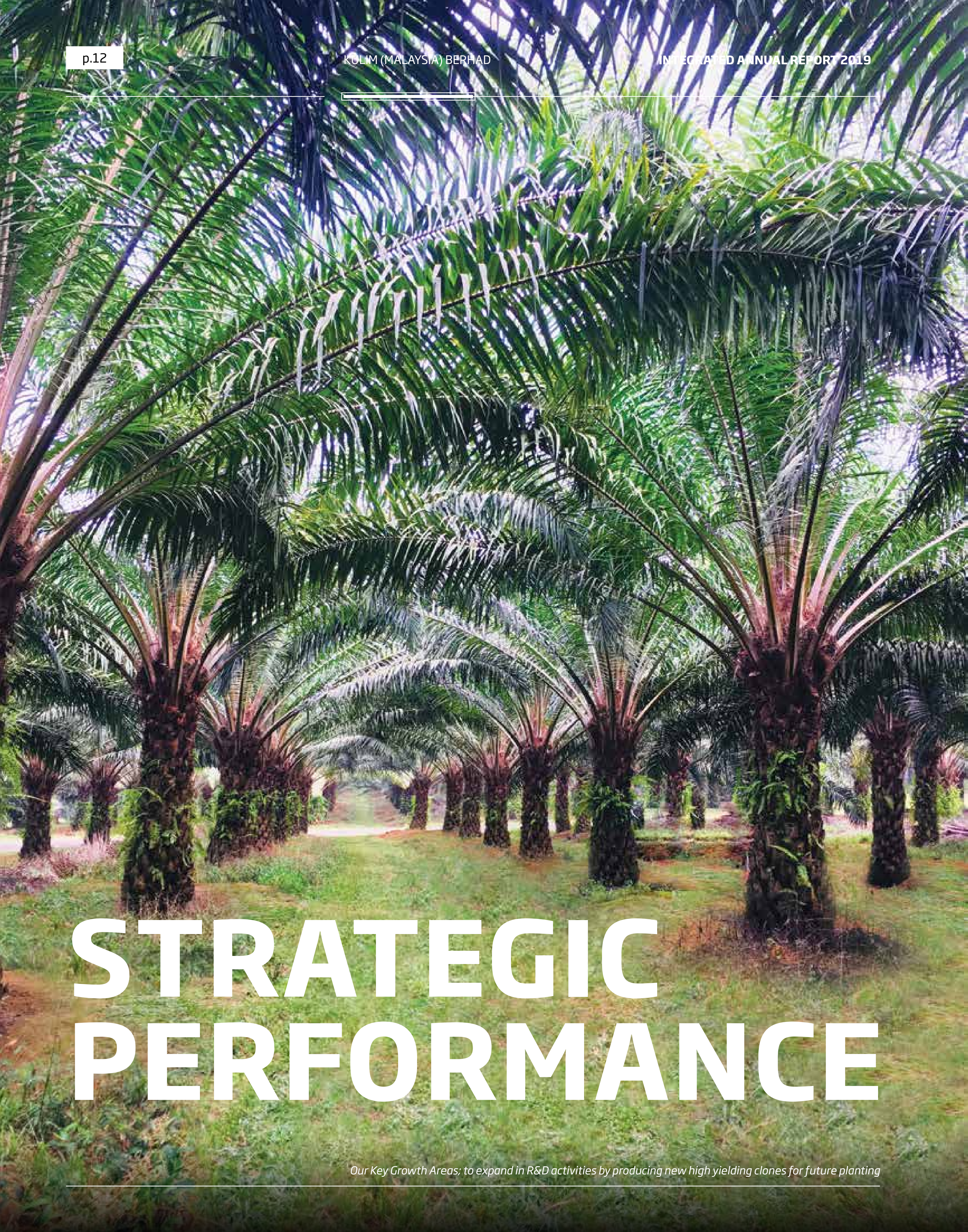
SIMPLIFIED GROUP STATEMENT OF FINANCIAL POSITION

TOTAL ASSETS



TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY





STRATEGIC PERFORMANCE

Our Key Growth Areas; to expand in R&D activities by producing new high yielding clones for future planting

Key Strategic Focus & Sustainable Value Creation

Our business portfolio will constantly evolve to exude **dynamism** and **progress**. The introduction of agribusiness as an expansion of plantation is strategically in line with our aim to sustain **value creation** for all our stakeholders through the adoption of a balance business mix.

While agribusiness dominates our business profile in the future, we will continue to explore, identify and invest in businesses that offer superior long-term potential for growth and profitability, with the aim to minimise earning fluctuations so as to enable the Group to provide attractive returns to our shareholders. Kulim is confident in carving a new growth path with its experience and proven ability to develop businesses, including those outside its traditional palm oil business.

Our pursuit of enhancing value and attaining growth is firmly underpinned by our commitment to embrace sustainability and strong corporate governance as the overriding philosophy.

IR *For more details on Our Value Creation Model, please refer pages 16 to 17*

The Group's Strategy is to Access

THE FULL INFRASTRUCTURE LIFECYCLE

Continuity in stills; the young and the mature of Kulim's golden crop

The infrastructure lifecycle describes Kulim's involvement within the different core components and also intrinsic capabilities in delivering value across diverse business segments.


BUSINESSES
DEVELOP
SERVICE
OPERATE
BUILD
SUPPLY
INVEST
DESIGN
Capability to Deliver Over the Whole Cycle
Agribusiness
Intrapreneur Venture
Oil & Gas
Property
Principle Business
Secondary Businesses

OUR VALUE CREATION MODEL

OUR COMPETITIVE ADVANTAGE

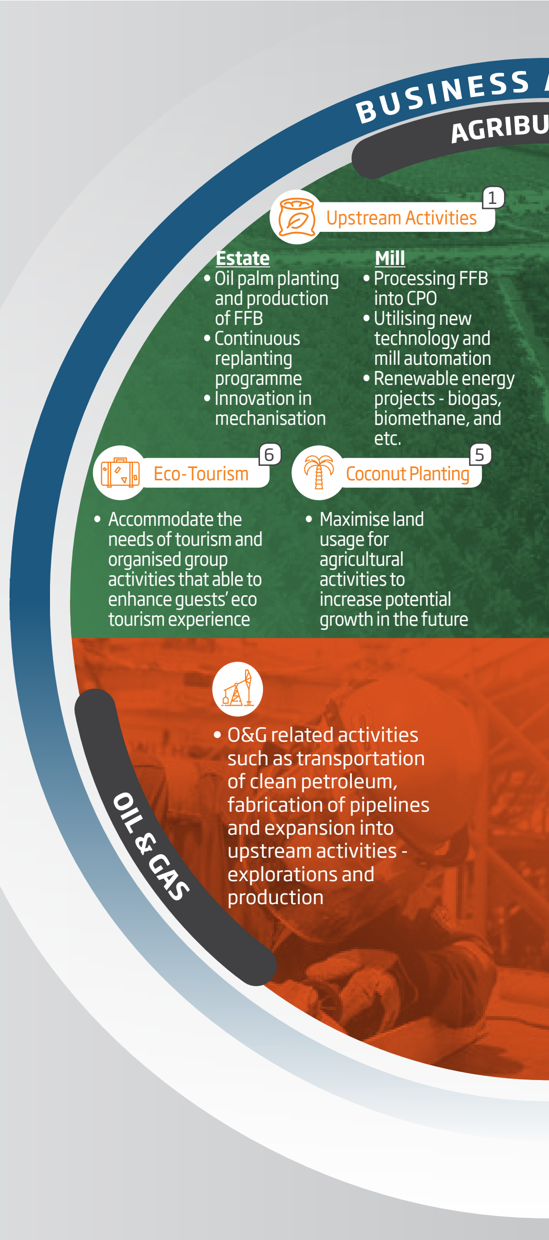
SUSTAINABLE BUSINESS GROWTH
Stellar and proven track record with more than 30 years of experience in plantation and diversified industries for greater sustainable returns.

EFFICENCY IN FINANCIAL MANAGEMENT
Financial allocation strategies will always be put in place to withstand to any market conditions.

OUR KEY RESOURCES	INPUTS
1 Financial Capital	Total Equity: RM3.46 billion; Total Assets: RM6.70 billion; Cash: RM169.93 million
2 Natural Capital	Group's Plantation Landbank: 65,362Ha (Malaysia & Indonesia) *Indonesia area with HGU; Oil Palm Planted: 55,501Ha (Malaysia & Indonesia); Pineapple Planted: 290Ha
3 Manufactured Capital	5 Mills; 3 Biogas Plants
4 Intellectual Capital	Kulim Agrotech Centre supported by a team of highly trained and research personnel with expertise in: • Agronomy • Microbiology • Seed Production • Plant Breeding • Biotechnology and Chemistry
5 Human Capital	Total Employees: 9,135; General Workers - Field Work: 6,722
6 Social & Relationship Capital	see below

6 Social & Relationship Capital

- RSPO membership since 2004 and almost all of our plantations have been fully certified since January 2009.
- Diverse Conservation Initiatives:
  - Kulim Wildlife Defenders Programmes
  - Raja Zarith Sofiah Wildlife Defenders Challenge
- Strengthening the Empowerment of Women:
  - Through Women OnWards ("WOW") Programmes
- Enhance Community Development by:
  - Pintar Foundation
  - Yayasan Johor Corporation
  - Pintar Harapan Programme
  - Kulim's Adoption School Programme



MATERIAL MATTERS

- Compliance
- Product Quality
- Economic Performance
- Occupational Safety and Health

SCAN ME

CONTINUOUS IN EMPLOYEES CAPABILITY DEVELOPMENT

Developing a talent pipeline to propel the organisation towards achieving high productivity through operational excellence and continuous capability development.

STRONG SUSTAINABILITY AND SOCIAL RESPONSIBILITY PRACTICES

Accountably operates our business to deliver long-term values and to be as socially and environmentally responsible corporate citizen.

ACTIVITIES

SINESS

Research & Development 2

- Research collaboration
- Seed cloning programme
- Chemical and physical testing of samples
- Mapping shell gene

Cattle 4

- Integrates cattle operation with oil palm plantation
- Increase calving rate and sales weight

Pineapple 3

- Expand production through collaboration with government agency and other interested parties
- Explore into new market segment
- Maximise OEM products

INTRAPRENEUR VENTURE

- Diverse range of businesses including support operations for plantation, providing training on OSH, insurance broking services and IT-related services

OUTPUTS	CREATING VALUE FOR OUR STAKEHOLDERS		STAKEHOLDERS WHO BENEFIT FROM THE VALUE WE CREATE
Financial	Revenue: RM1.21 billion	Dividend: RM200 million	**SHAREHOLDERS** Posted financial results whilst maintained transparent, timely and relevant shareholders communication and reporting.
Natural	FFB Production: 907,188 tonnes	YPH: 21.69 Ha	**CUSTOMERS** Regaining the customers trust by portraying our ability to operate with principle of good corporate governance, transparency and integrity of our internal control and continuously improving the operational processes.
Manufactured	CPO Production: 309,867 tonnes	OER: 21.66% / KER: 5.39%	**BUSINESS PARTNERS** Offering a variety of value-added products to the competitive market with a high-quality, differentiated and innovative products. Additionally, we are working towards full certification of sustainable palm oil production to widen customers' reach.
Intellectual	• Improvement in efficiencies through technological advancement • Development of new products for downstream commercialisation		**GOVERNMENT** Operating responsibly to contribute to socio-economic growth through tax payment and we also maintain a positive relationship with local authorities and support programme.
Human	Staff Turnover Rate: 5.71%	Trainings Cost: RM1.87 million	**EMPLOYEES & WORKERS** Creation of an environment which motivates our employees and workers to achieve career aspirations and cultivates a high performance to the prosperity and survival of our business.
Social & Relationship	• Five (5) mills certified RSPO and MSPO • Contribution to conservation initiatives : - Conducted eight (8) programmes to protect the national biodiversity and endangered species - 59.08 ha of land for buffer zones area and 305.74 ha of jungle patches - Sponsorship for five (5) adopted schools - Contribution for under-privileged community		**COMMUNITY & OUTGROWERS** Efforts towards building peaceful relations with community as well as external stakeholders in order to build resilience amongst vulnerable communities as well as provide support where needed. We also actively encourage our employees to participate in community engagement activities.

Human Rights and Labour Practices

HCV/ HCS Protection and Management

Emissions

MANAGING OUR MATERIAL MATTERS

In outlining our strategy, we take into consideration various factors that affect our business that are relevant to economic, environmental and social. Thus, we identify material matters that could influence our ability to execute our strategies in the short, medium and long-term.

There are critical understanding material matters in enhancing our inherent value to all stakeholders. Thus, mitigation strategies are being initiated and implemented and constantly monitored to mitigate any potential impact on our performance and reputation.

IDENTIFICATION

Identifying the matters that are material to Kulim's businesses, from both the Group as well as the stakeholders' perspective. For this cycle of reporting, a total of 26 material matters were identified by the key personnel involved in driving Kulim's sustainability agenda.

PRIORITISATION

By assessing and ranking the material matters on its importance to the business and to Kulim's stakeholders, we were able to identify seven (7) matters that are critical. We have expounded why these matters are material and the approach undertaken by Kulim to manage them.

VALIDATION

Seeking the approval of Senior Management to ensure the prioritisation of the material matters captured Kulim's efforts and approach to strengthen its sustainability performance.

For more details on Materiality Matrix, please refer our Sustainability Report on Page 162.

MATERIAL MATTERS	WHY IS IT MATERIAL?
Compliance	• Compliance covers different aspects of environmental and socio-economic compliance. • Complying with the national laws and regulations on matters regarding environmental quality, employment, human rights, safety and health, and RSPO compliance. • These matters are intrinsic to our operations since non-compliance can leads to the organisation reputational harm in long-term and negatively impact our stakeholders.
Product Quality	• Our market presence and overall economic performance heavily relies on the marketability of our oil palm products. • High quality products will ensure customer satisfaction, protecting their safety and health as well as add values to our business presence.
Economic Performance	• Dry and erratic weather plus exacerbated by El Nino's scorching heat and suppressed rainfall, can leads reducing in flowering and fruit production. • Geopolitical risk affected industry as restrictions of the European Union ("EU") on the use of palm oil and unsolved trade disputes between US-China. • These externalities that impact our economic performance are not within our control. • We required to maximise profits from which area we operate yet our land resources are limited.
Occupational Safety and Health	• We are committed in protecting the health and well-being of our workers especially in the high risk plantation operations.
Human Rights and Labour Practices	• The plantation operations are susceptible to human right violations and unfair labour practices therefore we recognise our responsibility to protect the rights of our employees.
HCV/ HCS Protection and Management	• The conversions of forest into plantation estates can leads to the loss of critical habitats for endangered flora and fauna species. • Several of our palm oil production sites are located near or borders forested areas with notably High Conservation Values ("HCV"), High Carbon Stock ("HCS") and rich biodiversity.
Emissions	• The palm oil industry previously held a notorious reputation of contributing to carbon emissions due to its heavy land clearing and fertilizer application activities. • Globally, efforts are undertaken to reduce anthropogenic contribution to climate change through pledges to reduce emissions that would raise the earth's temperature.

RELATED MATTERS	MANAGEMENT APPROACH
• Occupational Safety and Health • Human Rights and Labour Practices • Corporate Governance and Policies • Effluents and Waste • Responsible Chemical Use • RSPO and MSPO Compliance • Environmental Quality Regulations	• We have internal targets and performance indicators to monitor our effectiveness and continuity in meeting internal benchmarks. • The KPIs are set for occupational safety and health, renewable energy, product emissions, use of herbicide, water consumption and agricultural productivity. • The regular audits, survey and site visits are conducted by RSPO certification bodies, helps to identify our strengths and areas for improvement. • Our KPI is to ensure 100% of outgrowers and traders are RSPO-certified by 2025, motivates us to build sustainability throughout our supply chain.
• Customer Satisfaction • Economic Performance • Market Presence	• Implementation of our Quality Policy in 2008 and obtain certifications through ISO, EMS, QMS, RSPO and MSPO compliance. • Our Quality Policy is tailored to address our operations to remain in compliance with the regulations and standards that the Group adopts.
• Agricultural Productivity • Supply Chain Management • Product Quality • Customer Satisfaction	• Kulim managed to bag revenue at RM1.21 billion in 2019, decreased 12.95% over the preceding year's RM1.39 billion. • Financial and risk management approaches are used to ensures the organisation is prepared for contingencies despite the changing circumstances. • The 30:30 production charter is our production benchmark of average yields of 30 tonnes of FFB per hectare at an extraction rate of 30% of palm products per tonnes of FFB. • Implementation of five (5) years corporate strategy with main strategic thrusts. *For more details on Strategic Thrusts, please refer pages 20 to 21.*
• Compliance • Human Rights and Labour Practices • Responsible Chemical Use	• We continuously provide training and briefing to our employees on aspects of safety and health. • Strict supervision, continuous improvement of processes are salient in our approach towards managing high occupational Safety and Health Standards. • We have set KPIs to ensuring we cultivate the safety culture amongst our employees. *For more details, please refer Sustainability Commitments & Targets, pages 24 to 25.*
• Compliance • Workers' Union • Grievance Mechanism • Diversity and Equal Opportunity • Supply Chain Management	• Adhering strictly to International Child Labour laws and not sanctioning the employment of labour below the age of 16 years old throughout our operations. • Complying with the Employment Act 1955, Minimum Wages Order 2020, Children and Young Persons (Employment) Act 1966, Worker's Minimum Standard of Housing and Amenities Act 1990, Occupational Safety and Health Act 1994, Industrial Relations Act 1967 and Factories and Machinery Act 1967. • Our Core Labour Standards reiterates the rights of employees to form and/ or join trade unions. • Signed the Collective Agreement ("CA") with the workers' unions - AMESU and NUPW which reflects on work-related issues.
• Compliance • Supply Chain Management	• Our conservation efforts includes the allocation of HCV and buffer zones area within our operating boundaries. • Prohibition of planting on peat areas and setting a long-term HCV coverage area are the approach towards preserving wildlife biodiversity. • We formulated mitigation measures that include monitoring activities and hunting prohibition on our operation ground.
• Compliance • Supply Chain Management • Energy Usage	• We practice management methods prescribed by RSPO that includes the utilisation of the PalmGHG V3 calculator to identify the Group's gross carbon emissions on annual basis. • We publish a Carbon Footprint Report biennially, disclosing our performance and initiatives towards reducing emissions. • Three (3) biogas plants have already been installed and in operation to reduce our dependency on non-renewable energy.

STRATEGIC THRUSTS

CORPORATE STRATEGIES	KEY PROGRAMMES	VALUE CREATED	BUSINESSES
Productivity Improvement	• Progressive replanting – Optimise FFB production, towards ideal age profile • Increase productivity through R&D – Tissue culture, improved seeds materials - new high yielding clones, high standard estate operation & POM oil recovery initiatives • Optimum fertilizer efficiency • New technologies and innovative mechanisation • Application of Good Agriculture/ Manufacturing Practices and RSPO/ MSPO Practices	• Year-on-year improvement in FFB yield • Cost savings resulted from systematic work procedure • More effective management of ever increasing foreign labour costs • Best agriculture practices via training • Deployment of performance measurement of each operating units	
Cost Management	• Mill working hours/ optimum throughput • Value-added ventures – Biogas plant, biofertilizer, biomethane • Centralised bulk purchasing practice and longer-term partnership	• Cost savings resulted from mill and energy efficiency • Maximise product recovery • Additional revenue generated from by-products of mill processing • Reducing breakdown hours	
Value Unlocking	• Disposal of rightly priced assets • Involvement in integrated agribusiness value chain – Upstream, midstream, downstream and circular economy via waste-to-wealth activities. • Conversion estates into the property development • Monetisation of land assets	• Optimisation of resources • Realisation of higher asset value	

CORPORATE STRATEGIES	KEY PROGRAMMES	VALUE CREATED	BUSINESSES
Human Capital Development	• Inculcate high performance culture • Unlock people potential for manpower optimisation • Strengthening Kulim talent pipeline • Promote sense of belonging/ loyalty and enhance team work synergy with continuous improvement mindset • Enhance fair human resource system • Exchange knowledge between Malaysia and Indonesia business operation	• Optimisation of resources • Lower staff turnover/ sustainable manpower/ talent retention • Professional certification – Account/ Finance/ Engineering/ Technical expertise/ Scientist: Tissue Culturist, Horticulturist etc.	
Corporate Responsibility	• Sustainable Palm Oil ("SPO") programme and realisation of benefits • Continuous commitment to RSPO and MSPO • Enhanced stakeholders' engagement – Internal and external • Continuous support community development through education – Yayasan Johor Corporation Tuition Project, Kulim Wildlife Defenders ("KWD"), Pintar Harapan Tuition Programme, Pintar Foundation Programme and Kulim's Adoption School Programme	• More effective management to support community development • Reduce cost of damage control • More efficient in doing business as a result of good relationship with stakeholders • Assist in increasing the income of participants of Agropreneurs B40 Programme (Pineapple) • Preserved environment and save the earth	
Expansion/ diversification	• Diversification of the existing upstream activities into an integrated agribusiness value chain • Expansion in oil palm plantation activities to plant other crops • Monetisation of O&G business • Agropreneur programme to increase productivity • Downstream of pineapple products	• Increased company value • Embrace national food security Programme • Diversified earnings base to reduce over dependency on palm oil activities • Leveraging expertise in oil palm upstream activities	

STAKEHOLDERS' ENGAGEMENT

STAKEHOLDER GROUPS	TOPIC DISCUSSED	TYPES OF ENGAGEMENT	OUTCOMES
Employees	• Following climate survey, we conducted benchmark and review of salaries, initiated career and succession • Initiate performance appraisal • Assess competency training needs • Conducted performance management clinic • Initiated online Peers and Reserve Performance Feedback ("PARFEED") • Conducted C.A.R.E. programmes	• Operational performances • Training • Company intranet • Special briefing • Governance and ethics programme • Annual performance appraisal • Survey • Dialogues	• Awareness on updated policy • Awareness on operational improvement • Understanding sustainability implementation • Create better communication among employees • Focused talent development programmes to build leadership and talent • Focus on integrity on workplace • Human rights in workplace
Business Partners	• Ethics, values and governances, advocating and embedding sustainability • RSPO and MSPO certification, labour policies and human rights, grievance mechanism, sustainability risk and opportunity, socially-responsible landbank expansion • Growth opportunities across divisions, merges and acquisitions, divestments, capital allocation and corporate governance • Operational developments, risk/ opportunities across divisions	• Dialogues and relationship investment • Group/ one-on-one meetings • Operational site visit • Annual Report • Updates on Group's website • Roadshow	• RSPO and MSPO Certification • Traceability
Workers	• Training and facilities are provided to WOW projects and operating unit to help them to market the products during company events and festive seasons • Awareness on economic and social achievement and challenges of women in future • Encourage business entrepreneur among workers' housewife	• Surveys • Group/ one-on-one meetings	• Exposed activity to the public • Enhance social environment • Women's empowerment • Promote possession of skills and income generating income among housewives by WOW
Shareholders	• Ethics, values and governance, advocating and embedding sustainability • Growth opportunities across divisions, merges and acquisitions, divestments, capital allocation and corporate governance • Volatility in CPO prices, demand-supply dynamics, enhancement of operational efficiency and strengthening leadership position • Operational developments and risk/ opportunities across divisions	• Group/ one-on-one meetings • Operational visit • Annual Report • Updates on Group's website • Dialogues and relationship investments	• Dividend payout • Growth of company earnings • Financial and economic performance • Business future prospect • Yield improvement
Media	• Operational developments at Group and Division Level • Sustainability and Corporate Responsibility developments	• Press release • Regulatory announcements • Fact sheet	• Access to timely, reliable and transparent information • Provide fair and balanced view of organisation

STAKEHOLDER GROUPS	TOPIC DISCUSSED	TYPES OF ENGAGEMENT	OUTCOMES
Suppliers	• Tender procedure/ negotiation	• Strategic partners • Engagement meeting • Site visit • Contract supplier • Interview and negotiation	• Address sustainability concerns • Building better business relationships • Driving enhancement and good quality services • Effective communication • Supply chain
Unions	• Terms and conditions of plantation staff and workers through CA	• Conference • Group/ one-on-one meeting	• Professional and personal growth opportunities in a changing business environment
Government & Regulators	• Sustainability, social issues, local communities and sectorial development • Attend discussion/ meeting with local state government to discuss issues on biodiversity/ sustainability • Support of nation building efforts and national agenda	• Regular engagement and communication • Corporate Responsibility Initiatives • Sports and recreation activities	• Regular updates to regulator body • Operational support of policy change
Communities & Outgrowers	• Response to communities affected by environmental disasters as well as the needs of vulnerable community groups through programmes • Meeting and engagement for certification with FFB suppliers/ smallholders	• Humanitarian assistance • Disaster relief efforts • Community outreach and development programmes • Interview and questionnaires	• Monitoring over smallholders • Provision of support elements (i.e donations)
Customers	• Our Certified Sustainable Palm Oil ("CSPO") is sold to buyers via Identity Preserves ("IP"). Mass balance and Green Palm Book and Claim traceability mechanism - ISCC Oil EU and ISCC Plus • *Halal* Certifications • ISO 9001:2015 Certification on Quality System • ISO 14001:2015 Certification on Environment System	• Joint venture and ad-hoc meeting • RSPO and ISCC briefing	• Meeting quality requirements and demands needs • Awareness and initiatives • Enhanced operations
NGOs	• Support of social and environment policies and Corporate Responsibility Programmes • Implementation of responsible business practices, compliances to local and international law	• Consistent dialogue and engagement • Charitable contributions	• Biodiversity and deforestation management • Protects human rights
Management	• Design future direction of the Company • Operation related issues that affected performance of the Company	• Consisted discussion and communication	• Business growth and increased yields • Prevent violations of human rights • Improve operational efficiency, including reducing waste • Regulatory compliance

SUSTAINABILITY COMMITMENTS & TARGETS

MALAYSIA PLANTATION

As a socially and environmentally responsible corporate citizen, Kulim embraces the principles of sustainable development and has continued to work towards demonstrating sustainability throughout our operations.

We recognise sustainability as an opportunity to change the way we do our business. Our Sustainable Palm Oil ("SPO") programme defines its ultimate objective as to improve Kulim's business performance and profitability as well as positioning Kulim as a world leader in SPO. Our efforts with regards to sustainable development will continue to guide our business.

We hope that by being mindful of our surrounding and the socio-economic impact of our actions, we will move forward by developing business methods that are economically viable, environmentally appropriate and socially beneficial.

	DESCRIPTION	TARGET	COMMENT
1	Lost Time Accident Rate ("LTAR") below 10	On-going commitment	2019 – Achieved at 1.53 The improved of LTAR from 1.98 in 2018 to 1.53 in 2019 was primarily due to consistent training and strict supervision by the operating units in the aspects of occupational safety and health
2	Reduce severity rate to below 3.5	On-going commitment	2019 - Achieved at 2.82
3	Zero fatalities	On-going commitment	2019 - one (1) cases reported. Continuos improvement are now in place to enhance the safety standard with the aim to reduce accident cases
4	No increase in peat development	On-going commitment	Achieved
5	No development on land containing one (1) or more high conservation values	On-going commitment	Achieved
6	No fine for environment-related incidents	On-going commitment	2019 - one (1) fine from BAKAJ
7	Biennial carbon report of Kulim plantation	**2019**	Published on 15 November 2019

On-going commitment

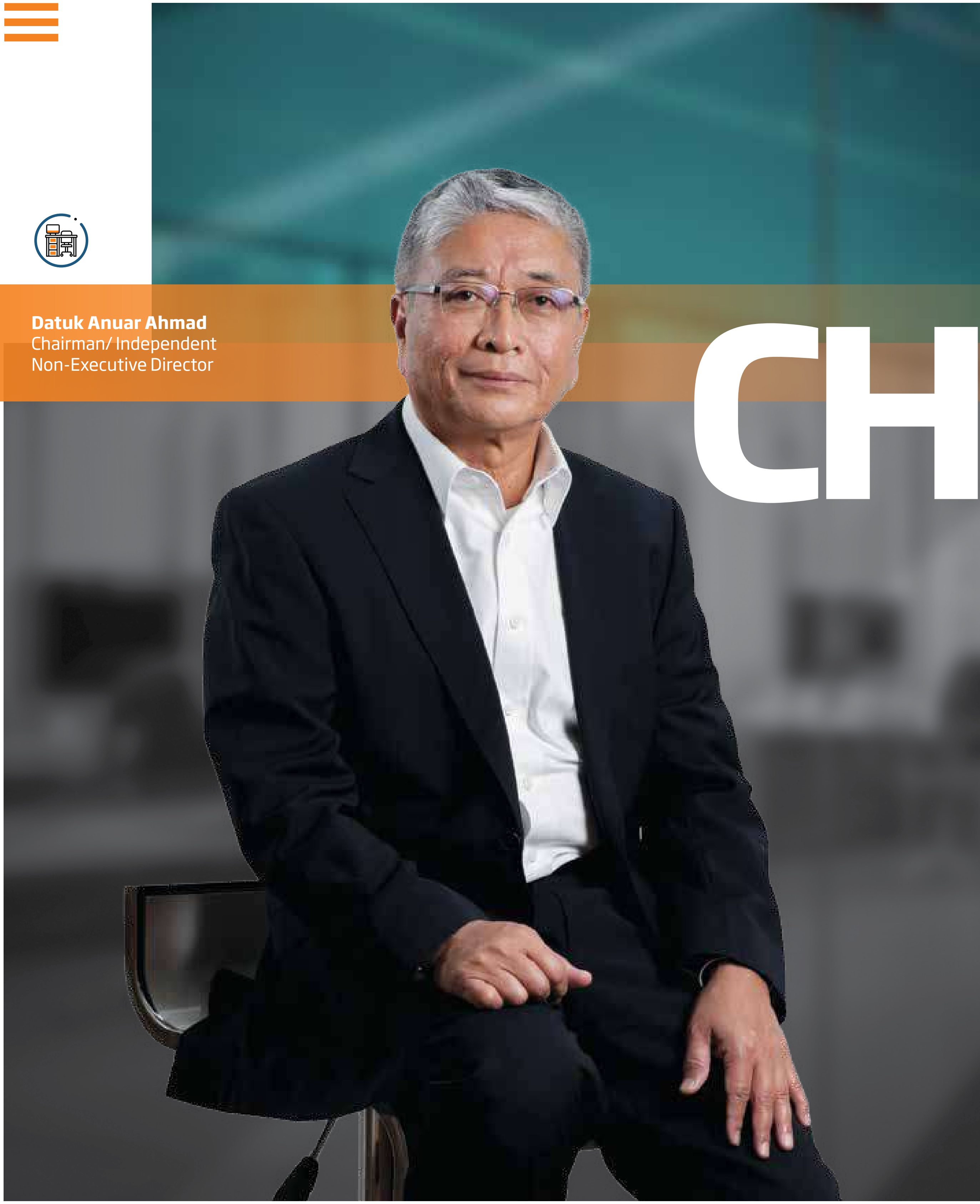
	DESCRIPTION	TARGET	COMMENT
8	2% reduction in usage of glyphosate on one (1) year old palms	**2020**	The average glyphosate usage in first year planting was noted to decrease about 14.69% from 6.74 litre/ hectare/ year in 2018 to 5.75 litre/ hectare/ year in 2019 Continuous monitoring is however needed to acertain the reduction
9	5% reduction paraquat out of total herbicide usage	**2020**	Achieved - No new purchase of paraquat effective on 1 March 2015
10	Reduce water usage to 1.2 m^3 per tonne of FFB		2019 - Achieved at 1.06 m^3 per tonne FFB The reduction in water consumption is mainly due to the recycling of sterilizer condensate into mill operation
11	ISCC in five (5) mills	**2017**	Achieved
12	CO_2 equivalents reduction by 90%	**2020**	Three (3) unit biogas plants - Sedenak POM, Pasir Panjang POM and Sindora POM are running The other two (2) unit biogas plants were installed at Tereh POM and Palong Cocoa POM. The projects are expected to be completed by June 2020
13	100% of external fruit to be certified	**2025**	Target to certify one (1) traders in 2020
14	Achieve average FFB yield of 30 tonnes per hectare and Palm Product Extraction Rate ("PPER") of 30%	**2036**	PPER for 2019 is 27.05% Achievement is due to continuous replanting activity with higher yielding material, improvement in crop quality and oil recovery

On-going commitment

02 SECTION **02/07**

2019 SYNOPSIS

Palm Oil; what was once basically a wild crop has been transformed into one that now dominates the world's trade in oils and fats



Datuk Anuar Ahmad
Chairman/ Independent
Non-Executive Director

SCAN ME

MESSAGE FROM THE AIRMAN

DEAR
STAKEHOLDERS,

"I am pleased to present to you, our sixth Integrated Annual Report and Audited Financial Statements of Kulim (Malaysia) Berhad for the Financial Year Ended 31 December 2019 ("FYE 2019")"

The year 2019 can best be described as another challenging year for Kulim on the back of weak Crude Palm Oil ("CPO") and Palm Kernel ("PK") prices that have impacted the Group's profitability.

Nevertheless, Kulim's fundamentals remain strong as we have undertaken various Group-wide initiatives to optimise the potential of our business segments. Our Oil Palm Plantation business continued to be the main contributor to the Group, amidst a backdrop of volatile CPO and PK prices, European Union ("EU") restrictions on the use of palm oil, high inventory levels and lower CPO export volume to major countries. These were further compounded by labour shortages and increasing labour costs, which continued to affect our operations.

On the financial front, we managed and addressed the various challenges which came in the form of fluctuating exchange rates, higher gearing, as well as the cost of capital to ensure that Kulim's balance sheet remained firm and healthy.

▼ 12.95%
REVENUE
RM**1.21** Billion
FYE 2018 RM1.39 Billion

▼ 321.16%
PBT
(RM**127.85**) Million
FYE 2018 RM57.81 Million

CORPORATE DEVELOPMENTS

13/2
The disposal of 75% equity interest in Optimum Status Sdn Bhd held by EPA Management Sdn Bhd to Kulim Safety Training and Services Sdn Bhd

1/5
Kulim ceased the operation of EPASA Shipping Agency Sdn Bhd

7/5
Acquisition of 25% equity interest held by the Intrapreneur of Renown Value Sdn Bhd

25/9
E.A. Technique (M) Berhad ("EA Tech") obtained approval by shareholders for the proposed private placement, debt capitalisation and free warrant issue at an Extraordinary General Meeting ("EGM") of the Company

1/10
Kulim and MTC OREC Sdn Bhd ("MTC OREC") entered into Subscription and Shareholders Agreement for the formation of Kulim Green Energy Ventures Sdn Bhd ("KGEV") as a joint venture company for biomethane commercialisation

8/10
KGEV and Gas Malaysia Virtual Pipeline Sdn Bhd ("GMVP") entered into Gas Purchase Agreement for the supply of biomethane to GMVP

31/12

Kulim ceased the operation of Special Appearance Sdn Bhd

OUR ACHIEVEMENTS

1 BIZZ Awards AMEA 2019

2 NACRA 2019

3 The 11th Annual Global CSR Summit Awards 2019

4 The 19th Malaysia International HR Awards 2019

Kulim believes in consistently performing our best, and this is reflected by our continuous introduction of various strategic initiatives to unleash our full potential. Hence, it came as no surprise that the Group continued to win various accolades during the year under review, reflecting its commitment in nurturing and promoting excellence, sustainability and Corporate Responsibility Group-wide.

Over the years, we have been the recipient of numerous Industry-wide awards and accolades. During the year under review, Kulim was announced as the winner of the World Business Leader and Inspirational Company category at the BIZZ Awards AMEA 2019.

Kulim's Integrated Annual Report 2018 was named as the winner of the best annual report for non-listed organisations at the National Annual Corporate Report Awards ("NACRA") 2019.

At the 11th Annual Global CSR Summit Awards Ceremony 2019, the Group was announced as the winner in three (3) categories, namely, Best Workplace Practices Award (Gold), CSR Leadership Award (Silver) and Empowerment of Women Award (Bronze).

Kulim was awarded the Bronze Award for HR Best Practices category during the 19th Malaysia International HR Awards 2019.

Kulim's Ulu Tiram Central Laboratory ("UTCL") has also been awarded with the IKM Laboratory Excellence Award 2019 at *Malam Kimia 2019*.

Our culture of excellence was also recognised at the Asia Pacific Quality Organisation Conference and International Quality and Productivity Convention 2019, where our Kompass (Engineering Department) and Forces (Sepang Loi Estate) were awarded a 3-star recognition for their projects.

Our winning streak continued at *Hari Peladang, Penternak dan Nelayan Kebangsaan 2019*, where Kulim Pineapple Farm ("KPF") was announced as the winner of the MD2 pineapple competition for the Agricultural Produce category.

Our subsidiary, Danamin (M) Sdn Bhd was also announced as the On-call Contractor 2019 by BASF PETRONAS Chemicals in conjunction with the Global Safety Days 2019 celebration.

Kulim was also named as a finalist for *Piala Menteri Sumber Manusia* under the category of Major Corporations at *Pertandingan Hari Anugerah PLWS 2019 Piala Menteri Sumber Manusia*.

In addition, Kulim was a finalist for Excellence in Employee Engagement category in HR Excellence Award 2019.

To promote a workplace culture that is free from corruption, Kulim is currently working towards obtaining MS ISO 37001:2016 certification for Anti-Bribery Management Systems ("ABMS") which is expected to be certified in December 2020.

MEASURING BUSINESS PERFORMANCE

To measure the performance and the efficiency of our business, the Group used a Balanced Scorecard which consists of both financial and non-financial metrics. This scorecard contains Key Performance Indicators ("KPI") in four (4) perspectives, namely Financial, Stakeholder, Internal Process and Organisational Capacity.

I am pleased to note that as at year end-2019, the Group has achieved 79.78% of its KPIs, thus positioning us on a strong and stable trajectory.

CORPORATE DEVELOPMENTS

During the year under review, Kulim continued to fine-tune our portfolio of assets as part of our efforts to establish a firm operational base that will continue to deliver optimum results. Our approach to optimise the portfolio took into account various factors such as market dynamics, as well as under performing assets or no longer in line with the Group's strategic vision. In addition, monetisation would also be an option when an opportunity arises.

Parallel to our strategy to monetise certain non-strategic assets, we also carried out a variety of corporate exercises during 2019, which will be discussed at greater length in the Management Discussion and Analysis ("MD&A") section in this Integrated Annual Report.

HIGHLIGHTS

PERFORMANCE FOR THE YEAR 2019

▼ 12.95%

REVENUE

RM**1.21** Billion

FYE 2018 RM1.39 Billion

▼ 321.16%

PBT

(RM**127.85**) Million

FYE 2018 RM57.81 Million

DIVIDEND TO SHAREHOLDERS

RM**200** Million

NET GEARING

Ratio: **0.64** Times

GROSS GEARING

Ratio: **0.69** Times

Average Selling Price

▼ 6.23%

CPO

RM**2,182** pmt

FYE 2018 RM2,327 pmt

▼ 28.07%

PK

RM**1,289** pmt

FYE 2018 RM1,792 pmt

FINANCIAL PERFORMANCE

The year 2019 saw the Group recorded a slightly lower in revenue at RM1.21 billion from RM1.39 billion registered in 2018. The decrease in revenue was attributed mainly due to a reduction in revenue of EA Tech by 35% in the absence of revenue contribution from Engineering, Procurement, Construction, Installation and Commissioning ("EPCIC") project throughout 2019. Furthermore, the decrease in revenue was compounded by a weaker contribution from the Oil Palm Plantation segment specifically Palm Kernel ("PK") amounting to RM43 million. There was a slight reduction in PK delivered of 77,256 tonnes in 2019 compared to 79,286 tonnes in 2018. Moreover, the PK prices suffered greatly in 2019 at an average price of RM1,289 per tonne compared to RM1,792 per tonne in 2018. Nonetheless, the Oil Palm Plantation segment remained as the main contributor to the Group contributing RM834.61 million or 69.04% of total revenue.

The Group also incurred a Loss Before Tax ("LBT") of RM127.85 million in 2019, from a Profit Before Tax ("PBT") of RM57.81 million registered previously. LBT was mainly due to impairment recognised and share of loss of Indonesia O&G joint venture investment amounting to RM44.03 million and provision for foreseeable loss for litigation case of EA Tech against Malaysia Marine and Heavy Engineering Holdings Berhad ("MMHE") amounting to RM45.28 million. Despite the impairment, the Group's cash flow remains healthy.

DIVIDENDS

Notwithstanding the challenges to balance investment with payables and cash flow, Kulim remains steadfast in delivering value to the shareholders. In line with this commitment, the Board has approved a total dividend payment of RM200 million for the FYE 2019.

Our Plantation Segment continued to be the main contributor to the Group, amidst a backdrop of volatile CPO and PK prices

The biogas plant at Tereh Palm Oil Mill and Palong Cocoa Palm Oil Mill are expected to be completed by June 2020

SUSTAINABILITY AS OUR PRIORITY

Our sustainability agenda remains a top priority during the year under review, as reflected in the various initiatives undertaken across our business operations.

We are pleased to note that almost all of Kulim operations in Malaysia are fully RSPO-certified since January 2009. To date, five (5) of our mills have been accorded the RSPO certification, and this was followed by the Malaysian Sustainable Palm Oil ("MSPO") certification obtained in March 2019.

Furthermore, three (3) mills have also earned RSPO Identity Preserved ("IP") status. Five (5) of our mills have been accorded with International Sustainability and Carbon Certification ("ISCC") status. Being certified means that any Sustainable Palm Oil ("SPO") produced at the mill can be traced throughout the supply chain from an estate to factory to retailer.

Realising that sustainability premium could become an important contributor to the Group's margins, we aim to have fully-segregated mills for internal Fresh Fruits Bunches ("FFB") processing.

As at the end of 2019, three (3) biogas plants have already been installed and currently in operations, while another two (2) biogas plants will be installed in 2020. By generating biogas from POME, it can help to reduce emissions while generating energy, thereby improving our palm oil production on Greenhouse Gas ("GHG").

Our strategy of sustainability embraces the 5Ps of Peace, Prosperity, Planet, People and Partnership, which will be elaborated further in Section 5 of Sustainability Report in this Integrated Annual Report.

FOCUS ON HUMAN CAPITAL & CORPORATE RESPONSIBILITY ("CR")

Fully realising that our employees are our greatest asset, Kulim takes pride in our effort to nurture the Group's human capital to ensure that they are able to reach their potential. Various key programmes were undertaken in 2019 to enhance the quality of our talent, which include Change Management Programme and Internalising C.A.R.E. Programme (Kulim Corporate Value), Closing Competency Gaps for Critical Role, Strengthening of Performance Management System, as well as Talent Management and Leadership Development Programme.

The Group also undertook employee engagement initiatives and implemented a total competitive remuneration package in order to attract and retain quality talent.

As a responsible corporate citizen that truly believes in giving back to the community, our continuous support towards community development is well-reflected through our education initiatives under the Yayasan Johor Corporation Tuition Project, Kulim Wildlife Defenders ("KWD"), Pintar Harapan Tuition Programme, Pintar Foundation Programme and Kulim's Adoption School Programme.

In addition, the Group also provided sponsorships and Internship Programmes, where priority is given to Johoreans as well as the children of Kulim's Group employees. During the year under review, Kulim continued to extend our financial support for various CR and community development programmes.

Malaysian Sustainable Palm Oil ("MSPO")

7 MSPO PRINCIPLES

1. Management Commitment & Responsibility
2. Transparency
3. Compliance to Legal Requirements
4. Social Responsibility, Health, Safety & Employment Conditions
5. Environment, Natural Resources, Biodiversity & Ecosystem Services
6. Best Practices
7. Development of New Plantings*

** Not Applicable to Palm Mills*

MSPO is a Malaysian certification scheme that was launched in January 2015 for the oil palm industry in Malaysia, covering the whole supply chain from oil palm plantations to downstream facilities.

Under the MSPO, all oil palm industry players in Malaysia are mandated to be certified by the end of 2019. MSPO, contains seven (7) principles which covers management commitment and responsibility; transparency; compliance to legal requirements; social responsibility, health, safety, and employment conditions; environment, natural resources, biodiversity, and ecosystem services; best practices; and development of new plantings. We are pleased to announce that all of our mills and estates in Malaysia have successfully obtained the MSPO certificates in March 2019. The Group is firmly committed to adopt the MSPO certification scheme as the main standard and also encouraged our smallholders to comply with the MSPO certification scheme. Moving forward, our sustainability efforts will focus on assisting our smallholders to meet MSPO certification.

MOVING FORWARD

The Group, however, remains steadfast in mitigating the forecast challenges through the strategic initiatives mentioned earlier, in our bid to optimise the potential of our business segments.

AGRIBUSINESS

Kulim plans to strengthen our competencies in Agribusiness segment through diversification of the existing upstream activities into an integrated agribusiness value chain. This will reduce over-dependency on palm oil upstream activities and will able cushion the impact of CPO and PK price volatility to the company.

Kulim will also leverage its expertise in oil palm plantation activities to plant other crops such as pineapple and coconut.

Research & Development ("R&D")

To advance in Agribusiness sector, Kulim has signed a Memorandum of Agreement ("MoA") with the Malaysian Palm Oil Board ("MPOB") to utilise the latter's technology applications to identify and verify choices of seeds faster, and more accurately. Kulim also has signed a Memorandum of Understanding ("MoU") with the Malaysian Nuclear Agency to conduct research on the new disease-resistant pineapple varieties. These collaborations offer great potential in enhancing the value of our Agribusiness sector and will have significant impact on the development of the nation's economy.

INTRAPRENEUR VENTURE

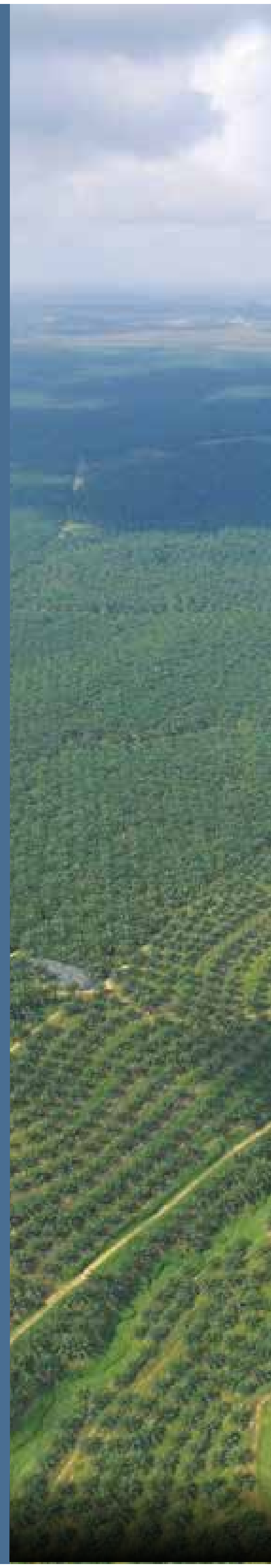
Kulim aims to establish a stronger foundation to further grow our IV Business. In line with this, Kulim has been continuously assessing the performance of IV companies, whereby companies with potential and profit growth have been nurtured and expanded, while companies that experienced setbacks have either been restructured or merged.

OIL & GAS

For our Indonesia's O&G segment, we intend to focus on the completion of the Conditional Share Subscription and Purchase Agreement ("CSSPA") by end-2020. Moving forward, we aim to recoup our investment in the O&G business, considering either through joint venture with a third party or cashing out via dilution of Kulim Energy Nusantara Sdn Bhd ("KENSB")'s equity in PT Citra Sarana Energi ("PT CSE") for a huge potential return after development.

PROPERTY

Kulim aims to increase the values of land owned by the Group which will involve the conversion of our plantation estates into the property development projects, especially in strategic locations with a high growth population and demand. The first property project developed for staff housing at Taman R.E.M. was completed by end-2019 and is currently open for sale.



Contour planting on terraces in R.E.M. Estate, Kota Tinggi

ACKNOWLEDGMENTS

Amidst the challenging scenario in the global palm oil industry, I am confident that Kulim will continue to thrive on the back of our strong management and dedicated team of employees who have contributed their knowledge, expertise and commitment to the Group. On behalf of the board, I applaud you and I thank each and every one of you.

On that note, I would like to extend a special appreciation to our former Chairman, Dato' Kamaruzzaman Abu Kassim who resigned on 31 December 2019, and our former Corporate Advisor, Ahamad Mohamad who resigned on 1 March 2020, for their leadership and contribution that have helped bring the Group to greater heights.

A note of appreciation also goes to the outgoing Non-Independent Non-Executive Directors namely, Zulkifli Ibrahim, Mohd Sahir Rahmat and Mohamad Salleh Mohamad Yusof, who resigned on 1 March 2020. They have contributed significantly to the Group's development. I also take this opportunity to congratulate Dato' Sr. Hisham Jafrey and Kandasamy A/L Kanny who were appointed to the board as Independent Non-Executive Director on 1 March 2020 and Idham Jihadi Abu Bakar who was appointed as Non-Independent Executive Director on 1 March 2020.

Our utmost gratitude also goes to our parent company, Johor Corporation, for their support and guidance all through the years that have brought us to where we are today.

I also wish to express my heartfelt thanks to our shareholders, business partners, associates, consultants, financiers, media as well as the relevant government authorities in Malaysia and Indonesia for the role played by them in ensuring smooth and successful operations of the Group's business segments.

With your continued support, we look forward to progress Kulim into a resilient and efficient Group.

My sincerest thanks to all of you.

Datuk Anuar Ahmad
Chairman/ Independent
Non-Executive Director

MANAGEMENT DISCUSSI AN

ZULKIFLY ZAKARIAH
Executive Director

ED

SHAHROM MOHD SAAD
Head of Finance Division

HOF

SCAN ME

ION & ALYSIS

Dear Stakeholders,

"The year 2019 could best be described as the year where Kulim proved its resilience in weathering the challenges that have continued to eclipse the palm oil industry."

THE OIL PALM PLANTATION SEGMENT REMAINED OUR MAIN CASH COW, CONTRIBUTING RM834.61 MILLION OR 69.04% OF THE GROUP'S REVENUE.

Q1 How would you summarise the Group's performance for the year under review?

ED The year 2019 could best be described as the year where Kulim proved its resilience in weathering the challenges that have continued to eclipse the palm oil industry.

Overall, Malaysia's palm oil industry saw CPO production increased marginally by 1.8% to 19.86 million tonnes recorded in 2018. The increase was due to higher FFB processed, up by 0.5% arising from higher FFB yield which increased by 0.2%. Better OER performance, which was recorded higher by 1.3% to 20.21% as compared to 19.95% achieved in 2018 also contributed to higher CPO production.

In 2019, the prices of all oil palm products were traded lower. CPO price traded lower by 6.9% to RM2,079.00 per tonne compared to RM2,232.50 per tonne in 2018.

ED Although CPO priced was traded lower in 2019, the price was on an upward trend, especially towards the last quarter. The lower CPO price during the year was mainly due to weaker prices of soybean oil and Brent crude oil in the world market. *(Source: Overview of the Malaysian Oil Palm Industry, MPOB)*

With regards to our Malaysian operations, our Agribusiness segment for Oil Palm Plantation Division managed to maintain our actual average selling price of CPO at above MPOB's average prices, which stood at RM2,182 per tonne compared to RM2,327 per tonne in the previous year.

However, our O&G Division and IV Division have both recorded a satisfactory performance in terms of their contribution to the Group.

Q2 Can you elaborate more on the challenges faced by the Group during the year?

ED Indeed, the year 2019 was challenging for the Group but our fundamentals remained strong as we undertook various strategic initiatives to further unlock the potential of our business segments.

Our Plantation Division, for instance, had faced a challenging business environment in the form of lower commodity prices combined with the constraints associated with labour shortages. In addition, the numerous geopolitical risk affected the industry as restrictions of the EU on the use of palm oil, unsolved trade disputes between US-China along with high inventory levels and lower CPO export volume to major countries.

On the financial side, the Group remained conscientious while managing the fluctuations in the exchange rate, higher gearing as well as the cost of capital.

Q3 What is the rationale behind this year's theme of "Strategic Initiatives. Unleashing Potential"?

ED Amidst of challenging scenario in the global palm oil industry, it is imperative for Kulim to remain steadfast yet agile in adapting to the ever-volatile market. To ensure that our fundamentals remain strong, we decided to undertake various strategic initiatives across the Group to unleash the full potential of our assets in order to strengthen the financial position and delivering value to our shareholders.

These are the reason why we have chosen this theme, as we believe Kulim still has tremendous potential that is yet to be tapped and we are excited to explore these new opportunities and possibilities in the near future.

55,501 hectares of the Group's landbank was planted with oil palm, of which 47,230 hectares are located in Malaysia

Q4 Can you tell us more about the corporate exercises carried out by Kulim during the year?

ED The year embarked the Group undertaking on several strategic initiatives to unleash the potential of our business divisions.

The disposal of 75% equity interest in Optimum Status Sdn Bhd ("OSSB") held by EPA Management Sdn Bhd to our JV company, Kulim Safety Training and Services Sdn Bhd ("KSTS") was completed on 13 February 2019.

This exercise was part of our business diversification strategy in a bid to position KSTS as a Health, Safety and Environment ("HSE") management company. With the disposal, OSSB will now be focusing on environmental management, specifically waste, allocation and emission management. The combined business networking held by both KSTS and OSSB is expected to sustain their profit level in moving forward.

On 1 May 2019, EPASA Shipping Agency Sdn Bhd ("EPASA") ceased the operations and became dormant.

Subsequently, on 7 May 2019, Kulim had acquired a 25% equity interest held by Intrapreneur in Renown Value Sdn Bhd ("RVSB"), which was aimed to improve Kulim's earning through strengthening our MD2 pineapple cultivation by centralising and having full control over pineapple business activities. Through this move, Kulim Pineapple Farm ("KPF") will be able to supply suckers at comparable standards and sufficient quantity in order to fulfill the contract with Malaysian Pineapple Industry Board ("MPIB").

The MD2 pineapple produced by KPF under the brand name "Melita", comes from the Greek word meaning "Sweet as Honey"

An EGM was held on 25 September 2019 by our subsidiary, EA Tech, which the following proposals were tabled and duly passed and approved:

- The proposed private placement up to 106.35 million of new ordinary shares in EA Tech, representing approximately 21.1% of the company's total number of issued shares ("Proposed Private Placement");
- The proposed settlement of debt owing to the major shareholder, Sindora Berhad ("Sindora") via the issuance of 121.62 million new ordinary shares in EA Tech ("Proposed Debt capitalisation"); and
- The proposed issuance of up to 365.99 million free warrants in EA Tech on the basis of one (1) warrant for every two (2) existing shares held on the entitlement date to be determined later ("Proposed Free Warrants Issue").

The exercise was carried out after considering the financial position of EA Tech, whereby the Proposed Private Placement was deemed as an appropriate fund-raising option to enable EA Tech to raise the necessary funds to support its operation. The Proposed Debt Capitalisation will enable EA Tech to reduce its debt and interest costs whilst preserving cash reserves.

In addition, the Proposed Free Warrants Issue was an appropriate way for rewarding the shareholders for their continuous support by enabling them to participate in convertible securities without incurring any costs, while providing an opportunity to further increase their equity. However, the Proposed Free Warrants Issue is expected to be implemented after the completion of the Proposed Private Placement and the Proposed Debt Capitalisation.

On 1 October 2019, Kulim and MTC OREC entered into Subscription and Shareholders Agreement ("SHA") for the formation of KGEV, as a joint venture company for an investment to develop a biomethane plant for commercialisation. MTC OREC is a company established through the synergy between OREC Ind Sdn Bhd and MTC Engineering Sdn Bhd.

ED In particularly on 8 October 2019, Kulim via KGEV has signed the Gas Purchase Agreement ("GPA") with GMVP, a wholly-owned subsidiary of Gas Malaysia Berhad ("GMB"). Resulting from this partnership, GMVP will procure biomethane from KGEV for injection into Gas Malaysia's Natural Gas Distribution System ("NGDS") network.

The investment was part of our long-term strategy, as we foresee a great potential in biomethane commercialisation. It is also in line with Kulim's business direction to expand its business diversity and venture further into green technology. Sedenak POM is viewed as potential mill as given that it is strategically located within the proximity of GMVP gas pipelines and subsequently propagate into great potential in biomethane commercialisation for sale to GMB.

On 31 December 2019, Kulim ceased the operation of Special Appearance Sdn Bhd ("SASB"). The cessation of SASB and also EPASA are in line with the Kulim's strategy to close down companies that were under-performing or no longer in line with the Group's strategic vision. This action was also taken to mitigate the risk factors towards ensuring Kulim's business survival.

Q5 How did Kulim perform on the financial front in 2019?

HOF Kulim recorded a slightly lower Group Revenue at RM1.21 billion from RM1.39 billion registered in 2018. The decrease in revenue was attributed mainly due to a reduction in revenue of EA Tech by 35% in the absence of revenue contribution from EPCIC project throughout 2019. Furthermore, the decrease in revenue was compounded by a weaker contribution from the Oil Palm Plantation segment specifically PK amounting to RM43 million. There was a slight reduction in PK delivered of 77,256 tonnes in 2019 compared to 79,286 tonnes in 2018. Moreover, the PK prices suffered greatly in 2019 at an average price of RM1,289 per tonne compared to RM1,792 per tonne in 2018.

The Group also incurred a LBT of RM127.85 million in 2019, from a PBT of RM57.81 million registered previously. LBT was mainly due to impairment recognised and share of loss of Indonesia O&G joint venture investment amounting to RM44.03 million and provision for foreseeable loss for litigation case of EA Tech against MMHE amounting to RM45.28 million. Despite the impairment, the Group's cash flow remains healthy.

Notwithstanding the results, we continue to deliver value to our shareholders through the payment of dividends amounting RM200 million for the FYE 2019.

Q6 Which business segment was the biggest contributor to the Group revenue and profitability in 2019? How was the performance of each business division?

HOF Our Oil Palm Plantation segment, remained the most significant revenue contributor by generating RM834.61 million or 69.04% of the Group's revenue. However, the PBT was decreased from RM49.97 million in 2018 to RM44.95 million in 2019.

On the other hand, our IV segment generated revenue of RM37.63 million, declined 21.49% from RM47.93 million reported in 2018. This segment recorded a PBT of RM0.25 million in 2019 versus RM1.24 million in 2018.

Meanwhile, our O&G segment posted revenue of RM307.52 million decreased by 34.56% compared to RM469.92 million recorded in the previous year. The Division recorded LBT of RM92.51 million in 2019 compared to PBT of RM73.91 million in 2018.

Q7 Tell us more about the strength of Kulim's balance sheet.

HOF Kulim's financial position remained stable in 2019, with a positive cash balance of RM169.93 million and net gearing ratio of 0.64 times. The Group's borrowings level rose slightly to RM2.38 billion as at end-2019, up RM0.50 billion from RM1.88 billion as at end-2018. The increase was mainly due to higher external borrowings in 2019 to strengthen the company's financial position and capital base.

Our finance cost for FYE 2019 surged to RM101.51 million from RM92.13 million in the previous year due to higher interest rate charged for borrowing with floating rates, revolving credits, as well as foreign currency-denominated borrowing that was affected by fluctuations in the exchange rate.

Q8 Can you tell us the main achievements and highlights of Kulim for FYE 2019?

ED Despite the various challenges faced by the Group, we continued to record a string of remarkable achievements during the review period. Firstly, the Group successfully achieved an Oil Extraction Rate ("OER") of 21.66% and a Kernel Extraction Rate ("KER") of 5.39% in FYE 2019.

Kulim also managed to lower the cost per mature hectare to RM6,246.25 compared with our target of RM6,493.00, representing a total savings of 4%.

Our commitment to corporate excellence was proven again in 2019, with the Group winning no less than ten (10) awards during the year.

Kulim has also received the MSPO Certification in March 2019.

We are also proud to note that Kulim is currently towards obtaining MS ISO 37001:2016 certification for Anti-Bribery Management Systems ("ABMS") which is expected to be certified in December 2020.

Kulim also continued to contribute to the well-being of the community, disbursing a total of RM17.26 million for our corporate responsibility initiatives.

OER
21.66%

KER
5.39%

Cost Per Mature Hectare
4%
Savings

Q9 Please tell us more about Kulim's initiative to obtain the MS ISO 37001:2016 Certification for ABMS.

ED Kulim has set up an Integrity Unit in November 2019 as one of its initiatives to instill the culture of integrity. The establishment of the Integrity Unit is in accordance with the Prime Minister's Directive No. 1/2018 (October 2018) on the establishment of Integrity and Governance Unit in Government-Linked Companies ("GLCs"), companies owned by the Ministry and Government Agencies including the State Government. The Integrity Unit is responsible for promoting good governance, strengthening integrity, monitoring compliance and dealing with improper conducts.

Kulim certification to ISO 37001:2016 ABMS is one of the tools for fighting corruption and as a defense in meeting the "adequate procedures".

Our ABMS objectives are to achieve a CORRUPTION-FREE ENVIRONMENT within Kulim, and this can be achieved through the following initiatives:

- Reviewing our Anti-Bribery related policies and procedures periodically;
- Conducting integrity and ABMS awareness programmes annually;
- Promoting ABMS amongst all business associates; and
- Conducting ABMS performance evaluation annually.

The Group successfully achieved an OER of 21.66% and a KER of 5.39% in 2019

Q10 Please provide a brief "SWOT" (Strength, Weaknesses, Opportunities and Threats) of Kulim.

ED Our corporate SWOT are as follows:

STRENGTH

- Sizeable and economic of scale for agribusiness operation;
- Strong R&D, technology and mechanisation support;
- Sustainability driven management culture;
- Certified Sustainable Palm Oil – RSPO & MSPO;
- Cost management initiatives;
- Experienced and professional Management Team; and
- Established with vast experience and knowledge in the agribusiness industry.

WEAKNESS

- Dependence on foreign labour and higher labour costs;
- Labour situation a high ratio;
- Ageing mills and palms; and
- Stagnant growth potential for Malaysian operations.

OPPORTUNITIES

- Premium for SPO-certified products;
- Potential involvement in related products along the integrated agribusiness value chain;
- Involve in the circular economy via waste-to-wealth activities;
- Leveraging on agribusiness expertise; and
- Venturing into agrotourism business.

THREATS

- Increasing operational costs;
- The volatility of CPO and PK price;
- Manpower shortage;
- Unfavourable weather conditions;
- Competition from substitutes;
- Exchange rate fluctuations;
- Discriminatory policies; and
- Geopolitical risks.

High yielding oil palms are the bedrock of the Group's Vision 30:30

Q11

Human capital is Kulim's most valuable asset. How do the Group nurture and develop its employees to help them unleash their full potential?

ED

Creating and nurturing a conducive corporate culture for our employees are one of Kulim's top priorities, as we believe this will further motivate and facilitate our staff to perform their best and thrive. By motivating, upskilling and providing them with a positive and rewarding working environment, our staff are able to realise their full potential and remain motivated to contribute to the Group even during challenging times, thus ultimately benefiting Kulim and our shareholders in the long-term.

For these reasons, Kulim's human capital strategies emphasize on the following aspects in order to bring out the best of in our staff:

Leadership Enhancement

Kulim focuses on building and growing "leaders" among our employees at every level through exclusive leadership programmes that will help enhance their skills, such as the Johor Corporation Leadership Programme ("JLP") and Advance Johor Leadership Programme ("AJLP") in a bid to create a sustainable talent pool within the organisation.

Through these programmes, participating employees are exposed to a range of business challenges in a variety of scenarios, where they are given with the opportunity to share their leadership experiences.

Capitalising on Growth Potential

The Group also strive to groom and prepare our workforce by upskilling them to meet the needs and changes in their current job and other positions, which also help the staff in terms of their career promotion. Such upskilling programmes cover general skills and professional certifications, such as HR Certification, ACCA, CIMA, CIA, CAHRM, and CePSWAM, among others.

Continuous Training and Development Programmes

Such programmes will assist Kulim in enhancing the skills of our workforce, reduce the gap between the requirements of the organisations and their capabilities, and enrich the skill sets and competencies of our employees.

Strengthening Performance Management System ("PMS")

This move is aimed at promoting a high-performance work culture and runs parallel with our human capital initiatives mentioned earlier. Kulim has also implemented a performance-based on reward system to improve our staff competencies, which involves annual target reviews and settings in a bid to motivate and challenge the Group and employees to raise our performance to the next level.

Employee Engagement

Being a caring corporate entity is important to us, and this means having genuine care for our employees, as well as the society, environment and beyond. This philosophy is well-reflected in our C.A.R.E. programme which aimed at instilling Kulim's corporate values, namely Competitive, Action, Responsible and Ethical amongst all employees, both in their working environment and day-to-day activities.

Hence, it is vital for us to build our Competitive capacity through the firm Action in generating profitable growth, while being firmly guided by our pledge to be Responsible and Ethical. Kulim pursue continuous initiatives to improve the C.A.R.E. programme that engages employees at all level including executives, staff and workers.

Q12

Moving forward, what is the expected outlook for the palm oil industry in 2020?

ED

We believe that 2020 to be a better year for the palm oil industry. We expect Oil Palm Plantation remains the largest contributor to the Agribusiness segment. The CPO production is expected to recover driven primarily by favourable weather conditions as well as the expansion in oil palm matured area. Apart from that, palm oil prices in the world market are expected to be firmer in 2020 with palm oil demand expected to regain its momentum to generate higher export revenue and supported with the higher demand from major markets like China and India.

CPO price expects to be at average of RM2,750 per tonne against last year's average of slightly more than RM2,000 per tonne. The export revenue from palm oil products was expected to increase by 21% to RM78 billion in 2020 from RM64.45 billion recorded last year in anticipation of firmer CPO price this year. (*Source: MPOB)*

Furthermore, exports of CPO are expected to improve following the downward revision on import tariff by India. Following the ban on palm-based biodiesel by the EU, the Government will implement the B20 biodiesel programme which expected to boost domestic demand for palm oil and contribute to a cleaner environment.

Q13 In view of the expected challenges as mentioned earlier, what would be the business outlook for Kulim in the coming year?

ED We remain optimistic of the Group's outlook for the coming year as our fundamentals remain strong despite the various challenges faced by us throughout the year 2019. Therefore, we are optimistic on the strategic initiatives already planned by Kulim to strengthen and further unlock our potential business divisions.

Cattle were brought into the estates primarily as a way to manage weeds but also as part of cost saving initiatives

Agribusiness

We aim to strengthen our competencies in Agribusiness segment through diversification of the existing upstream activities to integrated agribusiness value chain with involvement from upstream, midstream, downstream and circular economy via waste-to-wealth activities. The expansion of agribusiness activity are indeed crucial for us to reduce over-dependency on palm oil upstream activities and will able cushion the impact of volatility of CPO and PK prices to the Group.

In addition, as part of our strategic initiatives to leverage our internal expertise in oil palm by the expansion of plantation activities to Agribusiness segment which involved pineapple, cattle, coconut and other crops which will unleash our potential growth in the future.

Furthermore, the Group is focused to explore untapped opportunities in relation to environment friendly and value-adding applications such as palm oil by-product. The conversion of biogas into biomethane is part of a circular economy and also viewed as a part of Kulim's long-term commitment to sustainable practices along the entire chain of oil palm plantation business. In line with this, we are targeting the commissioning of our first biomethane plant at Sedenak POM by June 2021.

The Group will further enhance our R&D initiatives by using the latest technology and know-how in agronomy, chemistry, seed production, plant breeding, biotechnology and crop protection to optimise our production.

With the new R&D building, Kulim Agrotech Centre ("KAC"), we are optimistic that the findings will help the Group in the R&D field, and subsequently give benefits to the entire plantation industry, especially in terms of quality improvement and agro products innovation.

Meanwhile, the collaborations with MPOB and Malaysian Nuclear Agency offers great potential in enhancing the value-added in the agriculture sector and will have a significant impact on the country's overall economic development.

Pineapple

Kulim plans to expand pineapple business and production through collaboration with the government agency and other interested parties. We also intend to explore the opportunity of expanding into downstream pineapple product.

Cattle

Kulim aims to leverage on Selai Cattle operation which integrates cattle operation with oil palm plantation and to increase the calving rate and sales weight.

Intrapreneur Venture

Kulim aims to establish a stronger foundation for our IV business and further boost its growth, in our effort to bring this segment to greater heights. In this regard, various strategies have been undertaken to strengthen the Group's IV business, comprising exit, harvest or divestment strategy; transforming our existing IV companies into core business; business diversification; and strengthening of the IV segment towards ensuring the Group's business survival.

Oil & Gas

For our Indonesian O&G segment, we intend to focus on the completion of the CSSPA by end-2020. Moving forward, we aim to recoup our investment in the O&G business, considering either through joint venture with a third party or cashing out via dilution of KENSB's equity in PT CSE for a huge potential return after development.

Property

Kulim aims to increase the values of land owned by the Group which will involve the conversion of our plantation estates into the property development projects, especially in strategic locations with a high growth population and demand. The first property project developed for staff housing at Taman R.E.M. was completed by end-2019 and is currently open for sale.

Q14 What would be Kulim's key message to its stakeholders?

ED We would like to assure all our stakeholders that Kulim will continue to deliver sustainable long-term returns and long-term value to them. In 2020, Kulim shall remain committed to generate sustainable returns and superior performance to our shareholders. In this regard, we will continuously be looking at various strategic initiatives to deliver optimal value to our shareholders, as well as provide rewarding careers to our people, foster a mutually beneficial relationship with our business partners, and care for the society and the environment in which we operate while contributing towards the progress of our nation.


SCAN ME

AT A GLANCE

AGRIBUSINESS
DIVISION

GROUP'S TOTAL PLANTED AREA

47,230 hectares + 8,271 hectares = 55,501 hectares

COST MANAGEMENT

(Actual VS Budget)

RM6,246.25 vs RM6,493.00

Cost/Mature Hectare

Savings 4%

PLANTATION NETWORK

ESTATES	PALM OIL MILLS
24	5

EXTRACTION RATE

OER	KER
21.66%	5.39%

CERTIFICATION

5 PALM OIL MILLS

- 5 RSPO & MSPO Certified Mills
- 5 *HALAL* Certified Mills
- 5 ISCC Certified Mills
- 3 Identity Preserved Certified Mills
- 3 Biogas Plant

PRODUCTION

309,867 Tonnes — CPO

77,108 Tonnes — PK

907,188 Tonnes — FFB

AGRIBUSINESS

Mohd Akhir Wanteh
Head of Plantation Division

Zainuriah Abdullah
Head of Plantation Advisory & Services Division

Wan Adlin Wan Mahmood
Head of Engineering Department

OIL PALM PLANTATION

The year 2019 was marked with challenges for Kulim's Plantation Segment with lower palm oil market prices experienced by the Group. During the year under review, our Malaysian operations produced a total of 907,188 tonnes of Fresh Fruit Bunches ("FFB"), a 1.38% decrease from 919,844 tonnes in 2018.

Meanwhile, the prices of CPO began to show a downward trend in the first quarter of the year but increased to RM2,813 per tonne in December 2019. Overall, CPO prices trended lower in the year at RM2,119 per tonne on the back of surplus palm oil production by the industry and lower CPO export volume to major countries. *(Source: Malaysian Palm Oil Council)*

Safety checked- properly attired FFB loader

The opening of Kulim Agrotech Centre ("KAC") in Kota Tinggi, Johor was officiated by YB Dato' Kamaruzzaman Abu Kassim on 3 February 2019. The main objective of the new building is to enhance the R&D activities by providing a better facilities with more environmental compliance. Sprawled over 2.87 hectares, KAC was in line with the Johor's Government aspiration to cultivate science and technology and at the same time creating new value in R&D. KAC consists of five (5) operating units namely tissue culture, genomic laboratory, plant breeding laboratory, Ulu Tiram Central Laboratory, and R&D Management Office which consist of agronomy, plant breeding as well as microbiology lab.

Indirectly these will benefit Kulim to develop further in R&D development and would benefit the entire plantation industry, especially in terms of quality improvement and innovation of agro products.

The opening ceremony of KAC was held together with the launching of the "Cashless Estate" a wage payment system. Cashless Estate is the implementation of cashless monthly payroll facility payment through the KA$H Card. It is a JCorp's smart economic concept initiative, via Virtualflex Sdn Bhd, a subsidiary of JCorp and in collaboration with Kulim that would be gradually expanded to all of our operating units. This is a pioneer concept in Malaysia which has made it convenient as estate worker's salary will be directly credited into the Ka$h Card instead of traditional method which previously paid in cash.

FINANCIAL PERFORMANCE

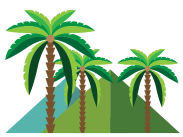
Nevertheless, Kulim's Oil Palm Plantation segment was accounting for 69.04% of the Group's total revenue, making it the largest contributor by far. The total revenue earned was RM834.61 million, a 1.08% drop from RM843.68 million recorded in 2018. The decrease in revenue was mainly due to decline in PK delivered of 77,256 tonnes in 2019 compared to 79,286 tonnes in 2018. Moreover, the lower average CPO price of RM2,182 per tonne in 2019, against RM2,327 per tonne registered in the previous year. The average price of PK also sank to RM1,289 per tonne, compared with RM1,792 per tonne registered in 2018.

TOTAL PLANTATION LANDBANK

Kulim's plantation operations cover a total area of 65,362 hectares spread across Peninsular Malaysia and Indonesia. The total of 50,851 hectares or 77.80% are located in the Southern part of Peninsular Malaysia. The remaining 14,511 hectares are in South Sumatera, Indonesia, where the Group has been granted cultivation rights or *Hak Guna Usaha* ("HGU") status. Landbank area and maturity are broken down in the table below:

	Titled area (ha)	Mature (ha)	Immature (ha)	Total Planted (ha)
	50,851	41,819	5,411	47,230
	14,511*	2,807	5,464	8,271
TOTAL	**65,362**	**44,626**	**10,875**	**55,501**

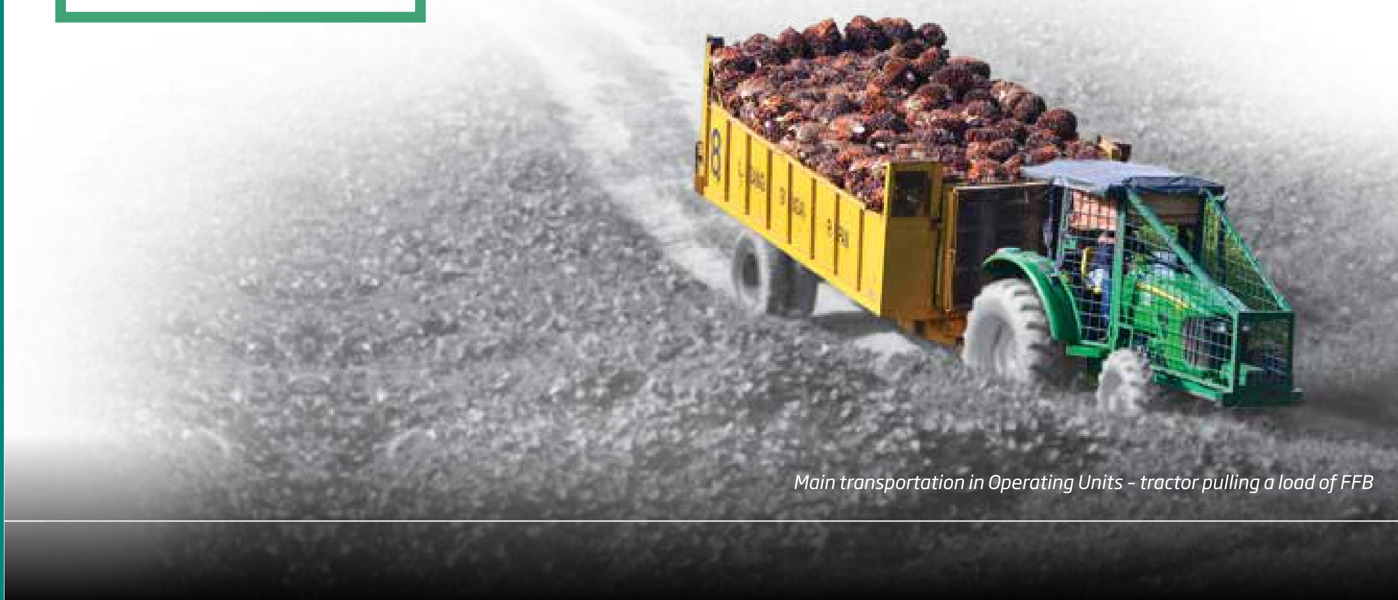
* area with HGU



917,386 tonnes
Total Group FFB production

As of 31 December 2019, total of 55,501 hectares of the Group's landbank was planted with oil palm, of which 47,230 hectares are located in Malaysia. The total planted area of mature palms stand at 44,626 hectares, whereof 41,819 hectares are in Malaysia and the balance 2,807 hectares are in Indonesia.

During the year under review, the combined FFB production for both Malaysia and Indonesia operation amounted to 917,386 tonnes.



Main transportation in Operating Units – tractor pulling a load of FFB

Plantation Performance Committee ("PPC")

ESTATE OPERATIONS

Our Malaysian operations in 2019 produced a total of 907,188 tonnes FFB, a 1.38% drop from the 919,844 tonnes that were produced in 2018. As a result, Yield Per Hectare ("YPH") also decreased to 21.69 tonnes from 22.13 tonnes recorded in the previous year. Nevertheless, these numbers were well above industry averages for the same time period. In 2019, YPH for Johor as well as in Peninsular Malaysia, only reached 19.41 tonnes and 17.95 tonnes, respectively.

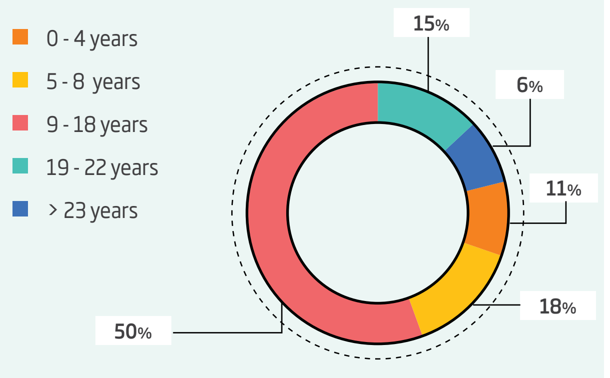
Performance was better during the first six (6) months of 2019, due primarily to impact carried over from the bumper crop in year 2018. The trend however, did not continue and instead declined in the second half of the year. *(Source: MPOB)*

Kulim continued its replanting programme in order to improve the age profile of its palms and achieve optimal productivity. In pursuit of this goal, a total of 776 hectares were replanted with high yielding clones in 2019. Replanting was undertaken on a staggered basis to maximise each crop's potential before felling. As of year end, the Group's Malaysian landbank comprised of prime mature areas (65%), immature/ young mature areas (29%)and areas with old palms of above 23 years (6%).

Malaysia's tightening supply of labour, especially in the plantation industry, did not improve much over previous years. The situation was caused by considerable competition among industry players to attract and retain the workers they needed.

Notwithstanding this, the Group did fairly well in difficult circumstances and Kulim managed to recruit some 834 foreign workers in 2019, adding up to a total labour force of 4,703 for its hectares of oil palm planted areas in Malaysia.

PALM AGE PROFILE - MALAYSIA



Break of day, Selai Estate

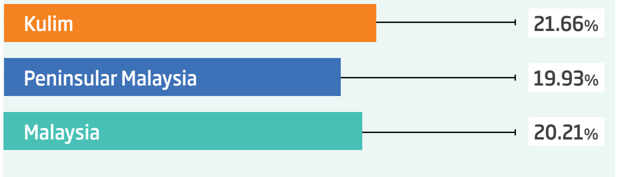
MILL OPERATIONS

During the year under review, Kulim's five (5) POM processed a total of 1,430,514 tonnes of FFB, including 523,326 tonnes from external suppliers and related parties. This saw a decrease in 1.97% from 2018, due primarily by a lower FFB supplied from the external suppliers.

For the year under review, total CPO production from our mills amounted to 309,867 tonnes, a 1.10% increase over the 306,484 tonnes recorded in 2018. During the same period, total production of PK slightly decreased by 2.39%, from 78,995 tonnes to 77,108 tonnes in 2019.

Our Oil Extraction Rate ("OER") improved to 21.66%, from 21.00% achieved previously. As in earlier years, our OER remained higher than the industry average of 19.93% for Peninsular Malaysia and 20.21% for Malaysia as a whole. We achieved a slightly lower Kernel Extraction Rate ("KER") of 5.39%, against 5.41% recorded in 2018.

OER COMPARISON



COST MANAGEMENT AND PRODUCTIVITY INITIATIVES

Palm oil tends to be an industry in which producers are unable to significantly influence market price. Because of this, producers have to improve margins in other ways, such as cost control or improving productivity to enhance their bottom line. In this regard, the Group successfully containing our cost per mature hectare at RM6,246.25, which was lower by 4% compared to the budgeted cost at RM6,493.00. However our field costs at RM287.94 per tonne of FFB, which slightly higher by 1% than the budgeted cost.

Regulatory issues also play a role in shaping the planter's performance and one of the examples was the government imposition of Employment Insurance Scheme ("EIS") in 2018 for local workers. The EIS contributes to approximately 0.4% of monthly wage costs, with the employee and employer need to contribute of 50% each. Besides, the Minimum Wages Order has been implemented with effective from 1 January 2019 which the minimum wage to be paid to employees had increased from RM1,000 to RM1,100.

To mitigate the higher wage cost, Kulim continues to adopt and enhance its Good Agricultural Practices ("GAP") and operational practices to improve operation efficiency and productivity.

The Group has also progressively stepped up its mechanisation programme to reduce reliance on manual labour. To this effect, the Group has invested in more mini tractors mounted with Scissor Lift Trailers and Bin Systems for quicker and more efficient FFB loading and evacuation.

In addition, to improve work efficiency at the estate level, we continuosly monitor the effectiveness of Kulim In-Field Data Execution and Analytics System ("IDEAS") implementation. The system was designed to facilitate our estates in capturing and recording their daily data, particularly on workers' attendance, bunch count number, loose fruit record and total bunch number, through the collection and processing of field data via portable digital barcode terminals.

Scissor Lift Trailer - A more faster and efficient FFB loading and evacuation

RENEWABLE ENERGY PROJECTS

A waste-product in the production of CPO is POME, which produces huge amounts of methane gas from its anaerobic process and has 21 times the Global Warming Potential ("GWP") compared to other gases. However, the high organic content of POME carries great potential for biogas production, a source of renewable energy. In killing two birds with one stone and to achieve its goal of reducing the Group's overall carbon footprint to 50% by 2025, Kulim will establish biogas plants at all of its five (5) mills by 2025.

Three (3) biogas plants have already been installed and in operation, while another two (2) biogas plants are in progress. Our Palong Cocoa POM was the latest being commissioning in March 2020.

Total biogas produced by the mills in 2019 was 3,781,857 cubic metres, which was primarily used for power generation and flaring. Biogas plant at Sedenak POM and Sindora POM were closed for maintenance during the year under review, thus all biogas produced derive from the Pasir Panjang POM. The maintenance work in Sindora POM is expected to be completed by June 2020. While, the biogas plant in Sedenak POM will be upgraded to take all POME produced by the mill, and the biogas produced will be converted to biomethane and to be injected into Gas Malaysia's Natural Gas Distribution System ("NGDS") network. The biomethane project is expected to be commissioned by June 2021 to produce an estimated 250,000 MMBtu of biomethane gas per annum.

During the year under review, a total of 17,662 tonnes of palm kernel shells and 16,841 tonnes of palm fibres were also sold for external use as replacements for fossil based fuels.

In compliance with the Environmental Quality (Clean Air) Regulation 2014, air pollution control devices have been installed in our mills. Two (2) of our mills installed Hurricane Recyclone Systems in 2016 and one (1) mill installed an Electrostatic Precipitator System in 2018. Another two (2) more mills are in the process of installing Electrostatic Precipitator Systems and the installation is expected to be completed by March 2020.

Also, as part of our compliance to a new regulation imposed by the Department of Environment ("DOE") of Johor, on final discharge of waste water, three (3) mills are in the process of installing Tertiary Treatment Plants which are expected to be completed by March 2020. Previously, the Tertiary Treatment Plant in Pasir Panjang POM was completed and running in December 2019. While, Sindora POM had already completed the installation and has been in operation since December 2017.

PLANTATION IN INDONESIA

Though separated by distance, Kulim's overseas family in SumSel, Indonesia is always close to us

Kulim has been granted cultivation rights or HGU status to a total of 14,511 hectares in South Sumatera ("SumSel"), Indonesia. Total of 57.20% or 8,271 hectares of the allotted area has been developed with 5,228 hectares managed by PT Rambang Agro Jaya ("PT RAJ") and the remaining 3,043 hectares by PT Tempirai Palm Resources ("PT TPR").

The original projected timeline for the Group's rehabilitation programme for its Indonesian plantation was in April 2019. However, this was achieved way ahead of schedule with PT RAJ completing the rehabilitation work on 4,317 hectares of land in October 2018. Meanwhile, PT TPR completed its rehabilitation work on 3,191 hectares in July 2018, nearly ten (10) months earlier than anticipated.

The Group's investment in rehabilitation since the past two (2) years has been proven beneficial, as it resulted in a significant improvement in crop recovery. Both estates produced 10,198 metric tonnes of FFB representing a production yield of 4.20 metric tonnes per hectare from a harvesting area of 1,938 hectares. This represents a 74.15% improvement over the yield of 5,856 metric tonnes in 2018.

This trend is expected to remain steady as field conditions and palm vigour improvement indicate a strong potential for continued high yields in years to come. The Group anticipates that by 2023, harvesting area will grow by 426.67% to reach 8,271 hectares. While, FFB production will stand at 95,730 metric tonnes per year by 2024, and the figure will be increased over time.

With regards to infrastructure development, PT RAJ completed construction of 20 Reinforced Concrete ("RC") bridges, a workshop, a fertilizer store and 432 unit of foot bridge. Meanwhile to overcome the flood crisis that constantly occur, two (2) water pump houses and a genset house have also been built to minimise disruptions to operations. In addition, PT TPR has successfully completed a workshop, seven (7) units of RC bridges and 389 units of foot bridge.

As of end-2019, PT RAJ completed 109 kilometre ("km") of laterite field roads while PT TPR completed 76 km for a total of 185 km of roads to facilitate smoother operations.

Finally, on 15 November 2019 saw the completion and launch of the Kayuagung-Pematang Panggang toll road which connects Palembang to Jakarta. This road cuts across 63 hectares of PT RAJ land and is expected to increase the land valuation in the surrounding areas.

RESEARCH AND DEVELOPMENT

R&D is the game changer for the global palm oil industry. The industry's growth continues to depend in large part on advances brought by R&D.

Kulim has long invested in R&D to remain at the forefront of the industry. On 3 February 2019, Kulim opening of new R&D centre known as the Kulim Agrotech Centre ("KAC") in Kota Tinggi Johor which brings together a team with expertise in a broad range of disciplines, including agronomy, remote sensing, microbiology, seed production, plantbreeding, biotechnology and chemistry, and more.

The KAC provide a better facilities and environmentally compliant consist of five (5) operating units namely tissue culture, genomic laboratory, plant breeding laboratory, Ulu Tiram Central Laboratory, and R&D Management Office which consist of agronomy, plant breeding as well as microbiology lab. The mini microbiology lab enable us to embark on our own research on beneficial microbes in pursuit of yield enhancement via a more sustainable oil palm production. The centre will also support the team's studies in genomics, ensuring that Kulim remain at the cutting edge of technology.

KULIM (MALAYSIA) BERHAD • MALAYSIAN PALM OIL BOARD ("MPOB") • MALAYSIAN NUCLEAR AGENCY

IN DEVELOPING THE RESEARCH INDUSTRY

12 DECEMBER 2019 HAS EMBARKED AS SIGNIFICANT EVENTS FOR THE GROUP AS KULIM HAS SIGNED A MEMORANDUM OF AGREEMENT (“MoA”) AND MEMORANDUM OF UNDERSTANDING (“MoU”) IN EXERTION TO EVOLVE IN SECTOR OF AGRICULTURE, PLANTATION AND BUSINESS IN JOHOR WITH MPOB AND MALAYSIAN NUCLEAR AGENCY RESPECTIVELY.

Under the five (5) years MoA with MPOB, Kulim will use three (3) MPOB’s technology applications to speed up the production of oil palm planting materials that can offer better yields with the applications are DNA fingerprinting, SureSawit Virescens and SureSawit Shell Kit. Apart from helping to identify and verify choice of seeds quickly and accurately, the deal would also save the company up to five (5) years of research compared with 20 years using of the existing technology.

On the same day, Kulim also has signed a MoU with the Malaysian Nuclear Agency to conduct research on the new disease-resistant pineapple varieties. The effort would be accomplished through the technology adaptation using irradiation for a period of cooperation of five (5) years.

These collaboration will be extended to other areas identified as viable and will have a significant impact on the development of economy as a whole. At the same time, it is expected to highlight some new initiatives that have potential to increase value-added in the sector of agriculture thus, directly reducing the country’s dependency on imported food as well as strengthening the national food security agenda which is needed now for the long term benefit.

PRECISION AGRICULTURE AND ANALYTICAL SERVICES

The Kulim Agrotech Information System ("KATIS") was designed based on the concept of precision agriculture. It aims to optimise field-level management by capturing agronomic and management data from the Global Positioning System ("GPS"), Geography Information System ("GIS") and the Oil Palm Monitoring Programme. The data provide a quick overview of an estate's performance so that underperforming areas can be identified and remedial actions can be taken.

Under KATIS, drones are deployed to capture high-resolution aerial photographs. These images are then integrated into available GPS digital maps. The system is also equipped with avionics-autopilot, an imaging sensor from a digital camera or any advanced sensor and a cradle system, ground control points and photogrammetric processing software. With the information gathered, we improve land utilisation, precisely control the amount of fertiliser, accurately map fields and monitor crop health for signs of diseases and pest infestations.

Harnessing even more opportunities provided by digital technologies, the Group has also ventured into computerised terrain modelling using digital elevation data taken from an airborne Interferometric Synthetic Aperture Radar ("IFSAR") sensor. A Digital Elevation Model ("DEM") is a digital geographic data set of elevations in "xyz" coordinates. The elevations for ground positions are sampled at regularly spaced horizontal intervals, whereby providing information that helps improve land preparation during replanting.

ANALYTICAL SERVICES

Kulim's Ulu Tiram Central Laboratory ("UTCL") improves the productivity of agronomic and fertiliser decisions by conducting both chemical and physical testing on samples.

In addition, they also provide services for effluent testing for palm oil mills. Equipped with the latest testing equipment including Inductive Coupled Plasma-Optical Emission Spectrophotometer ("ICP-OES"), Atomic Absorption Spectrophotometer ("AAS"), UV Spectrophotometer and Nitrogen Auto Analyser, to provide fast and reliable sample analysis for both in-house and external customers.

As an assurance of quality, UTCL has maintained its accreditation to MS ISO/IEC 17025 SAMM *(Skim Akreditasi Makmal Malaysia)*, the main ISO standard for testing and calibration laboratories. It also participates in the National Crosscheck, an annual event organised by Agricultural Laboratory Association of Malaysia ("AgLAM").

UTCL's standards have also been acknowledged by the global community in the form of the Mutual Recognition Agreement ("MRA") endorsed by the International Laboratory Accreditation Cooperation ("ILAC"), an international organisation for accreditation bodies operating in accordance with ISO/IEC 17011. ILAC is involved in the accreditation of conformity assessment bodies including calibration laboratories, testing laboratories, medical testing laboratories and inspection bodies. Over 90 accreditation bodies including the Department of Standards in Malaysia from more than 80 countries have signed the ILAC MRA.

Locally, UTCL has also been recognised for its contributions. Institut Kimia Malaysia ("IKM") awarded UTCL with its prestigious IKM Laboratory Excellence Award in a ceremony officiated by the Deputy Secretary-General of the Ministry of Energy, Science, Technology, Environment and Climate Change (Science, Technology and Innovation). The award is part of UTCL's commitment in providing quality and competent testing services pertaining to local legislation especially in the field to protect safety and the environment.

AGRONOMY

Agronomy is the science and relevant technologies of soil management and crop production. Over 20 years of gathered knowledge enables Kulim to more effectively gauge the performance of different planting areas, provide analysis and recommendations on best practices, identify sites for new agronomy trials and put forward suitable measures to overcome pest and disease outbreaks.

Kulim's Agronomy Unit has branched beyond merely providing technical advice and services to undertaking full-fledged R&D activities. Its research findings are shared with estates across the Group to enhance the monitoring of field performance and facilitate benchmarking against the high-performers.

UTCL was awarded
IKM Laboratory Excellence Award 2019

MAXIMISING YIELD

Kulim continuously using agronomic services to maximise yields and outputs in a sustainable manner. Implemented Best Management Practices ("BMP") includes:

1. Nutrient management as well as soil characterisation and conservation are deployed to improve soil management;
2. Long-term fertiliser studies to look into the efficiency of specific nutrient applications;
3. Trials/ screening of pesticides evaluate the use of pesticides for effectiveness and cost competitiveness, as well as lower toxicity and increase environmental friendliness;
4. Emphasis on achieving an optimal balance of inorganic and organic fertilisers to promote efficiency of energy usage and sustainably achieve higher oil palm yields. This will also enhances soil ameliorant, thus improving soil fertility and health;
5. Use of biocompost produced from the Group's milling operations to enable the efficient use of by products in larger planting areas and reduce reliance on costly inorganic fertilisers;
6. Rising to the challenges of achieving and sustaining high yields of above 30 tonnes per hectare in good terrain with appropriate rainfall;
7. The planting of premium crops (produced by stringent selection and cloning) are capable of producing higher oil products via better yield per hectare and higher oil extraction rate; and
8. Continuous studies on how to most efficiently used of water sources for irrigation in drier zones, especially in Segamat area.

INTEGRATED PEST MANAGEMENT ("IPM")

Based on experience and integral to its sustainability agenda, Kulim recognises its efforts to reduce over dependence on pesticides involved a collaboration with well-known *Tyto alba* (barn owl) researcher, Dr. Chris Small,in which owls were used as pest control in oil palm plantations. While this initiative started in the early 1980s, barn owls and snakes continue as a useful and sustainable role in helping to keep rodent population in check, while predatory insects, parasitoids and pathogenic fungi keep defoliating insects at bay.

Only in an outbreak situation, where natural predatory controls are inadequate, we do resort to using insecticides. Kulim has also adopted mechanical control techniques in land preparation to minimise the spread of Ganoderma infections, a fungus capable of killing palm oil trees. Planting of beneficial plants has also been advocated to provide a conducive environment for parasitoids and predators to deter defoliating insects. In addition, pheromone traps have been widely used in replanting areas to control the *Oryctes Rhinoceros* beetle population, which can inflict serious damage to young palms.

RESEARCH COLLABORATION

Kulim has long collaborated with research institutions such as the MPOB and Universiti Putra Malaysia for the further advancement of the palm oil industry. A long-standing collaboration focuses on Ganoderma research, severe oil palm disease. With the signing of MoA and MoU in December, the collaboration with MPOB as well as Malaysian Nuclear Agency will be further enhanced.

ZERO-BURNING REPLANTING TECHNIQUE

Since early 1990s, the industry standard has been adopted the zero-burning replanting technique. One eco-friendly alternative to burning involves the shredding of palm oil stands and leaving them to decompose naturally in situ, thereby recycling nutrients into the soil. Apart from complying with local environmental legislation and RSPO, this zero-burning practice is part of Kulim's contribution to minimise global warming through reduced emissions of GHG.

PLANT BREEDING

Conventional Breeding

The primary objective of Kulim's breeding programme is to produce elite planting materials to achieve high oil yields. To this end, several new crosses were nurtured for the 2019 planting and evaluation programme.

Experiments were undertaken to find new sources of improved dura and pisifera parental palms that can be used as future planting materials. Besides Dami duras, another new 76 SIRIM-certified duras from the ex-Oil Palm Genetic Laboratory ("OPGL") were used as mother palms for dura population enrichment. Our efforts have resulted in 0.5 million commercial DxP seeds being sold.

The Plant Breeding team also closely monitored elite tenera clones from MPOB in their breeding test plots. Based on seven (7) consecutive years of FFB data collection, Clone P325 was developed to produce the average FFB of 30 tonnes/hectare/year with an Oil-to-Bunch ("O/B") ratio of 37.5%. Other various clones such as P379, P373, P252 and P577 are being evaluated for specific traits.

Rooting stage in oil palm tissue culture process; Kulim TopPlant Sdn Bhd

GENOMIC STUDY

Mapping the Shell Gene

Mapping the shell gene was one of MPOB's early ventures into exploiting the genome data to identify the location of a specific gene. The use of a marker linked to shell gene can be used as a quality control tool to check for dura contaminants in commercial planting materials, thus indirectly increasing yields.

This control checking can be carried out as early as at the fresh seeds stage. Through collaboration between Kulim and MPOB, it was found that the occurrence of dura contaminants in Kulim DxP seeds after several testings was far below the permissible level of 5%.

Marker for Fruit Colour

The MPOB's marker can distinguish virescens fruits (green when young and orange when ripe) and nigrescens fruits (black when young and red when ripe) before field planting, even in the pre-nursery stage.

This marker has a potential to select virescens materials with non abscission fruits for ease of ripeness determination and to reduce the problem of uncollected loose fruit due to labour shortage in the plantations.

This marker is targetable for homozygous virescens pisifera or dura. Through collaboration between Kulim and MPOB, some duras of Tanzanian and Angolan populations were identified as heterozygous virescens that require a cycle of selfing in order to obtain a generation of homozygous virescens.

TISSUE CULTURE

Selection of High Yielding Tenera Clones for Recloning

Tissue culture is the way forward to produce elite palms in mass quantity. 40 palms with O/B over 33% and oil yield above nine (9) tonnes per hectare per year have been identified and were recloned in 2019. A total of 30,000 high yielding ramets have been produced by Kulim TopPlant Sdn Bhd ("KTPSB") in 2019 and sold to Kulim Estate.

Through mutual collaboration with MPOB, we managed to secure a very promising clones which is P325. Records on clone P325 showed that mean FFB was 243.76 kg/palm/year (33.15 tonnes/hectare/year). Laboratory study showed O/B ranged from 34.52% to 39.37% thus may give potential oil yield between 9.38 tonnes oil per hectare to 15.37 tonnes oil per hectare.

For P700 clones yield recording data showed that mean yield of 203.86 kg/palm/year (27.72 tonnes/hectare/year). Bunch analysis data showed that O/B ranged from at 34.39% to 36.93%. This clone has the potential to produce oil yield varies from 9.21 tonnes oil per hectare to 10.93 tonnes oil per hectare with an average for the clone at 9.75 tonnes oil per hectare. These two (2) clones are among the clones that will bring Kulim Group to another level.

Challenge and Expectation

The future challenge for KTPSB was the increase in cost of production and to find the better solution in finding ortets with high amenability. KTPSB will also explore tissue culture production for other crops such as pineapple and banana. KTPSB tissue culturist has taken a step ahead by attending training at Malaysian Nuclear Agency, Bangi in order to equip themselves in new bio reactor technology to extend and integrate new knowledge towards successful of tissue culture.

PINEAPPLE BUSINESS

Kulim has been involved in the pineapple industry since 2008 and today is one of the biggest producers of premium MD2 fresh pineapples in Malaysia. The MD2 pineapple plantations, run by Kulim Pineapple Farm ("KPF"), is responsible for growing, promoting and marketing pineapple products under the brand of "Melita". Producing for the local as well as export markets, as of 31 December 2019, the total area of MD2 farms stood at 418 hectares in Ulu Tiram, Kluang, and Mersing.

Melita downstream products (OEM products) are certified *Halal* by Department of Islamic Development Malaysia ("JAKIM"). The company also have a certification of Malaysia Good Agricultural Practice (myGAP 2010-2020), MYBest, and *Sijil Pengesahan Bahan Tanaman ("SPBT")*. In addition, Kulim is one of the three (3) companies in Malaysia to have obtained approval from General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China ("AQSIQ") to export fresh pineapples to the Republic of China. The official recognition has raised trust for the primary product as well as for downstream products.

During the year under review, KPF became one of the pit-stop destinations selected for *Kembara Mahkota Johor 2019*. His Majesty, Sultan Ibrahim Ismail Ibni Almarhum Sultan Iskandar and Her Majesty, Raja Zarith Sofiah Almarhum Sultan Idris Shah had spent their precious time to visit the kiosk and pineapple farm.

Following a good quality product and delicious taste of Melita pineapples, KPF had gained recognition during *Hari Peladang, Penternak dan Nelayan Kebangsaan 2019* which has been awarded as the winner of MD2 pineapple competition for the agricultural produce category. To date, the company has opened a total of nine (9) Melita kiosks in Johor which are located at Ulu Tiram Estate, Galleria @ Kota Raya, KPJ Johor Specialist Hospital, Larkin Central and KPJ Puteri Specialist Hospital while Melita kiosks around the city are located in KPJ Tawakal Specialist Hospital, KPJ Damansara Hospital, KPJ Ampang Hospital and KPJ Seremban Hospital.

In a collaborative expansion programme with Malaysian Pineapple Industry Board ("MPIB") and Agrobank for the Agropreneur B40 programmes, 12 Agropreneur participants have successfully developed 24.29 hectares at end-2019. Moving forward, KPF is looking into additional areas for expansion with targeted of more than 800 hectares by 2024. The expansion project is expected to raise production from 1,954 metric tonnes in 2019 to 6,800 metric tonnes in 2020. Greater production, in turn, will significantly elevate KPF's revenue in terms of sales. To increase sales even further, KPF is exploring opportunities for the Melita brand to reach a far greater market by venturing into E-Commerce services.

During the year under review, Kulim made significant strides in its pineapple projects generated over RM14.62 million in revenue.


The brand name "Melita", the MD2 pineapples produced by KPF receives good demand from both local and overseas markets


There are more than 14,000 hectares plantation area have been utilized for over 6,000 heads of cattle grazing

CATTLE PROJECT

Kulim's involvement in the Agribusiness segment was a logical offshoot of its traditional palm oil business. In line with the government call to implement a cattle breeding and rotational grazing programme and to comply with its established Good Animal Husbandry Practices ("GAHP"), the Group started with small scale cattle rearing programme.

In oil palm plantation, the inter-row spaces promotes the growth of plant species are usually considered as weeds. Typically, another intensive oil palm plantation is using chemicals to control weed growth in order to minimize the competition of crop nutrients. However, Kulim practice is using inter-row space for cattle grazing. Cattle were brought into the estates primarily as a way to manage weeds but also as part of cost saving initiatives.

There are three (3) dominant cattle types under cattle project which are pure Kedah Kelantan ("KK"), pure Brahman and Brahman-KK crosses. These breeds are hardy and conveniently to be reared under oil palm plantation. There are more than 14,000 hectares plantation area have been utilized for cattle grazing. The grazing area is dependable with the age of oil palm itself. Most cattle are grazes under more than ten (10) years of oil palm tree. As the palm matures, the canopy increases and limits light penetration, as a result will reduce grasses present in the inter-row spaces. Hence the number of cattle also need to be adjusted to correspond with the grasses.

Our cattle project ("Selai cattle") is currently being run by Selai Sdn Bhd, a subsidiary of Kulim.

At end-2019, Selai cattle had a total headcount of 5,808 heads versus 6,199 heads at the end-2018. During the year under review, the total population within feedlot and integration segment was 6,024 heads, which decreased by 8% from 6,479 heads in 2018. This was due to decrease parallel with palm oil age and culling of unproductive cows which has stopped being productive as well as the halt of feedlot fattening activities.

Total cost saving of cattle grazing for the year 2019 was RM331,871 an increase saving of 8% on weeding compare to 2018 at RM304,285. It shows a good form of agriculture practice executed by Kulim to optimize and maximize the use of land.

Selai cattle also engage a good collaboration with the Department of Veterinary Service for their expertise and advice regarding cattle health and productivity. Series of herd health programme like screening of diseases and productivity examination has been done to ensure our cattle in optimum and good quality condition. Moving forward, Kulim aims to become a significant cattle integration player in Malaysia with targeted of 10,000 heads of cattle grazing freely under Kulim's estate within next five (5) years.

During the year under review, cattle projects generate over RM5.44 million in revenue from sales of cattle and RM13.6 million valued from the cattle stock.

TOTAL QUALITY MANAGEMENT

Kulim's steadfast commitment to Total Quality Management across all business processes which has led to five (5) of the Group's operating units, namely Tereh Selatan Estate, Palong Cocoa POM, Tereh POM, Sindora POM and Sedenak POM which have successfully earn ISO 9001:2015 accreditation. This flagship standard as bestowed by the International Standards Organisation ("ISO") sets out the requirements for a world class Quality Management System ("QMS").

Having achieved this certification enables for Group to monitor, maintain and provide top quality products and services to our customers. The most recent edition of ISO 9001 has incorporated new approaches in the Quality and Environmental Management System and places a greater focus on performance as opposed process alone.

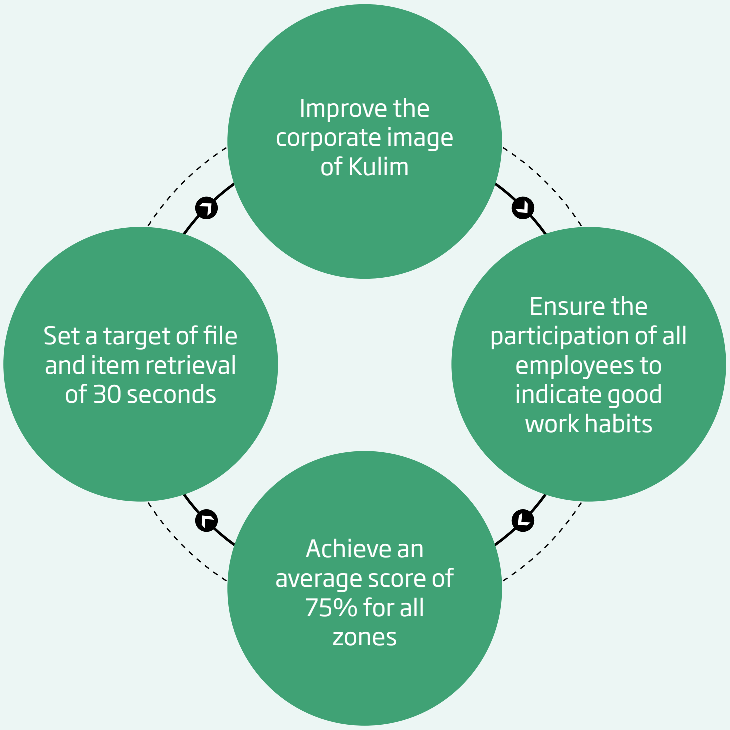
In our efforts to reduce any negative impact on the environment, three (3) of our operating units, namely Sindora Estate, Sedenak Estate and Sindora POM have received ISO EMS 14001:2015 certification, the world's most recognised system for environmental management standards. Kulim's UTCL has also been accredited with ISO/ IEC 17025:2015 certification, which recognises technical competence of testing and calibration laboratories.

In addition, all products produced by the Group palm oil mills, namely Palong Cocoa POM, Tereh POM, Sindora POM, Sedenak POM and Pasir Panjang POM have been certified *Halal* by JAKIM.

QUALITY ENVIRONMENT (5S) CERTIFICATION

The 5S concept, come from the Japanese words Seiri (Sort), Seiton (Set In Order), Seiso (Shine), Seiketsu (Standardise) and Shitsuke (Sustain) have guided us in our quest for continuous improvement.

Kulim adopted the 5S Quality Environment principles since 8 January 2015 as a respond to JCorp's mandate for all companies within its corporate umbrella to adhere to the principles of 5S, which marks the start of a healthier, more efficient and more productive workplace. Keeping the QE/5S principles in mind, we strive to attain the following main objectives:



The QE/5S principles are based on the main premise that cleanliness and tidiness will contribute towards a safe and conducive work environment. This in turn, has a positive impact on staff performance and ultimately, the Group's profitability. For the year of 2019, Kulim has successfully conducted the fifth Surveillance Audit on 30 April 2019 with the Certification Body of Malaysia Productivity Corporation ("MPC"). The audit was conducted based on new criteria and requirements as set by MPC, which place greater focus on the concept of Plan-Do-Check-Action and Impact.

OUTLOOK AND PROSPECT

The Malaysian palm oil industry is expected to bullish on this year's outlook for the sector amidst flattish production, depleting global vegetable oil inventories and growing demand for the commodity. The country's palm oil production is projected at 19.3 million tonnes to 19.5 million tonnes this year, lower than last year's of 20 million tonnes, which augurs well for the price to climb higher.

By early March 2020, stocks of world vegetable oils are likely to deplete, making the price outlook for palm oil bullish. The golden crop is expected to have a stellar performance throughout the year which is the CPO price assumption of between RM2,600 per tonne and RM2,700 per tonne for this year. At this price, the commodity could still be well supported with demands from key markets like China and India.

The Group expects a higher CPO price would lift the equity market since many of the country's big plantations companies are listed on Bursa Malaysia therefore potential to lift the index higher and the higher ringgit could make the palm oil expensive thus reducing export prospects. *(Source: MPOB)*

Kulim also plans to strengthen our competencies through expansion from the existing upstream activities into an integrated agribusiness value chain with involvement from upstream, midstream, downstream and circular economy via waste-to-wealth activities. The Group also will continue our efforts to increase productivity by continually developing and deploying new technology, utilising environment-friendly fertilisers, improving field mechanisation, providing on-the-field training for operational optimisation, allocating more funds for R&D to produce improved clones with higher yields, switching to alternative energy sources and imposing more stringent controls on operational costs. Hence, the Group are expected to perform satisfactorily during the upcoming FYE 2020.

A relaxing and peaceful view at sunset of the Tereh Utara Estate


SCAN ME

AT A GLANCE

INTRAPRENEUR VENTURE

DIVISION

REVENUE

RM37.63 Million

PROFIT BEFORE TAX

RM0.25 Million

EXTREME EDGE SDN BHD - GROUP

REVENUE

RM18.20 Million

PROFIT BEFORE TAX

RM1.04 Million

KULIM SAFETY TRAINING & SERVICES SDN BHD

REVENUE

RM3.96 Million

PROFIT BEFORE TAX

RM0.62 Million

PERFECT SYNERGY TRADING SDN BHD

REVENUE

RM8.66 Million

PROFIT BEFORE TAX

RM0.21 Million

MIT INSURANCE BROKERS SDN BHD - GROUP

REVENUE

RM7.39 Million

PROFIT BEFORE TAX

RM0.89 Million

INTRAPRENEUR VENTURE

Idham Jihadi Abu Bakar
Head of Corporate Services Division

A commitment to real Entrepreneur capabilities and management talent among employees lead us to establish Kulim's Intrapreneur Venture ("IV") Division. The Division is entrusted to create an ecosystem that encourages value-adding initiatives across a diverse range of businesses, optimising performance and returns in plantation support operations, biofertilizer, agricultural machinery, oil palm nursery, provide training and OSH related services, as well as IT-related and insurance broking services. Altogether, there are eight (8) active companies with equity participation by Entrepreneurs and Corporate Intrapreneurs.

In light of the volatile economic environment, Kulim has been reassessing the performance of its IV companies. Companies with potential and profit growth have been nurtured and expanded, while companies that experienced setbacks have either been reviewed, restructured or merged. Viable plans and strategies have also been laid down to meet the challenges of an ever changing market environment.

Kulim's signature product, a three-wheeler multi-purpose machine, also known as a mechanical buffalo named "Badang", mainly used for FFB evacuations and other field works

FINANCIAL PERFORMANCE

In 2019, the IV Division recorded revenue of RM37.63 million, a decreased of 21.49% compared with RM47.93 million posted the preceding year. The Division recorded a PBT of RM0.25 million in 2019 from RM1.24 million registered previously. Extreme Edge Sdn Bhd ("EESB") Group was the most profitable company within the Division, generating PBT of RM1.04 million. Other companies that recorded satisfactory performance including Kulim Safety Training and Services Sdn Bhd ("KSTS"), MIT Insurance Brokers Sdn Bhd ("MIT") and Perfect Synergy Trading Sdn Bhd ("PSTSB").

CORPORATE DEVELOPMENTS

During the year under review, Kulim undertook several measures to strengthen its IV business with the aim to provide an operational base that would create value. These measures includes, the cessation of loss-making operations or companies, revising company business models, merging and disposing of under-performing companies or no longer fit in the Group's strategic vision, diversification, and outsourcing of certain businesses and activities.

Accordingly, EPASA Shipping Agency Sdn Bhd ("EPASA") and Special Appearance Sdn Bhd ("SASB") had ceased their operations on 1 May 2019 and 31 December 2019, respectively. EPASA became dormant on the same date of its ceased operations, while SASB will follow suit by 2020. Meanwhile, KSTS acquired Optimum Status Sdn Bhd ("OSSB") from EPA Management Sdn Bhd ("EPA") effective on 13 February 2019.

EESB Group was the most profitable company within the Division, generating a revenue of RM18.20 million

▼ 21.49%

DIVISION REVENUE

RM37.63 Million

▲ 37.88%

EESB GROUP REVENUE

RM18.20 Million

EXTREME EDGE SDN BHD

EESB was incorporated on 1 January 2010, and since then, it has set its sights on becoming a premier information technology solution integrator and business performance enhancer in Malaysia's competitive Information Communications Technology ("ICT") business landscape. EESB is a one-stop solutions centre which focuses on providing networking and communications, backup and recovery, project management and consultation, managers services of hardware, website design, web application development, and business applications.

For the financial year under review, EESB Group recorded a revenue of RM18.20 million, an increased of 37.88% as compared to RM13.20 million posted in 2018. This was due to an increase in supplies of hardware and software, as well as maintenance contracts with Kulim and securing new external projects. However, stiff competition in the market, which lead to a decreased in EESB's PBT margin of 57.55% to RM1.04 million in 2019, down from RM2.45 million recorded in the previous year.

KULIM SAFETY TRAINING AND SERVICES SDN BHD

KSTS was incorporated on 1 January 2013 as a subsidiary of Kulim's wholly-owned EPA. Guided by its motto, "Safety Makes a Difference", KSTS specialises in Occupational, Safety and Health ("OSH") services, with emphasis on OSH training, human resource development, and motivational activities. KSTS also provides advisory services on matters related to Occupational, Health and Safety Management Systems ("OHSAS 1800") and ISO Quality Management Systems. It undertakes auditing, inspection and look into cases related to deaths, accidents and dangerous occurrences at the workplace and make recommendations for improvements.

Other services provided includes health screening (medical surveillance), noise monitoring and gas testing, administering urine and drugs tests as well as fire safety. KSTS also provides on-site medical officer visitations and medical screenings for foreign workers on behalf of the Foreign Workers Medical Examination Monitoring Agency ("FOMEMA").

During the financial year under review, KSTS generated a revenue of RM3.96 million, representing an increased of 4.49% from RM3.79 million posted in 2018. Meanwhile, PBT decreased by 20.51% to RM0.62 million compared to the previous year at RM0.78 million.

KSTS specialises in OSH services, with emphasis on OSH training, human resource development, motivation and quality related field works, and its clientele are now growing

Established in 1973, MIT which prides itself on being "World Class, Home Grown" has evolved to be a significant player and is well-placed to become a leading insurance service provider in the country

MIT INSURANCE BROKERS SDN BHD

MIT prides itself on being "World Class, Home Grown". Established in 1973, the company has evolved to be a significant player with the capabilities and track record to deliver quality insurance solutions. Apart from offering conventional insurance to a growing client base, MIT is also a licensed Takaful broker.

MIT is venturing into Captive Insurance to diversify its earnings base. A 'captive' is an insurance company that is set up and wholly-owned by one or more non-insurance companies to insure the risks of its owners. Presently, MIT has established its captive insurance company, MIT Captive, on the island of Labuan, offshore Sabah, which has a well-established reputation as a captive domicile.

During the financial year under review, MIT generated a revenue of RM7.39 million, representing an increased of 8.20% up from RM6.83 million posted in 2018. The company has recovered from its losses of RM0.25 million recorded in 2018 to PBT of RM0.89 million in 2019 due to increase in its brokerage fees. In 2019, gross premiums handled by MIT amounted to RM59.59 million, a decreased of 1.88% from RM60.73 million recorded the year before.

PSTSB will be involved in business diversification stance to ensure its continuity and sustainability in the near future

PERFECT SYNERGY TRADING SDN BHD

PSTSB was established on 8 July 2010 as a distributor and supplier of fertilizers and chemicals based in Kota Tinggi's Industrial Area in Johor. The Company is dedicated to providing efficient and customer friendly services to their clients. Its main clients consist of estates within JCorp Group and the Kulim Group. PSTSB's products meet the stringent requirements set by the Malaysia Standards Department and are also certified with MS ISO/IEC 17025:2005 under the Malaysia Laboratory Accreditation Scheme ("MLAS") for assurance of quality.

During the financial year under review, PSTSB's revenue in 2019 was decreased by 3.13% to RM8.66 million compared to RM8.94 million in 2018. Concurrently, PBT decreased by 61.11% to RM0.21 million compared to the previous year which earned RM0.54 million. PSTSB has planned for business diversification to ensure its continuity and sustainability.

▲ 4.49%
KSTS REVENUE
RM3.96 Million

▲ 8.20%
MIT REVENUE
RM7.39 Million

▼ 3.13%
PSTSB REVENUE
RM8.66 Million


SCAN ME

AT A GLANCE

OIL & GAS
DIVISION

REVENUE

RM307.52 Million

PROFIT BEFORE TAX

(RM92.51) Million

DANAMIN (M) SDN BHD

Principle Activities

- Non-Destructive Testing ("NDT")
- Fabrication
- Pipe Milling

REVENUE

RM35.64 Million

PROFIT BEFORE TAX

(RM16.52) Million

E.A. TECHNIQUE (M) BERHAD

Principle Activities

- Port Services
- Marine Transportation & Offshore Storage
- Marine Engineering Services

REVENUE

RM271.87 Million

VESSELS

45 Units

PROFIT BEFORE TAX

RM32.68 Million

OIL & GAS

Noor Effendy Mohd Ali

Head of Business Development & Marketing Division

FYE 2019 was a challenging for Kulim's O&G Division, as it posted a LBT of RM92.51 million compared to PBT of RM73.91 million in FYE 2018. LBT was recorded mainly due to impairment and share of loss of Indonesia O&G joint venture investments amounted RM44.05 million. The Division recorded decrease in revenue of RM307.52 million, representing a 34.56% lower compared to RM469.92 million achieved in the previous year.

During the year under review, our subsidiary, EA Tech contributed of RM271.87 million to the Group revenue, a decrease of 35.11% compared to RM419 million recorded in 2018. EA Tech posted a PBT of RM 32.68 million, against PBT of RM90.36 million in 2018.

Another subsidiary of the Group, Danamin, an engineering and quality assurance provider which caters to niche industries, recorded a revenue of RM35.64 million in 2019, a decrease of 30.01% from RM50.92 million posted in the previous year. The Company also registered a LBT of RM16.52 million against RM2.08 million previously.

In Indonesia, the acquisition of PT CSE did not create a significant impact on our earnings in 2019. The PT CSE deal in Indonesia is part of our strategic decision to venture into upstream O&G business and move up the O&G value chain into Exploration and Production ("E&P") activities.

Safety first; a shipyard worker wearing proper Personal Protective Equipment ("PPE")

This Indonesian venture is currently moving towards production stage and is targeted to go on-stream in year 2021. Although it offered little or no contribution to the Group's 2019 financial performance, we are confident that its contribution will grow significantly within the next few years as it enters into commercialisation phase.

Given that O&G exploration, production and operations involve a variety of risks which may expose the Group to substantial liability. Kulim has ensured that the organisation practises high standard of safety precaution. Our Risk Management team continually monitors our date and has established a sound risk management strategy for the Group.

INDUSTRY DYNAMICS

In December 2019, the OPEC Reference Basket ("ORB") value rose by $3.54 or 5.6%, month-on-month ("m-o-m") to an average of $66.48/b, the highest value recorded since April in the same year. Similarly, ICE Brent increased by $2.46 or 3.9%, m-o-m to an average of $65.17/b, while NYMEX WTI increased by $2.73 or 4.8%, m-o-m to average $59.80/b. Oil prices were supported by optimism about the outlook of oil market fundamentals, following easing trade tensions between the US and China and continued market stabilisation efforts conducted under the Declaration of Cooperation ("DoC"). The market structure of all three (3) crude benchmarks ICE Brent, NYMEX WTI and DME Oman remained in backwardation. Money managers increased their speculative net long positions on the back of more bullish sentiment.

▼ **34.56%**

OIL & GAS REVENUE

RM307.52 Million

Global oil demand growth for 2019 was revised lower by 0.05 mb/d compared with the previous month's assessment, and is now estimated at 0.93 mb/d.

Demand growth in OECD Americas was revised lower for the first half of the year due to the sluggish middle distillate demand. Slower than expected industrial fuel demand in OECD Asia Pacific also necessitated slight downward revisions. For 2020, oil demand growth is revised upwards by 0.14 mb/d from the previous month's assessment and is forecast at 1.22 mb/d, mainly reflecting an improved economic outlook for 2020. As a result, total world oil demand is projected to rise from 99.77 mb/d in 2019 to 100.98 mb/d in 2020. Meanwhile, oil demand growth in the OECD region is forecast to increase by 0.09 mb/d, supported by OECD America, while non-OECD is expected to lead demand growth by adding 1.13 mb/d mainly in other Asia, especially India and China.

Non-OPEC oil supply growth for 2019 was revised upwards by 0.04 mb/d from the previous month's assessment and is now estimated at 1.86 mb/d, for an average of 64.34 mb/d. The upward revision was lead mainly by US liquids output growth, which was revised higher by 46 tb/d, resulting in annual growth of about 1.66 mb/d in 2019. Non-OPEC oil supply growth in 2020 is also revised upwards by 0.18 mb/d from last month's assessment and is forecast at 2.35 mb/d for an average of 66.68 mb/d. The upward revisions in Norway, Mexico and Guyana were partially offset by downward revisions to the supply forecasts of the US, Russia and other OECD Europe.

The US, Brazil, Canada and Australia were the key drivers for growth in 2019, and are expected to continue leading the growth in 2020, with the addition of Norway and Guyana. OPEC NGLs production in 2019 is estimated to have grown by 0.04 mb/d to an average of 4.80 mb/d and is forecast to grow to an average of 4.83 mb/d in 2020. In December, OPEC crude oil production dropped by 161 tb/d m-o-m to average 29.44 mb/d, according to secondary sources.

The tanker market strengthened in December 2019, as freight rates in both dirty and clean segments of the market surged. On average, dirty tanker spot freight rates rose by 29% m-o-m on the back of increased tonnage requirements and high bunker prices. In the clean tanker market, increased tonnage was observed in the different routes, leading to an increase in average clean tanker spot freight rates by 18% m-o-m. Enhanced market activity was seen to drive rates higher on all routes, affecting all tanker sectors in the market. Moreover, freight rates are expected to continue this hike in first quarter 2020, reflecting the cost of new low sulphur bunker fuel regulations implemented 1 January 2020.

Demand for OPEC crude in 2019 was revised downwards by 0.1 mb/d from last month's report to stand at 30.6 mb/d, or around 1.0 mb/d lower than the 2018 level. Demand for OPEC crude in 2020 is also revised downwards by 0.1 mb/d from last month's report, to stand at 29.5 mb/d, or around 1.2 mb/d lower than the 2019 level. *(Source: OPEC Monthly Oil Market Report, January 2020)*

PETRONAS in its activity outlook for 2020 to 2022 expects the O&G industry to remain challenging next year amid a backdrop of global economic slowdown, geopolitical upheaval and prolonged trade tensions. PETRONAS also encouraged its partners to be conscious in managing costs, as well as implement activity levelling to sustain offshore activities and pursue innovative solutions in unlocking value in the supply chain. Nevertheless, the national oil company foresaw a steady outlook for drilling, production support, marine vessels and decommissioning activities. As for the downstream sector, a positive outlook is foreseen for turnaround and maintenance activities. *(Source: New Straits Times Business, December 2019)*

35.11%

EA TECH REVENUE

RM271.87 Million

A picturesque view of Sinamar 3 Twin Well, Padang West Sumatera, Indonesia

UPSTREAM ACTIVITIES - INDONESIA

In November 2008, the Government of Indonesia awarded a Production Sharing Contract ("PSC") to two (2) subsidiaries of PT CSE namely, PT Rizki Bukit Barisan Energi ("PT RBBE") (formerly known as PT Radiant Bukit Barisan E&P) and PC SKR International ("PC SKR") for the South West Bukit Barisan ("SWBB") PSC. SWBB PSC is located onshore in the West Sumatera Province.

On 10 December 2014, Kulim signed a Conditional Subscription and Shares Purchase Agreement ("CSSPA") to acquire 60% interest in PT CSE for USD133.55 million to gain a foothold in the Indonesian market. Subsequently, on 7 February 2016, Kulim inked a Supplemental Agreement ("SA CSSPA") with the vendors to revise the investment cost downwards to USD80 million, after taking into account the lower crude oil prices subsequent to the date of signing of the CSSPA.

The completion date of the CSSPA and SA CSSPA has been further extended to 31 December 2020, pending the fulfillment of approval by the Government of Indonesia and *Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi* ("SKK MIGAS") in respect of the Change of Control ("COC") of the PSC.

The Government of Indonesia has approved the first Plan of Development ("POD") for Sinamar area of SWBB PSC, with a projected gross revenue of USD938 million. Following the POD approval, PT RBBE shall comply with the provisions regulated by the Government of Indonesia and SKK MIGAS, to complete the development work at Sinamar area and continue the exploration programme at SWBB PSC.

Issuance of POD means that SKK MIGAS has confirmed the presence of economic quantity of hydrocarbon in the SWBB PSC area, marking the end of the exploration phase for the project and the commencement of the development phase.

Currently, the parties are in the midst of dealing with their strategic partner and are in the stage of carrying out works that simultaneously fulfill the terms of POD-1 and rendering RBBE attractive to investor. The deal with the potential strategic partner is currently in proposal stage and is non-conclusive.

The potential opportunities mentioned above will be taken into account in determining Kulim's future business direction, whereby they present great potential to be explored, particularly in generating new revenue and income streams for the Group.


MT Nautica Maharani; a Oil Products Tanker built in 2011 with capacity of about 9,800 DWT

E.A. TECHNIQUE (M) BERHAD

A public listed company since 11 December 2014, EA Tech is a marine vessel operator whose principal activities are in marine transportation and offshore storage of O&G, provision of marine port services and marine engineering services. Its activities are supported by a shipyard at Hutan Melintang in Perak, which has the capabilities in shipbuilding, ship repairs and minor fabrication.

FINANCIAL PERFORMANCE

During FYE 2019, EA Tech reported revenue of RM271.87 million. The biggest contributor to revenue remained the charter hire business, which in 2019 continued to enjoy high average utilisation rates of 80% to 90%, thereby maximizing earnings. Our marine transport vessels namely Nautica Muar, Nautica Renggam, Nautica Pagoh, Nautica Gambir and Nautica Langsat – all enjoyed higher utilisation rates in FYE 2019.

Notwithstanding the above, PBT was decrease to RM32.68 million from RM90.36 million recorded in FYE 2018. The decrease was mainly contributed by the lower foreign exchange gains recorded during FYE 2019 and foreseeable loss for litigation case of EA Tech against MMHE.

OPERATIONAL REVIEW

Marine Transportation Services

In 2019, EA Tech was awarded a contract by PETRONAS Carigali Sdn Bhd ("PCSB") on 31 May 2019 to provide a Temporary Storage Tanker ("TST"), including Station Keeping and Flexible Riser Tie-in for Sepat Derisk and Early Production System ("DEPS") Project. The value of contract is worth approximately RM84.18 million.

One of the year's highlights was undoubtedly the contract awarded by PETCO Trading Company Limited ("PTLCL") for the Provision of Long-term Charter Coastal Vessel Services. Expected to commence in 2020, the contract is for a duration of five (5) years with five (5) extension options of one (1) year each. Total value of the contract is about RM239.12 million.

In order to fulfill the contractual obligations to PTLCL, it will entail capital investment to build and deliver three (3) units of 9000 MT Dead Weight Tonnes ("DWT") product tankers. One (1) tanker will be built at our own Johor Shipyard and Engineering Sdn Bhd's ("JSE") shipyard at Hutan Melintang at a cost of USD16.60 million. The other two (2) product tankers will be built by Ningbo Zhenhe Ship Building Co Ltd at its shipyard in China at a contract price of USD14.18 million each.

On 20 June, EA Tech was awarded a contract by Sungai Udang Port Sdn Bhd for the Provision and Operation of one (1) unit of 60 tonnes Bollard Pull Harbour Tug for its Regasification Terminal in Melaka.

EA Tech also offers a range of port marine services in a strategic move to diversify its earnings base and reduce its over dependence on the O&G sector. The range of port marine services include towage services that involve towing, pushing and maneuvering vessels into position; mooring services that involve securing a vessel to fixtures such as piers, quays, wharfs, jetties, anchor and mooring buoys; and dockside mooring services that involve securing vessels, floating structures and fixtures at the wharf. Presently, we are one of two major players that are engaged directly by port operators to provide towing services.

Ship Repair and Minor Fabrication

As part of its vertical expansion plans, EA Tech ventured into shipbuilding, ship repair and minor fabrication activities in 2007. This is undertaken by a wholly-owned subsidiary, JSE, at its shipyard in Hutan Melintang, Perak. The shipyard has the capabilities to construct one (1) vessel of up to 100,000 DWT or six (6) harbor tugboats at any one time.

The JSE has plans for the further development of the shipyard facilities. This includes the construction of Slipway No 1, which will have a 2000-tonnes capacity. Also in the pipeline is a 7,200 sq. ft. ship repair workshop. The cost of building the two (2) new facilities has been budgeted at RM3.70 million. Presently, JSE's shipyard is only servicing the EA Tech's vessels. With the completion of the new slipway, JSE will be able to accommodate third party vessels.

Having its own shipyard is a distinct advantage for EA Tech. In-house capabilities enable them to effectively maintain its vessels to a high standard of operation and undertake repairs with fast turnaround to minimise downtime. In FYE 2019, EA Tech was able to reap savings of 15% to 20% from materials tax exemption and another 10% to 15% from labour and coordination.

OUTLOOK AND PROSPECTS

As at year-end 2019, four (4) vessels or 9% of our total fleet of 45 vessels are on short-term charters. This has resulted in a high utilisation rate of above 80%, assuring the Group of a steady revenue stream.

EA Tech also has a very healthy order book of approximately RM1.17 billion including the option periods, as at the end of 2019. We remain alert to tendering for new contracts. Our customer base continues to grow in tandem with our brand recognition.

Meanwhile, EA Tech's efforts to grow its port operations to reduce its dependence on the O&G sector are showing results. The expanding port operations have provided with a steady recurring income for the past several years. The crew boats segment shows promising growth as more oil companies are turning to fast boats as a more economical alternative to helicopter services to ferry crew members to offshore structures. As a strategy for long-term sustainable growth, EA Tech will need to continue investing in its fleet to further strengthen its portfolio. Any expansion of the fleet size will be based on the contracts secured, with a minimum tenure of three (3) year.

▲ EA TECH ORDER BOOK

RM**1.17** Billion

DANAMIN (M) SDN BHD

Danamin provides high quality, cost effective and technology-driven engineering, Non-Destructive Testing ("NDT"), Quality Assurance, Asset Integrity Management and Inspection Services to the O&G, Marine, Petrochemical, Refinery and Pipeline industries. Backed by a team of over 400 professional employees, including certified contract workers, the company has branches that are strategically located in the vicinity of its customers' facilities.

FINANCIAL PERFORMANCE

The principal contributors to Danamin's revenue are its NDT and fabrication businesses. For the year under review, Danamin generated a revenue of RM35.64 million, a 30.01% decreased from RM50.92 million posted in 2018. In 2019, LBT recorded RM16.52 million from RM2.08 million registered in the previous year. About 85% of the revenue are derived from NDT while no major fabrication work was being taken place in 2019.

▼ 30.01%

DANAMIN REVENUE

RM**35.64** Million

Danamin provides NDT, Quality Assurance, Integrity Management and Inspection services to the O&G industry in Malaysia and global markets

OPERATIONAL REVIEW

Danamin's vision is to be the preferred service provider to industries in the O&G and other specialised sectors. To realise this vision, Danamin complies with internationally recognised Integrated Management System ("IMS") standards to ensure effective and efficient operations, remain relevant in the industry and safeguard the sustainability aligned with strategic direction of the organisation. The IMS standards consist of ISO 9001:2015 (Quality), ISO 14001:2015 (Environmental) and OHSAS 18001:2007 (Safety and Health) accredited by Bureau Veritas ("BV").

OUTLOOK AND PROSPECTS

Danamin continues the five (5) years contract for Inspection and Corrosion Monitoring Services ("ICMS") with PETRONAS Group of Companies which will be ended by June 2023.

EVENT HIGHLIGHTS 2019

JANUARY

5 JAN 2019

Persada Johor, Johor Bahru
Makan Malam Amal Waqaf An-Nur Corporation Berhad

17 JAN 2019

Persada Johor, Johor Bahru
Pedoman Johor Corporation 2019

24 - 26 JAN 2019

Kuala Lumpur Convention Centre, Kuala Lumpur
Malaysia Halal Expo ("MHE 2019")
- Participation by Melita

FEBRUARY

3 FEB 2019

Kulim Agrotech Centre, Kota Tinggi
Opening Ceremony of Kulim Agrotech Centre & Launching of Cashless Estate
- Officiated by YB Dato' Kamaruzzaman Abu Kassim, the Chairman of Kulim

14 FEB 2019

Masjid Jamek Al-Mubarak, Felda Tenggaroh 3, Mersing
Majlis Yassin & Tahlil Sempena 50 Tahun Johor Corporation
- Hosted by Kulim

21 FEB 2019

Persada Johor, Johor Bahru
Pedoman Kulim 2019

MARCH

6 MAR 2019

Dewan Kompleks Mutiara Johor Land, Johor Bahru
Majlis Hi Tea Amal Mutiara Johor Corporation 2019
- Speaker by Ustaz Ebit Lew & Special Performance by Aris Ariwatan

13 MAR 2019

Kulim Eco-TRAIL Retreat, Basir Ismail Estate, Kota Tinggi
Promotion Ceremony 2019

14 MAR 2019

Dewan Sri Siantan, Kompleks Perbadanan Putrajaya
Launching of *Program Pendidikan Celik Kewangan Peringkat Kebangsaan (Pro Du-it)*
- Officiated by YBhg. Dato' Dr. Mohd Gazali Abas, the Secretary General of Ministry of Education Malaysia

Corporate Sustainability

MARCH

15 - 16 MAR 2019

Kuala Lumpur Convention Centre, Kuala Lumpur
Karnival Bio Usahawan 2019
- Officiated by YB Tuan Sim Tze Tzin, the Deputy Minister of Agriculture & Agro-Based Industry
- Participation by Melita

27 MAR 2019

Dewan Kompleks Mutiara Johor Land, Johor Bahru
26th Annual General Meeting of Mutiara Johor Corporation

APRIL

4 APR 2019

Pullman Hotel, Kuching, Sarawak
The 11th Annual Global CSR Summit & Awards 2019. Kulim was awarded as winner in 3 categories:
1) Best Workplace Practices Awards (Gold);
2) CSR Leadership Awards (Silver); and
3) Empowerment of Women Awards (Bronze)

APRIL

6 APR 2019

Grand Ballroom, Holiday Villa, Johor Bahru
Majlis Hi Tea Amal Mutiara Johor Corporation 2019
- Speaker by Prof. Dr. Muhaya Mohamad
- Participation by Senior Management of Kulim

8 - 9 APR 2019

Kulim Training Centre, Kota Tinggi
Hari Mekar Kulim 2019

13 APR 2019

Basir Ismail Estate, Kota Tinggi
Kulim Kota Tinggi Boat Fishing Challenge 2019

APRIL

15 APR 2019

Maktab Rendah Sains MARA, Kuala Klawang, Jelebu, Negeri Sembilan
Launching Ceremony of *Program Pintar Harapan @ KPLB 2019*
- Launched by YB Datuk Seri Rina Mohd Harun, the Minister of Rural Development

17 - 19 APR 2019

Malaysian Pavilion, Tokyo Big Sight, Japan
Premium Foods Show 2019
- Participation by Melita

25 APR 2019

Surau Al-Kauthar, Sedenak Estate, Kulai
Majlis Sambutan Isra' Mikraj, Yassin, Tahlil & Sambutan Awal Ramadhan
- Attended by YB Tuan Haji Tosrin Jarvanthi, ADUN Bukit Permai & Tuan Haji Mohd Khir Johari Salleh, the District Officer of Kulai

APRIL

28 APR 2019

Club House, KSRT
Closing Ceremony of KSRT Sports Carnival 2019

- Prize Presentation by the Patron, Tuan Haji Zulkifly Zakariah

MAY

2 MAY 2019

Surau Al-Falah, Selai Estate, Kluang
Friday Prayer Accreditation Visit

- Visit by YB Sahibus Samahah Dato' Haji Yahya Haji Ahmad, the Mufti of Johor

13 MAY - 27 MAY 2019

All Kulim's Complex
Ihya Ramadhan bersama Pengarah Eksekutif Kulim, Tuan Haji Zulkifly Zakariah

MAY

19 MAY 2019

Pertubuhan Kebajikan Anak Yatim Islam, Kota Tinggi, Johor
KSRT Activity: *Program Iftar Kasih KSRT*

20 MAY 2019

Larkin Central, Johor Bahru
Program Bubur Lambuk Amal PKP Johor Corporation

- Participation by KSRT members

JUNE

14 JUN 2019

Surau Al-Falah, Selai Estate, Kluang
Friday Prayer Accreditation Ceremony

- The accreditation certificate was handed over by As-Sheikh Tuan Haji Fauzi Bachok, Qadi of Kluang District

28 MAY 2019

Masjid Sultan Iskandar, Bandar Dato' Onn, Johor Bahru
Majlis Santapan Berbuka Puasa Johor Corporation 2019 & Launching Ceremony of KA$H Wallet QR Donation

- Launched by DYMM Sultan Ibrahim Ibni Almarhum Sultan Iskandar, the Sultan of Johor

JUNE

16 JUN 2019

Club House, KSRT

- KSRT Hari Raya Celebration 2019

27 JUN 2019

Sinamar 3 Twin Well, Padang West Sumatera, Indonesia

- Officiated by Bupati Sijunjung, Bapak Yuswir Arifin
- Kulim started the oil production drilling operations at Block SWBB, via Indonesia based company, PT Rizki Bukit Barisan Energi ("PT RBBE")

Corporate Sustainability

22 JUL 2019

Kulim Pineapple Farm, Ulu Tiram
Kembara Mahkota Johor 2019 ("KMJ 2019")
- Melita kiosk was the last pit-stop for KMJ 2019

JUNE

29 - 30 JUN 2019

Padang Awam, Majlis Perbandaran Segamat
Ekspo Tani & Pesta Buah-Buahan Negeri Johor
- Participation by Kulim Nursery Sdn Bhd

JULY

7 - 8 JUL 2019

Ramada Hotel, Melaka
MPC Konvensyen Team Excellence ("RTEx") 2019 Wilayah Selatan
- Kuntum Teras Waja (Pasir Panjang POM) & Steel K (Sindora POM) received Gold recognitions for their project

JULY

20 JUL 2019

Kulim Eco-TRAIL Retreat, Basir Ismail Estate, Kota Tinggi
- Kulim Kota Tinggi Trail Run 2019

27 JUL 2019

Dewan Serbaguna, Kemedak Estate, Segamat
Pembinaan Masyarakat Indonesia serta Sosialiasi Pelayaran & Perlindungan Kekonsulenan & Keimigrasian
- Participation by Estate Operation & the Management of Palong Complex

AUGUST

3 AUG 2019

Basir Ismail Estate, Kota Tinggi
Sukan Rakyat Sempena Hari Ulang Tahun Kemerdekaan Indonesia yang Ke-74
- Participation by Indonesian Workers

AUGUST

13 - 14 AUG 2019

Savanna Hill Resort, Ulu Tiram, Johor
Summer Camp KMB 2019
- Attended by UPSR, PT3 & SPM students among Kulim's staff children

17 AUG 2019

Bukit Payung, Parit Sulong, Batu Pahat
KSRT Activity: Trans Bukit Payung

SEPTEMBER

7 SEPT 2019

Dewan Serbaguna Kundang Ulu, Tangkak, Muar
Program Jalinan Ukhuwah Johor Corporation DUN Bukit Kepong, Muar
- Officiated by YAB Dato' Dr. Sahruddin Jamal, the Menteri Besar of Johor

Event Highlights 2019

Corporate Sustainability

SEPTEMBER

18 SEPT 2019

Kulim Pineapple Farm, Ulu Tiram & Kulim Agrotech Centre, Kota Tinggi
Visit by YB Dato' Murshid Diraja Dr. Juanda Jaya, ADUN 44, Jemoreng & the delegation of Sarawak Economic Development Corporation ("SEDC")

20 - 23 SEPT 2019

Nanning, China
16th China - Asean Expo ("CAEXPO") 2019

- Participation by Melita

22 SEPT 2019

Club House, KSRT
Road Safety Campaign 2019

SEPTEMBER

22 SEPT 2019

Club House, KSRT
KSRT Activity: 39th Annual General Meeting KSRT

28 SEPT 2019

Gunung Panti, Kota Tinggi
KSRT Activity: Trans Bukit Sisek, Bukit Pasir & Pelepah Kiri: *Misi Menawan 3 Puncak*

OCTOBER

12 OCT 2019

Kulim Eco-TRAIL Retreat, Basir Ismail Estate, Kota Tinggi
Kulim Kota Tinggi MTB Challenge 2019

OCTOBER

10 OCT 2019

Sunway Putra Hotel, Kuala Lumpur
Pertandingan Hari Anugerah PLWS 2019, Piala Menteri Sumber Manusia

17 OCT 2019

Sofitel Hotel, Kuala Lumpur
HR Excellence Awards 2019

NOVEMBER

26 NOV 2019

Plaza Angsana, Johor Bahru
Hari Peladang, Penternak & Nelayan Kebangsaan 2019

- KPF was awarded as a winner of the MD2 pineapple competition for the agricultural produce category

NOVEMBER

26 - 27 NOV 2019

JW Marriot Hotel, Kuala Lumpur
The Bizz Awards AMEA 2019
- Kulim was awarded as a World Business Leader & Inspirational Company

28 NOV 2019

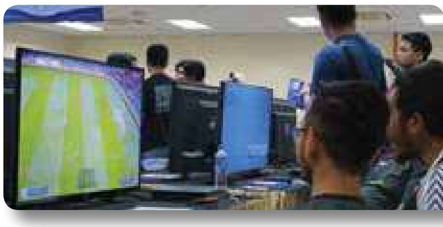
Majestic Hotel, Kuala Lumpur
National Annual Corporate Report Award ("NACRA") Ceremony 2019
- Kulim was awarded Best Annual Report of Non-Listed Organisations Category

NOVEMBER

29 NOV 2019

Hotel Istana, Kuala Lumpur
19th Malaysia-International HR Awards 2019
- Kulim was awarded Bronze in the HR Best Practices Category

30 NOV 2019



Kulim Eco-TRAIL Retreat, Basir Ismail Estate, Kota Tinggi
Kulim Kota Tinggi e-Sport Challenge 2019

DECEMBER

6 DEC 2019

Sime Darby Convention Centre, Kuala Lumpur
Malam Kimia 2019
- UTCL was awarded the IKM Laboratory Excellence Award 2019

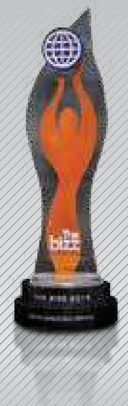
12 DEC 2019

Kulim Agrotech Centre, Kota Tinggi
Signing Ceremony of MoA between Kulim - MPOB & MoU between Kulim - Malaysian Nuclear Agency

RECOGNITIONS & ACCREDITATIONS

1

The Bizz AMEA 2019



2

NACRA 2019

3

The 19th Malaysia - International HR Awards 2019

4

Malam Kimia 2019

5

Asia Pacific Quality Organisation Conference and International Quality and Productivity Convention 2019

6

Hari Peladang, Penternak & Nelayan Kebangsaan 2019

7

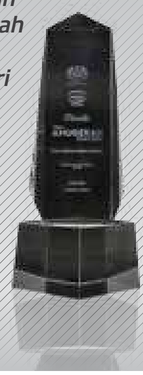
11th Annual Global CSR Summit Awards Ceremony 2019

8

Global Safety Days 2019

9

Pertandingan Hari Anugerah PLWS 2019 Piala Menteri Sumber Manusia



10

HR Excellence Awards 2019

SCAN ME

EVENT	CATEGORY	AWARDED	COMPANY
FYE 2019			
1 **The Bizz AMEA 2019**	• Kulim was awarded the World Business Leader and Inspirational Company categories	World Confederation of Businesses ("WORLDCOB")	Kulim (Malaysia) Berhad
2 **NACRA Awards 2019**	• Kulim Integrated Annual Report 2018 was awarded as the winner for category - Best Annual Report of Non-listed Organisations	National Annual Corporate Report Awards	Kulim (Malaysia) Berhad
3 **The 19th Malaysia - International HR Awards 2019**	• Kulim was awarded Bronze in the category of HR Best Practices	Malaysian Institute of Human Resource Management	Kulim (Malaysia) Berhad
4 ***Malam Kimia 2019***	• UTCL was awarded the IKM Laboratory Excellence Award 2019	Institut Kimia Malaysia ("IKM")	Kulim (Malaysia) Berhad
5 **Asia Pacific Quality Organisation Conference and International Quality and Productivity Convention 2019**	• Kompass (Engineering Department) and Forces (Sepang Loi Estate) were received 3 star recognition for their project	International Quality & Productivity Convention ("IQPC")	Kulim (Malaysia) Berhad
6 ***Hari Peladang, Penternak & Nelayan Kebangsaan 2019***	• KPF was awarded as a winner of MD2 pineapple competition for the agricultural produce category	Ministry of Agriculture & Agro-Based Industry	Kulim Pineapple Farm
7 **11th Annual Global CSR Summit Awards Ceremony 2019**	• Best Workplace Practices Award (Gold) • CSR Leadership Award (Silver) • Empowerment of Women Award (Bronze)	Pinnacle Group International	Kulim (Malaysia) Berhad
8 **Global Safety Day 2019**	• On-call Contractor 2019	BASF Petronas Chemicals	Danamin (M) Sdn Bhd
9 ***Pertandingan Hari Anugerah PLWS 2019 Piala Menteri Sumber Manusia***	• Kulim was a finalist for category of major corporations	Ministry of Human Resources	Kulim (Malaysia) Berhad
10 **HR Excellence Awards 2019**	• Kulim was a finalist for category of Excellence in Employee Engagement	Lighthouse Independent Media Pte Ltd	Kulim (Malaysia) Berhad

Recognitions & Accreditations

EVENT	CATEGORY	AWARDED	COMPANY
FYE 2018			
1 **Global Responsible Business Leadership Awards 2018**	• Kulim was awarded as a winner for Sustainable Palm Oil Plantation Management Excellence Category	Asia Pacific CSR Council	Kulim (Malaysia) Berhad
2 **41st ADFIAP Awards 2018**	• Kulim was awarded a Plaque of Merit for Corporate Responsibility Category	Association of Development Financing Institutions Asia and the Pacific	Kulim (Malaysia) Berhad
3 **10th Annual Global CSR Summit Awards 2018**	• Best Environmental Practices Award (Platinum) • Empowerment of Women Award (Gold) • Best Workplace Practices Award (Silver)	Pinnacle Group International	Kulim (Malaysia) Berhad
4 **Best Quality Leadership Award 2018**	• Kulim was awarded as a Best Quality Leadership Award 2018 in Gold Category	European Society For Quality Research	Kulim (Malaysia) Berhad
5 **Malaysia International HR Awards 2018**	• Kulim was awarded Bronze in the Category of Best HR Practices	Malaysia Institute of Human Resource Management ("MIHRM")	Kulim (Malaysia) Berhad

1

Global Responsible Business Leadership Awards 2018

2

41st ADFIAP Awards 2018

3

10th Annual Global CSR Summit Awards 2018

4

Best Quality Leadership Award 2018

5

Malaysia International HR Awards 2018

EVENT	CATEGORY	AWARDED	COMPANY
FYE 2017			
1 **Global Responsible Business Leadership Awards 2017**	• Kulim was awarded as a winner in Excellence Category for Plantation Sector	Asia Pacific CSR Council	Kulim (Malaysia) Berhad
2 **9th Annual Global CSR Summit Awards 2017**	• Empowerment of Women Awards (Gold) • Best Workplace Practices Awards (Bronze) • CSR Leadership Award (Bronze)	Pinnacle Group International	Kulim (Malaysia) Berhad
3 **Petronas Contractor Forum 2017**	• Improved Performance Contractor – Certificate of Appreciation	Petroliam Nasional Berhad (PETRONAS)	Danamin (M) Sdn Bhd
4 ***Majlis Anugerah Merai Kecemerlangan Personaliti Industri & Usahawan 2017***	• *Anugerah Personaliti Industri & Usahawan Malaysia 2017 – Inovasi & Teknologi (Industri Bioteknologi)*	Niagatimes.com	Microwell Bio Solutions Sdn Bhd
5 ***Anugerah Pengeksport Nanas Segar Jaya***	• *Anugerah Pengeksport Nanas Segar Jaya* at the 60th Anniversary of Malaysian Pineapple Industry Board ("MPIB")	MPIB	Kulim Pineapple Farm

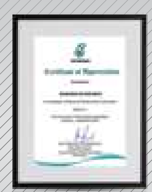
1

Global Responsible Business Leadership Awards 2017

2

9th Annual Global CSR Summit Awards 2017

3

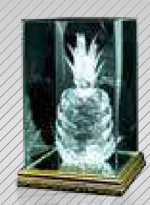


Petronas Contractor Forum 2017

4

Majlis Anugerah Merai Kecemerlangan Personaliti Industri & Usahawan 2017

5



Anugerah Pengeksport Nanas Segar Jaya

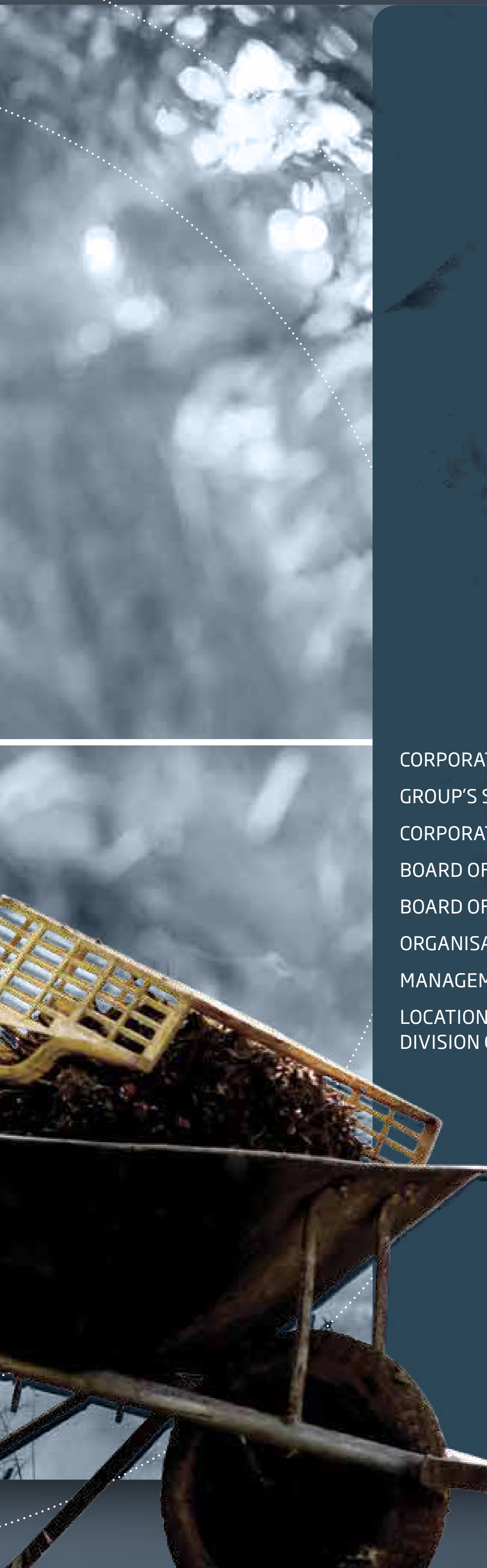
IN THE NEWS

BERITA RTM
Tiga aplikasi baharu diperkenal untuk kenalpasti baka induk kelapa sawit
Kulim Agrotech centre will help develop R&D
Kulim sasar perluas perniagaan nanas
Bisnes
Program Jalinan Ukhuwah JCorp di Bukit Kepong
JOHOR
Kulim Agrotech Centre pertingkat pengeluaran
Kulim meterai MoA dengan
JCorp reports RM5.61bil revenue
Pembukaan Kulim Agrotech Centre bantu Kulim kembang bidang R&D
Gas Malaysia strengthens commitment towards renewable energy
The agreement is part of its long-term sustainable strategy, which is to have an alternative renewable and sustainable source of gas supply
JCorp redeems sukuk wakalah principal payment of RM
JCorp lancar konsep Ladang Tanpa Tunai
JCorp lunas bayaran sukuk RM800j
Operasi


For quality oil palm
Firm to expand research to identify good breed in shorter period of time
JCorp buka Kulim Agrotech Centre
Maksimum pengeluaran nanas MD2
Kulim mesra alam, komuniti sekitar
JCorp lancar Cashless Estate, bayar gaji bulanan tanpa tunai
JCorp president: R&D at new centre will help increase FFB output

03 SECTION **03/07**

ABOUT KULIM



Though they come from various backgrounds, ethnicities and countries, our commitment towards equality and mutual respect has ensured true teamwork and high performance are achieved at every operating levels

CORPORATE MILESTONES

1930s
THE BEGINNING

1933
- Incorporation of Kulim Rubber Plantations Ltd ("KRPL") in the United Kingdom ("UK") on 4 July.

1940s

1947
- KRPL began operations with a 190 hectares rubber plantation in Johor, Malaysia.

1970s
REBRANDING & RESTRUCTURING

1970
- On 16 July, KRPL changed its name to Kulim Group Limited ("KGL") and listed its shares in London Stock Exchange ("LSE").

1973
- KGL's businesses expanded from palm oil and rubber plantations to include property development in the UK, hotels in the Trinidad and Tobago Islands and a rubber plantation in Nigeria.

1975
- Incorporation of Kulim (Malaysia) Sdn Bhd on 3 July and was later made public as Kulim (Malaysia) Berhad on 18 August. On 14 November, Kulim was listed on the Main Board of the Kuala Lumpur Stock Exchange ("KLSE") (now known as the Main Market of Bursa Malaysia Securities Berhad).

1976
- The Johor State Economic Development Corporation ("SEDC") (now known as Johor Corporation or JCorp) became a shareholder of Kulim.

1977
- KGL withdrew from the LSE and became a subsidiary of Kulim. KGL transferred to Kulim all its assets and liabilities and divested its assets in the UK.

1979
- Kulim ventured into property development through its wholly-owned subsidiary, Advance Development Sdn Bhd ("ADSB").

1980s
CONSOLIDATION & GROWTH

1980
- Kulim disposed off Minister Bay Hotel Limited in Trinidad and Tobago.

1982
- Kulim disposed off Mount Irvine Bay Hotel Limited in Trinidad and Tobago.

1988
- Kulim acquired 60% equity in Selai Sdn Bhd.

1989
- Kulim acquired Labis Bahru Estate, a 2,110 hectares of oil palm and rubber estate.

1990s

1990

- Kulim disposed off its entire equity in Waterside Rubber Estates Ltd, Nigeria to focus on its Malaysian plantation.

1993

- Kulim acquired 49% equity in Yule Catto Plantations Sdn Bhd, now known as Mahamurni Plantations Sdn Bhd ("MPSB"), which owns 7,033 hectares of oil palm with a palm oil mill and rubber estate.

- Kulim acquired 70% equity in Skellerup Industries (Malaysia) Sdn Bhd, a rubber-based products manufacturer.

- Kulim constructed the 21-storey modern intelligent building, Menara Ansar, which was completed and launched in 1997.

DIVERSIFYING & FURTHER GROWTH

1994

- Kulim diversified into the oleochemicals business by acquiring 91.38% of Natural Oleochemicals Sdn Bhd ("NatOleo") in July.

- The acquisition of MPSB was completed along with Mutiara Estate and Sungai Sembrong Estate.

1995

- NatOleo entered into a joint venture with Stearinerie Dubois Fils, a French company to produce specialty esters. NatOleo took 55% equity in the new company, Dubois-Natural Esters Sdn Bhd ("DNE").

1996

- Kulim's regional expansion began with the acquisition of 90% stake in New Britain Palm Oil Limited ("NBPOL") in Papua New Guinea ("PNG").
- Kulim's subsidiary, Kulim Plantations (Malaysia) Sdn Bhd, ventured into plantation in Indonesia through a 60% stake in PT Padang Bolak Jaya and PT Multrada Multi Maju in Sumatera.
- Johor Land Berhad ("JLand") became a subsidiary of Kulim and was subsequently listed on the Main Board of KLSE.

1997

- Commissioning of DNE's ester plant and expansion of fatty acids plant from 45,000 Tonnes Per Annum ("TPA") to 150,000 TPA.

1998

- New Britain Nominees Ltd was incorporated by NBPOL as a vehicle for its employees, outgrowers and traditional landowners to acquire NBPOL's shares and allowing them to participate in NBPOL's future growth and prosperity.
- NBPOL Foundation was established to assist communities in West New Britain, PNG in the fields of health and education.
- NBPOL was successfully listed on Port Moresby Stock Exchange, PNG.

2000s

2000

- Kulim acquired the remaining 40% stake in Selai Sdn Bhd.
- Commissioning of NBPOL's fourth mill, Numundo Palm Oil Mill and construction of Kumbango Palm Oil Refinery with a capacity of 100,000 TPA.

2001

- Kulim disposed off 3,104 acres of land in Ulu Tiram Estate for RM313.7 million.

2004

- Kulim made an entry into Kalimantan, Indonesia when it acquired 100% equity in EPA Management Sdn Bhd ("EPA").
- Kulim acquired 92.99% stake in Kumpulan Bertam Plantations Berhad, injecting an additional 1,016 hectares of plantation lands into the Group.
- NBPOL entered into agreement for the formation of Guadalcanal Plains Palm Oil Limited ("GPPOL"), a company incorporated in the Solomon Islands with NBPOL holding 80% equity.
- Kulim entered into a joint venture with TopPlant Laboratories Sdn Bhd, to own 60% equity in the new company, Kulim TopPlant Sdn Bhd, for the production of high-yielding oil palm clones using tissue culture technology.

2005

- Kulim purchased 52% stake in QSR Brands Bhd ("QSR"), the operator of Pizza Hut and the controlling shareholder of KFC Holdings (Malaysia) Bhd ("KFCH").
- Expansion of NatOleo's fatty acids production capacity from 150,000 TPA to 380,000 TPA.

2006

- Kulim completed a capital distribution-in-specie of its entire holding of JLand shares in March, signalling the Group's exit from the property business.
- Kulim divested all of the Group's plantation in Sumatera in March.
- In June, Kulim completed the acquisition of QSR when it gained control over the QSR Board at an Extraordinary General Meeting ("EGM") of the Company.

2007

- Secondary listing of NBPOL in the LSE in December for realisation of NBPOL's true earnings potential in the trading market.
- Divestment of Kalimantan plantation operations in August, marking the Group exit from plantation operations in Indonesia.

SUSTAINABLE GROWTH

2008

- Sindora became a 77%-owned subsidiary of Kulim in May, adding plantation land and bringing in a number of Intrapreneur Venture ("IV") companies into the Group.
- In October, NBPOL acquired 100% stake in Ramu Agri-Industries Limited ("Ramu"), PNG, further expanding the Group's landbank to 124,833 hectares.

2009

- NBPOL became one of the first plantation companies to receive Roundtable on Sustainable Palm Oil ("RSPO") certification in September.
- Expansion of QSR into Cambodia for KFC restaurants.
- Construction commenced for NBPOL's 200,000 TPA refinery plant in UK.
- Official RSPO certification was accorded to Kulim-owned plantations in Malaysia in January.

- In January, QSR increased its shareholdings in KFCH to 50.25% and KFCH became a subsidiary of QSR.
- Estate swap with Sime Darby Plantations Sdn Bhd ("SDP") in September, involving Sindora's Sungai Simpang Kiri Estate and SDP's Sungai Tawing Estate, to realise potential rationalisation benefits of their respective locations.
- Sindora and its subsidiary, E.A. Technique (M) Sdn Bhd ("EA Tech") acquired 20% and 18% respectively, of Orkim Sdn Bhd ("Orkim"), increasing its tanker fleet, bringing along charter contracts with major oil companies.
- KFCH received the franchise rights to operate KFC restaurants in Mumbai and Pune, India.

2010

- In April, NBPOL acquired 80% stake in CTP (PNG) Ltd, a company which owns and operate palm oil plantations in PNG (now known as Kula Palm Oil Limited), bringing in additional 26,000 hectares of plantation land to the Group's landbank.
- Completion of equity swap in Nexsol (S) Pte Ltd and Nexsol (M) Sdn Bhd between Kulim and Peter Cremer (Singapore) GmBH in April. Following the exercise, Nexsol (M) Sdn Bhd became a 100% subsidiary of Kulim, while at the same time Nexsol (S) Pte Ltd ceased to be an associate of Kulim.
- In May, NBPOL officially launched its refinery in Liverpool.
- NBPOL's subsidiary, Ramu, was officially accorded with RSPO certification in August.
- In September, Kulim concluded the disposal of NatOleo and its subsidiaries, marking the Group's exit from the oleochemicals business.

ENTERING NEW DIMENSION

2011

- Kulim completed its capital restructuring exercise, involving a share split, bonus shares and free warrants in March.
- Kulim acquired six (6) parcels of oil palm estates measuring approximately 13,687 hectares and two (2) palm oil mills from JCorp.
- Sindora became a wholly-owned subsidiary of Kulim and delisted from the official list of Bursa Malaysia Securities Berhad effective on 30 November.

Corporate Milestones

2012

- Kulim's shareholding in NBPOL diluted to 48.97% in May pursuant to the issuance of new shares to the minority shareholders of KPOL to streamline the shareholding structure of KPOL. However, NBPOL is still consolidated as a subsidiary pursuant to FRS 10: Consolidated Financial Statements.
- Kulim, via Sindora, completed the disposal of Metro Parking (Malaysia) Sdn Bhd Group to Damansara Realty Berhad.

2013

- The disposal of business and undertakings by QSR and KFCH was concluded in January. Both companies were delisted from the official list of Bursa Malaysia Securities Berhad effective on 7 February.
- In April, Kulim via Sindora, completed the disposal of Orkim Sdn Bhd to GMV-Orkim Sdn Bhd.
- Kulim acquired 60% stake in Danamin (M) Sdn Bhd, a company involved in Oil & Gas ("O&G") servicing activities in June.
- Kulim launched the proposed partial offer of up to 20% of NBPOL in June. The proposed partial offer was subsequently announced as lapsed on 5 September.
- On 3 October, Kulim entered into the Conditional Sale and Purchase Agreement ("CSPA") with PT Graha Sumber Berkah ("PT GSB") for the acquisition of up to 75% stake in PT Wisesa Inspirasi Nusantara ("PT WIN"), which will give it control over 40,645 hectares of oil palm estate in Central Kalimantan, Indonesia.

2014

- On 2 May, Kulim converted the Irredeemable Convertible Cumulative Unsecured Loan Securities ("ICCULS") in Asia Economic Development Fund Limited ("AEDFL") and capitalised accumulated interest into ordinary shares of AEDFL, which entailed AEDFL to become a 54.21% owned subsidiary of Kulim.
- Kulim via its wholly owned subsidiary company Kulim Energy Nusantara Sdn Bhd ("KENSB") had on 24 October entered into a Joint Operating Agreement ("JOA") with PT Radiant Bukit Barisan E&P ("PT RBB") and PT GSB to participate in the exploration and development of O&G field in South West Bukit Barisan Block ("SWBB Block"), Central Sumatera, Indonesia.
- On 10 December, KENSB entered into a Conditional Subscription and Shares Purchase Agreement ("CSSPA") with PT Citra Sarana Energi ("PT CSE") and its existing shareholders for acquisition of 60% equity interest in PT CSE.

- EA Tech, an indirect subsidiary of Kulim held through Sindora, was listed to the Main Market of Bursa Malaysia on 11 December.

2015

- On 26 February, Kulim concluded the disposal of 73,482,619 ordinary shares in NBPOL, representing 48.97% equity interest in NBPOL to SDP for total consideration of approximately GBP525.4 million (equivalent to approximately RM2.75 billion).
- On 5 March, the acquisition by a 54.21% owned subsidiary of Kulim from Johor Logistics Sdn Bhd to acquire approximately 30% equity interest in Asia Logistics Council Sdn Bhd ("ALC") not already owned by AEDFL.
- On 24 August, Kulim entered into a Shares Sale and Shares Subscription Agreement ("SSSA") for the proposed acquisition of 51% equity interest in Classruum Technologies Sdn Bhd ("CRTSB"). CRTSB is principally involved in the Information, Communication and Technology ("ICT") business.

- On 5 November, Kulim received a letter from its major shareholder, JCorp, requesting for the Company to undertake a Selective Capital Reduction and Repayment ("SCR") exercise.

2016

- On 10 February, KENSB entered into a Supplemental Agreement with PT CSE, PT Wisesa Inspirasi Sumatera ("PT WIS") and PT Inti Energi Sejahtera ("PT IES") to amend the terms of CSSPA entered on 10 December 2014, including the purchase consideration from USD133.55 million to USD80 million.
- The disposal of a part of a leasehold land in Tanjung Langsat, Johor Bahru (approximately 30 acres) to PGEO Edible Oils Sdn Bhd for a cash consideration of RM23 million was completed on 27 May.
- On 23 June, Kulim completed the acquisition of PT Tempirai Palm Resources ("PT TPR") and PT Rambang Agro Jaya ("PT RAJ"), adding 8,345 hectares of planted oil palm in South Sumatera to the Group's landbank.
- The resolution in respect of the SCR exercise was approved by 99.59% of Kulim's shareholders present at the EGM on 3 May.
- Kulim was delisted from the official list of Bursa Malaysia Securities Berhad on 4 August.
- Kulim concluded the disposal of Granulab (M) Sdn Bhd to SIRIM Tech Venture Sdn Bhd on 13 November.
- Acquisition of additional 25% equity interest in CRTSB was completed on 24 November.
- Kulim completed the acquisition of the remaining 40% stake in Kulim TopPlant Sdn Bhd held by TopPlant Laboratories Sdn Bhd on 8 December.

2017

- Kulim concluded the disposal of the entire 76% equity holdings in CRTSB to JCorp on 22 November.
- On 28 December, Kulim completed the disposal of Menara Ansar to Waqaf An-Nur Corporation Berhad ("WanCorp").
- Kulim completed the rationalisation of investment in Indonesia Plantation at Central Kalimantan ("BarUt") on 28 December.

2018

- The disposal of 95% equity interest in Pinnacle Platform Sdn Bhd held by EPA to Extreme Edge Sdn Bhd ("EESB") was completed on 1 November.
- Kulim completed the acquisition of 49% equity in Pristine Bay Sdn Bhd held by Johor Land Holdings Sdn Bhd on 30 November.
- Kulim completed the disposal of AEDFL to Johor Logistics Sdn Bhd on 20 December.

2019

- The disposal of 75% equity interest in Optimum Status Sdn Bhd ("OSSB") held by EPA to Kulim Safety Training and Services Sdn Bhd ("KSTS") was completed on 13 February.
- Kulim completed the acquisition of additional 25% equity interest in Renown Value Sdn Bhd ("RVSB") on 7 May.
- On 1 October, Kulim and MTC OREC Sdn Bhd entered into Subscription and Shareholders Agreement ("SHA") for the formation of Kulim Green Energy Ventures Sdn Bhd ("KGEV") as a joint venture company for biomethane commercialisation.
- On 8 October, KGEV and Gas Malaysia Virtual Pipeline Sdn Bhd ("GMVP") entered into Gas Purchase Agreement for the supply of biomethane.

GROUP'S SIGNIFICANT SUBSIDIARIES

16 March 2020

KULIM (MALAYSIA) BERHAD

AGRIBUSINESS

- Mahamurni Plantations Sdn Bhd 100%
- Pembangunan Mahamurni Sdn Bhd 100%
- United Malayan Agricultural Corp Berhad 100%
- Sindora Berhad 100%
- Kulim Plantations (Malaysia) Sdn Bhd 100%
- Ulu Tiram Manufacturing Company (Malaysia) Sdn Bhd 100%
- Kumpulan Bertam Plantations Berhad 95.57%
- EPA Management Sdn Bhd 100%
- Selai Sdn Bhd 100%
- PT Wisesa Inspirasi Nusantara 74%
  - PT Rambang Agro Jaya 95%
  - PT Tempirai Palm Resources 95%

INTRAPRENEUR VENTURE

- Sindora Timber Sdn Bhd 100%
- MIT Insurance Brokers Sdn Bhd 100%
- Kulim Nursery Sdn Bhd 100%
- Renown Value Sdn Bhd 100%
- Edaran Badang Sdn Bhd 100%
- Kulim Civilworks Sdn Bhd 100%
- Extreme Edge Sdn Bhd 75%
  - Sovereign Multimedia Resources Sdn Bhd 100%
  - Pinnacle Platform Sdn Bhd 100%
- Perfect Synergy Trading Sdn Bhd 75%
- Kulim Safety Training and Services Sdn Bhd 75%
  - Optimum Status Sdn Bhd 100%
- Special Appearance Sdn Bhd 99.56%

OIL & GAS

- E.A. Technique (M) Berhad 50.05%
- Kulim Energy Nusantara Sdn Bhd 100%
- Danamin (M) Sdn Bhd 75%

OTHERS

- Kulim Smart Technologies Sdn Bhd 100%
- Kulim TopPlant Sdn Bhd 100%
- Pristine Bay Sdn Bhd 100%
- JTP Trading Sdn Bhd 100%
- Kulim Green Energy Ventures Sdn Bhd 55%
- Kulim Livestock Sdn Bhd 100%

* Kulim's effective holding in E.A. Technique (M) Berhad is 52.48% inclusive of 2.43% direct holding
The full list of companies under Kulim Group is set out in Notes 14 to the Financial Statements

Malaysia Indonesia

CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN/ INDEPENDENT NON-EXECUTIVE DIRECTOR
Datuk Anuar Ahmad

EXECUTIVE DIRECTOR
Zulkifly Zakariah

NON-INDEPENDENT EXECUTIVE DIRECTOR
Idham Jihadi Abu Bakar

INDEPENDENT NON-EXECUTIVE DIRECTOR
Dr. Radzuan A. Rahman
Dato' Sr. Hisham Jafrey
Kandasamy A/L Kanny

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR
Wan Su Ali

SECRETARIES
Nuraliza A. Rahman. ACIS
(MAICSA 7067934)

Afiq Izat Jusoh
(LS0010354)

REGISTERED OFFICE

Level 16, Menara KOMTAR,
Johor Bahru City Centre,
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Johor, Malaysia.
Tel. : +607-219 2692
Fax. : +607-223 3175

AUDITORS

PricewaterhouseCoopers (PWC)

PRINCIPAL PLACE OF BUSINESS

Ulu Tiram Estate,
81800 Ulu Tiram,
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Tel. : +607-861 1611
Fax. : +607-861 1701

WEBSITE

www.kulim.com.my

PRINCIPAL BANKERS

Ambank Islamic Berhad
Bank Islam Malaysia Berhad
Bank of China (Malaysia) Berhad
CIMB Islamic Bank Berhad
HSBC Bank Malaysia Berhad
Malayan Banking Berhad
MBSB Bank Berhad
RHB Islamic Bank Berhad
Standard Chartered Saadiq Berhad
The Bank of Nova Scotia Berhad
United Overseas Bank (Malaysia) Berhad

STOCK EXCHANGE LISTING

GROUP'S LISTED ENTITY	STOCK EXCHANGE	LISTED SINCE	STOCK CODE
E.A. Technique (M) Berhad	Main Market - Bursa Malaysia Securities Berhad	11 December 2014	5259

BOARD OF

DATUK ANUAR AHMAD
Chairman/ Independent
Non-Executive Director

ZULKIFLY ZAKARIAH
Executive Director

WAN SU ALI
Non-Independent
Non-Executive Director

DIRECTORS

KULIM (MALAYSIA) BERHAD

KANDASAMY A/L KANNY
Independent
Non-Executive Director

DR. RADZUAN A. RAHMAN
Independent
Non-Executive Director

DATO' SR. HISHAM JAFREY
Independent
Non-Executive Director

IDHAM JIHADI ABU BAKAR
Non-Independent
Executive Director

BOARD OF DIRECTORS' PROFILE

DATUK ANUAR AHMAD

Position
- Chairman
- Independent Non-Executive Director

Age
66 Years Old

Date of Appointment
1 March 2020

Nationality
Malaysian

Declaration
Other than as disclosed, he does not have any family relationship with any director and/ or major shareholder of Kulim. He has no personal interest in any business arrangement involving Kulim and has not been convicted for any offences.

QUALIFICATION & EXPERIENCE:

He graduated in 1977 with a Bachelor of Economics (Honours) from the London School of Economics and Political Science, University of London, United Kingdom.

He started his career in 1977 with Petroliam Nasional Berhad ("PETRONAS"). During his 36 years of service with the PETRONAS Group, he held various senior managerial and leadership positions in marketing, trading, corporate planning and human resource management until his retirement in April 2014 where his last position held was the Executive Vice President (Gas and Power Business).

During his stint with PETRONAS Group, he was appointed as the Managing Director and Chief Executive Officer in PETRONAS Dagangan from 1998 to 2002. He was also a member of PETRONAS Management Committee and member of PETRONAS board from 2002 to April 2014. He also sat on the board of various companies within PETRONAS Group. In 1997, between his years of service with the PETRONAS Group, he underwent a three (3) months business management course under the Advanced Management Programme at Havard Business School.

He was previously an Independent Non-Executive Director, Chairman of Audit Committee and member of Remuneration Committee of E.A. Technique (M) Berhad from April 2014 to October 2018.

CHAIRMANSHIP/ DIRECTORSHIP:

He is also currently an Independent Non-Executive Director of PETRONAS Dagangan Berhad, Nylex (Malaysia) Berhad, Kumpulan Fima Berhad, Chemical Company of Malaysia Berhad and ENRA Group Berhad.

ZULKIFLY ZAKARIAH

Position

Executive Director

Age

60 Years Old

Date of Appointment

1 January 2017

Nationality

Malaysian

Declaration

Other than as disclosed, he does not have any family relationship with any director and/ or major shareholder of Kulim. He has no personal interest in any business arrangement involving Kulim and has not been convicted for any offences. He attended all four (4) Board of Directors' Meetings of the Company held during the FYE 2019.

QUALIFICATION & EXPERIENCE:

Before assuming his current position, he was the Vice President (Estate Operations) of Kulim from January 2013 until December 2016. He joined Kulim in May 1980 as a Cadet Planter after completion of Higher School Certificate. Based on his wide experience and expertise in the plantation division, he has served Kulim's operations in Indonesia from 1999 to 2005. He was the Regional Head for Kulim's Northern operations in Johor, Malaysia from May 2011 to December 2012.

CHAIRMANSHIP/ DIRECTORSHIP:

He also sits on the Board of several companies within Kulim Group as Chairman and Director, and he is also a member of the Johor Clay Target Shooting Association.

IDHAM JIHADI ABU BAKAR

Position
Non-Independent Executive Director

Age
53 Years Old

Date of Appointment
1 March 2020

Nationality
Malaysian

Declaration
Other than as disclosed, he does not have any family relationship with any director and/ or major shareholder of Kulim. He has no personal interest in any business arrangement involving Kulim and has not been convicted for any offences.

QUALIFICATION & EXPERIENCE:

He is a qualified Company Secretary from the Institute of Chartered Secretaries and Administrators (UK). He is an Associate member of the Malaysian Institute of Chartered Secretaries and Administrators.

Previously, he was the General Manager of Company Affairs Department of JCorp and had held the position as the Secretary of JCorp since 19 July 2013 until he was appointed as the Head of General Services Division of Kulim on 1 February 2017. He was then appointed as the Head of Corporate Services Division of Kulim on 12 February 2018.

CHAIRMANSHIP/ DIRECTORSHIP:

He also sits on the Board of several companies within JCorp and Kulim Group.

DR. RADZUAN A. RAHMAN

Position
Independent Non-Executive Director

Age
77 Years Old

Date of Appointment
16 January 2017

Nationality
Malaysian

Declaration
Other than as disclosed, he does not have any family relationship with any director and/ or major shareholder of Kulim. He has no personal interest in any business arrangement involving Kulim and has not been convicted for any offences. He attended all four (4) Board of Directors' Meetings of the Company held during the FYE 2019.

QUALIFICATION & EXPERIENCE:

He was appointed to the Board of Kulim on 1 November 2006 as an Independent Non-Executive Director and resigned on 1 October 2016. On 16 January 2017 he was also appointed as the Chairman of the Audit Committee of Kulim. He graduated with a Bachelor in Agricultural Science (Honours) degree from the University of Malaya in 1969. Subsequently, he obtained his Master and PhD in Resource Economics from Cornell University, New York in 1971 and 1974 respectively.

He has an outstanding career, both as an academician and corporate practitioner. Amongst the notable distinguished positions held were as Associate Professor and the Dean of the Resource and Agribusiness Faculty, Universiti Pertanian Malaysia (1969 – 1980) (now known as Universiti Putra Malaysia), Regional Director, Sime Darby Plantations for Melaka, Negeri Sembilan and Johor Regions (1980 – 1983), Director, Development Division, Sime Darby Plantations (1983 – 1984), Director, Corporate Planning, Golden Hope Plantations Berhad (1984 – 1992) and Group Director – Plantations, Golden Hope Plantations Berhad (1993 – 1999). He had also served as the Managing Directors for Austral Enterprises Berhad, Island & Peninsular Berhad, Perumahan Kinrara Bhd ("PKB") (1999 – 2004) as well as Tradewinds Plantation Berhad (2005 – 2006).

CHAIRMANSHIP/ DIRECTORSHIP:

He holds directorships in Idaman Unggul Berhad and Inch Kenneth Kajang Rubber Pte Ltd. Additionally, he sits on the Board of Kenangan Cergas Sdn Bhd, Maep Management Sdn Bhd, Green Capital Sdn Bhd, Bio X Cell Sdn Bhd and One Gahru Sdn Bhd.

DATO' SR. HISHAM JAFREY

Position
- Independent Non-Executive Director

Age
62 Years Old

Date of Appointment
1 March 2020

Nationality
Malaysian

Declaration
Other than as disclosed, he does not have any family relationship with any director and/ or major shareholder of Kulim. He has no personal interest in any business arrangement involving Kulim and has not been convicted for any offences.

QUALIFICATION & EXPERIENCE:

He graduated with a Bachelors Degree in Quantity Surveying (Honours) from Leeds Metropolitan University. He started his career with Harlow and Milner of Wakefield, England. Returning to Malaysia in 1983, he joined Antara Construction Sdn Bhd. He later joined University Technology Malaysia and played a prominent role in the development of the Department of Quantity Surveying, Faculty of Built Environment.

He is a Fellow of the Royal Institution of Surveyors Malaysia, a member of the Royal Institute of Chartered Surveyors United Kingdom, Chairman of the Royal Institution of Surveyors Malaysia (Johor branch), member of the One Stop Approval Centre of Majlis Bandaraya Johor Bahru, member of the Ethics Committee Board of Quantity Surveyors and External Examiner for University Technology Malaysia. He is also instrumental in incorporating ICG Global Sdn Bhd, a multi-disciplinary and project management consultancy organisation.

CHAIRMANSHIP/ DIRECTORSHIP:

Presently, he is the Managing Director of ARH Jurukur Bahan Sdn Bhd, which is one of the largest quantity surveying practice in Malaysia. He also sits as an Independent Non-Executive Director in JCorp as well as Cement Industries of Malaysia Berhad.

KANDASAMY A/L KANNY

Position
- Independent Non-Executive Director

Age
69 Years Old

Date of Appointment
1 March 2020

Nationality
Malaysian

Declaration
Other than as disclosed, he does not have any family relationship with any director and/ or major shareholder of Kulim. He has no personal interest in any business arrangement involving Kulim and has not been convicted for any offences.

QUALIFICATION & EXPERIENCE:

He graduated with a Master of Business Management Majoring in Plantation Management from Camden University (U.S.A.) in March 2011.

He started his career with Mados's Holdings Sdn Bhd as a Field Conductor in 1981. In 1992, he was promoted to Cadet Assistant. He was then promoted to Assistant Manager in 1994 and Manager in 1996. In 2012, he was promoted as Estate General Manager until present.

WAN SU ALI

Position
- Non-Independent Non-Executive Director

Age
54 Years Old

Date of Appointment
1 March 2017

Nationality
Malaysian

Declaration
Other than as disclosed, she does not have any family relationship with any director and/ or major shareholder of Kulim. She has no personal interest in any business arrangement involving Kulim and has not been convicted for any offences. She attended three (3) Board of Directors' Meetings of the Company held during the FYE 2019.

QUALIFICATION & EXPERIENCE:

She graduated from MARA Institute of Technology (now known as University Technology of MARA ("UiTM")) with a Diploma in Law in 1990 and pursued her legal career in 1990 in JCorp as a Trainee Executive before pursuing her Bachelor of Law (LL.B) (Hons) Degree in 2003 at the same university, UiTM. She was called to the Malaysian Bar in 2004 as an Advocate and Solicitor of the High Court of Malaya.

Over a period of 27 years with JCorp, she was promoted as the General Manager of JCorp Group, spearheading the Legal Department on 1 January 2013 and on 1 February 2017, she also heads the Group Company Secretarial Department of JCorp, having two (2) portfolios under her supervision. On 7 December 2017, she obtained License from the Companies Commission of Malaysia ("CCM"), rendering her a Licensed Company Secretary.

She has wide involvement and experience in negotiating, advising, preparing and drafting of corporate, conveyancing and commercial transaction covering local and international jurisdiction. She also has wide exposure in handling litigation and arbitration matters, namely for JCorp and its Group of Companies. During her tenure, she has been involved in transaction related to acquisition of equity in public listed and private companies, joint ventures, construction contract, corporate banking, loan and debt restructuring exercises.

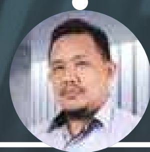
CHAIRMANSHIP/ DIRECTORSHIP:

She also sits as the Chairman and Director of several other companies within JCorp Group.

ORGANISATION CHART

As at 16 March 2020

SCAN ME

- **BOARD OF DIRECTORS**
  - 
    EXECUTIVE DIRECTOR Zulkifly Zakariah
    - 
      HEAD OF CORPORATE SERVICES DIVISION Idham Jihadi Abu Bakar
    - 
      HEAD OF FINANCE DIVISION Shahrom Mohd Saad
    - 
      HEAD OF GOVERNANCE DIVISION Kasmawati Kasian
      - 
        HEAD OF INTERNAL AUDIT Abdul Rashid Ahmad @ Mohd Jaini
    - 
      HEAD OF PLANTATION DIVISION Mohd Akhir Wanteh
    - 
      HEAD OF PLANTATION ADVISORY & SERVICES DIVISION Zainuriah Abdullah
    - 
      HEAD OF BUSINESS DEVELOPMENT & MARKETING DIVISION Noor Effendy Mohd Ali
    - 
      HEAD OF KULIM PINEAPPLE FARM Mohamad Yami Bakar
    - 
      HEAD OF HUMAN RESOURCES DIVISION Nordin Bokari (Acting Head of Human Resources Division)
    - 
      HEAD OF ICT ADVANCEMENT & INNOVATION OFFICE Jaini Saleh

ADVISORY ROLE

MANAGEMENT TEAM'S PROFILE

ZULKIFLY ZAKARIAH
Executive Director

Malaysian / 60 Years Old / Male

Date of Appointment :
1 January 2017

Past Experiences :
Before assuming his current position, he was a Vice President of Estate Operation from January 2013 until December 2016. He joined the Company in May 1980 as a Cadet Planter after completion of Higher School Certificate. He has served Kulim's Indonesian operations from 1999 to 2005. He was the Regional Head for Kulim's Northern operations in Johor, Malaysia from May 2011 until December 2012. He is a member of the Johor Clay Target Shooting Association. He also sits on the Board of several companies within Kulim Group.

IDHAM JIHADI ABU BAKAR
Head of Corporate Services Division

Malaysian / 53 Years Old / Male

Date of Appointment :
12 February 2018

Past Experiences :
He was appointed as Head of General Services Division of Kulim on 1 February 2017 before assuming his current position. He was appointed as Secretary of JCorp effective on 19 July 2013. He is a qualified Company Secretary from the Institute of Chartered Secretaries and Administrators (UK) and he is an Associate member of the Malaysian Institute of Chartered Secretaries and Administrators. Previously, he was the General Manager of Company Affairs Department of JCorp. He also sits on the Board of several companies within JCorp and Kulim Group.

SHAHROM MOHD SAAD
Head of Finance Division

Malaysian / 53 Years Old / Male

Date of Appointment :
9 October 2017

Past Experiences :
He obtained his Bachelor of Accounting with Honours from Polytechnic of East London, UK in 1992. He started his career with Malayan Banking Berhad in 1992 before joining Kulim as Executive in Corporate Finance Department in 1995. He also sits on the Board of several companies within Kulim Group.

MOHD AKHIR WANTEH
Head of Plantation Division

Malaysian / 57 Years Old / Male

Date of Appointment :
1 January 2017

Past Experiences :
He holds a Diploma in Planting Industry and Management from UiTM in 1984. He joined the Company on 1 December 1987 as Cadet Planter before he promoted as a Manager in 2004. He was the Regional Controller of Tunjuk Laut Complex in 2009 and become the Region Head of Plantation Operations in 2015 until December 2016. He also sits on the Board of several companies within Kulim Group.

ZAINURIAH ABDULLAH
Head of Plantation Advisory & Services Division

Malaysian / 55 Years Old / Female

Date of Appointment :
1 July 2017

Past Experiences :
She graduated with a Bachelor in Agricultural Science from Universiti Pertanian Malaysia in 1988. She joined Kulim as Cadet Executive in 1990 and later confirmed as an Agronomist and attached to R&D Department. She was promoted to Manager of R&D Department in 2000. In 2004, she was promoted to Senior Manager before becoming Comptroller of R&D in 2007 until 2017. She also sits on the Board of several companies within Kulim Group.

MOHAMAD YAMI BAKAR
Head of Kulim Pineapple Farm

Malaysian / 52 Years Old / Male

Date of Appointment :
1 August 2017

Past Experiences :
He holds a Diploma in Planting Industry and Management from UiTM in 1990. He joined the Company on 4 August 1990 as a Cadet Planter. He was seconded to Damansara Forest Project (PNG) Pte Ltd in 1996 and promoted as a Manager in 2004. He became a Regional Controller of Sedenak Complex in 2011 and Tunjuk Laut Complex in 2014. Later, he was seconded to PT Wahana Semesta Kharisma, Indonesia in October 2014 until December 2016. He also sits on the Board of several companies within Kulim Group.

NOOR EFFENDY MOHD ALI
Head of Business Development & Marketing Division

Malaysian / 56 Years Old / Male

Date of Appointment :
12 February 2018

Past Experiences :
He graduated with a Bachelor of Science (BSc) in Finance from the Northern Illinois University, USA in 1987. He joined the Company as an Executive at Internal Audit Department in 1990 and transferred to Marketing/ Commercial Department in 1993. He was promoted as a Manager in 2004 before became the Senior Manager in 2014 until December 2016. He also sits on the Board of several companies within Kulim Group.

WAN ADLIN WAN MAHMOOD
Head of Engineering Department

Malaysian / 45 Years Old / Male

Date of Appointment :
1 January 2017

Past Experiences :
He graduated with a Master of Business Administration in Manufacturing and Production from Open University Malaysia in 2018. He also holds a Bachelor of Engineering (Chemical) from Vanderbilt University, Nashville, Tennessee, USA in 1997 and Diploma in Palm Oil Milling and Technology from MPOB in 2002. He also possessed the First Grade Steam Engineer Certification from Department of Safety and Health in 2003. He joined the Company in November 2012 as Senior Manager at Sedenak Palm Oil Mill until December 2016. He has 20 years experience in palm oil milling in various location such as Peninsular Malaysia, Papua New Guinea and Sarawak. He also sits on the Board of several companies within Kulim Group.

KASMAWATI KASIAN
Head of Governance Division

Malaysian / 48 Years Old / Female

Date of Appointment :
24 July 2017

Past Experiences :
She graduated with a Bachelor of Arts in Accounting from the University of Liverpool, UK in 1995. She is a Certified Internal Auditor (CIA), possesses the Certification in Risk Management Assurance (CRMA) with 24 years experience in internal auditing, risk management and compliance, external auditing and corporate affairs. She started her career in Kulim as Internal Audit Executive on 1 September 1999. In 2010, she was the Manager of Corporate Affairs Department. She was promoted as the General Manager of Internal Audit Department in 2016. She also sits in the Board of several companies within Kulim Group.

JAINI SALEH
Head of ICT Advancement & Innovation Office

Malaysian / 52 Years Old / Male

Date of Appointment :
4 March 2019

Past Experiences :
He holds a Diploma in Business Studies (Marketing) from UiTM in 1989. He joined the Company on 12 March 1990 in Corporate Finance Department. He was promoted as a Senior Manager in 2008 before became the Deputy General Manager in 2014. He was lead with wide exposure in implementing all accounting and other systems solution for the Kulim Group since year 2000 in Malaysia and Indonesia operations. He also sits on the Board of several companies within Kulim Group.

AZMIL MAJID
(Secretary)

AZIDA ISMAIL
(Assistant Secretary)

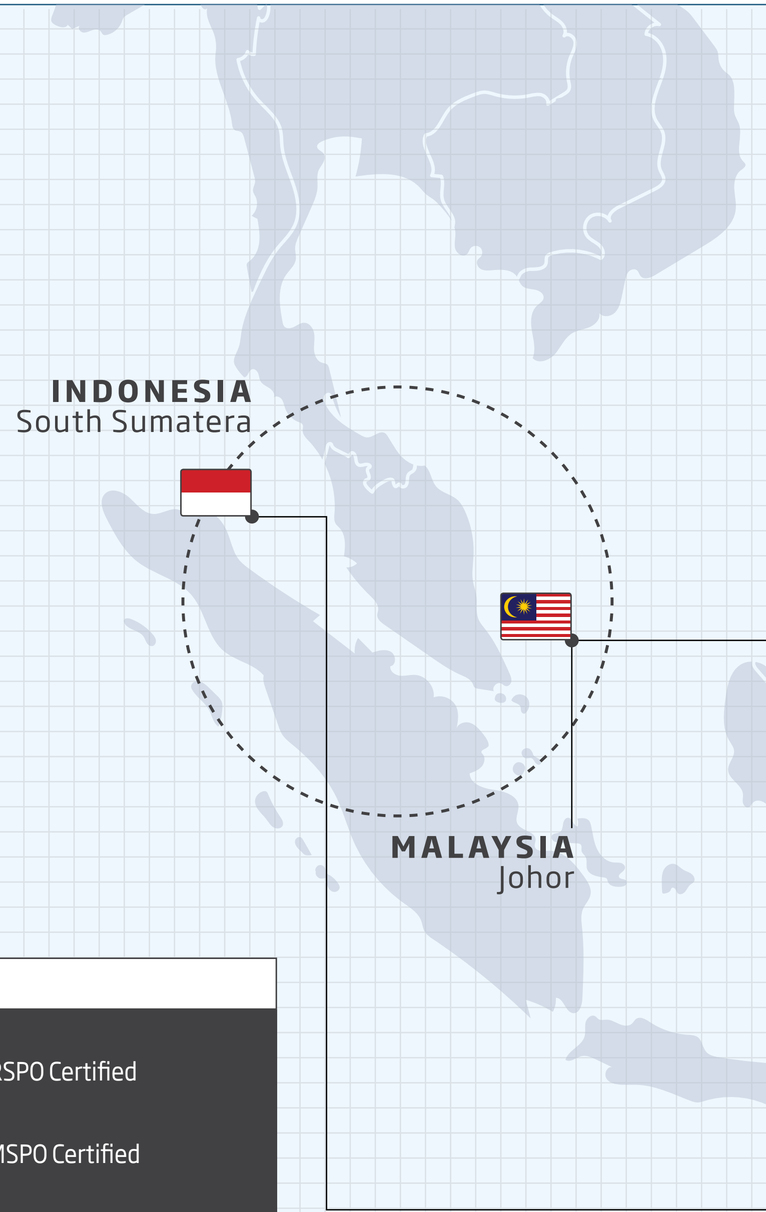
LOCATION OF THE GROUP'S PALM OIL DIVISION OPERATIONS

Estate

1. Palong	RC IC MC	14. Mutiara	RC IC MC
2. Kemedak	RC IC MC	15. Enggang	RC IC MC
3. Mungka	RC IC MC	16. Tereh Utara	RC IC MC
4. Labis Bahru	RC IC MC	17. Selai	RC IC MC
5. Sepang Loi	RC IC MC	18. Pasir Panjang	RC IC MC
6. UMAC	RC IC MC	19. Basir Ismail	RC IC MC
7. Sg. Sembrong	RC IC MC	20. REM	RC IC MC
8. Sg. Tawing	RC IC MC	21. Ulu Tiram	RC IC MC
9. Tereh Selatan	RC IC QS MC	22. Bukit Layang	MC
10. Sindora	RC IC QS MC	23. Siang	RC IC MC
11. Renggam	RC IC MC	24. Sg. Papan	RC IC MC
12. Kuala Kabong	RC IC MC		
13. Sedenak	RC IC QS MC		

Mill

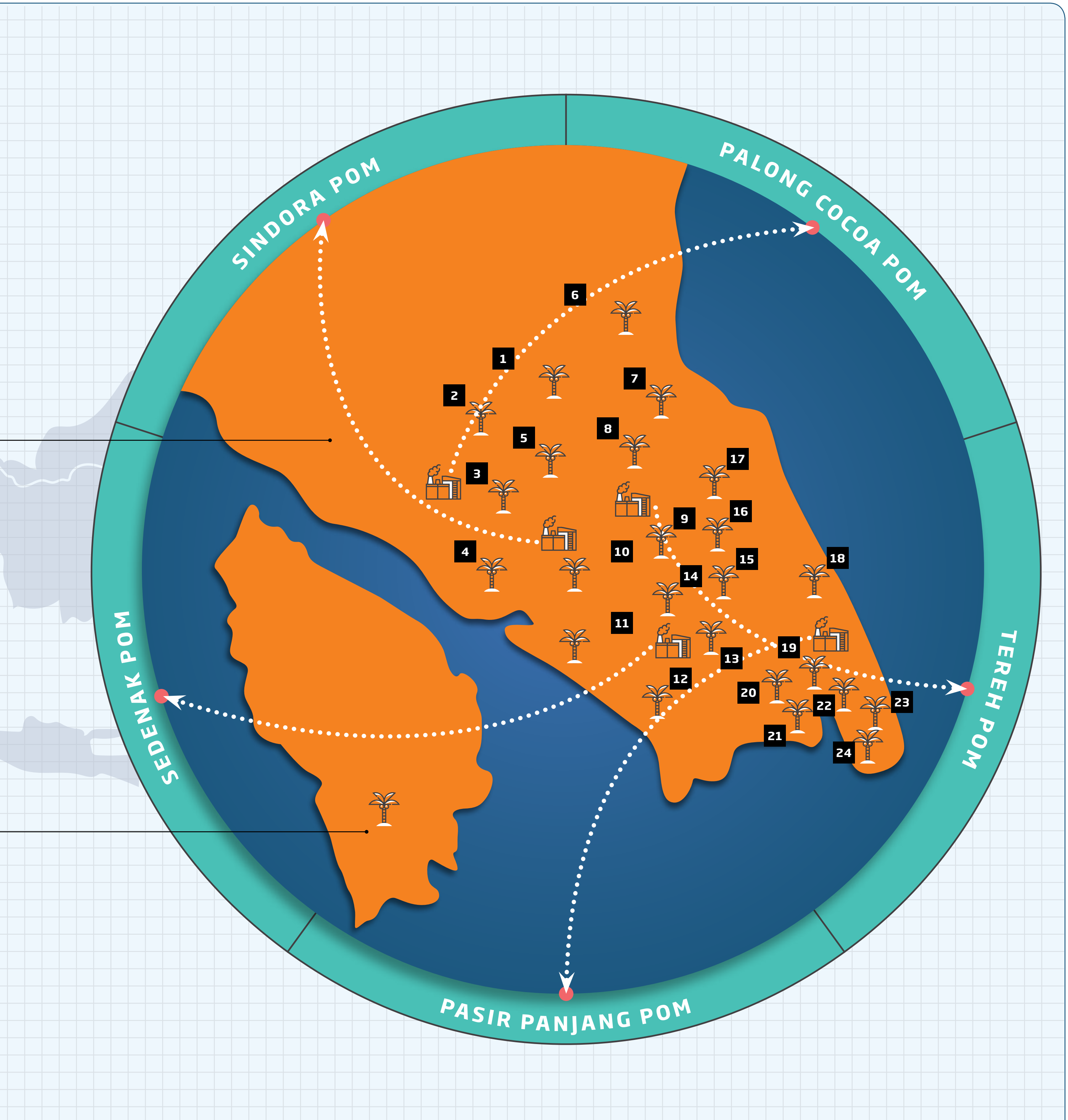
1. Sedenak POM	RC HC QS IC MC
2. Sindora POM	RC HC QS QS IC MC
3. Pasir Panjang POM	RC HC IC MC
4. Tereh POM	RC HC QS IC MC
5. Palong Cocoa POM	RC HC QS IC MC



Legend:

RC	RSPO Certified
MC	MSPO Certified
HC	*HALAL* Certified
QS	ISO 14001 : 2015 Certified
QS	ISO 9001 : 2015 Certified
IC	ISCC Certified

Location of the Group's Palm Oil Division Operations



04 SECTION **04/07**

PERFORMANCE HIGHLIGHTS & STATISTICS

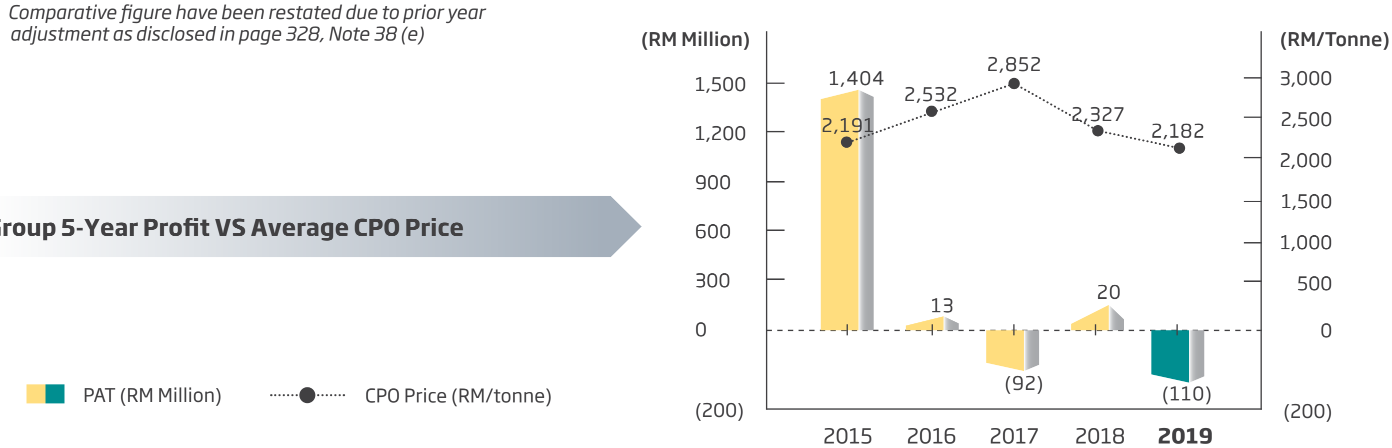
Kulim again proved its fundamental strengths by recording yet another commendable performance amidst the significant headwinds faced by the industry

GROUP 5-YEAR FINANCIAL STATISTICS

	2019	2018*	2017	2016	2015
STATEMENT OF COMPREHENSIVE INCOME HIGHLIGHTS (RM'000)					
Revenue	**1,208,836**	1,388,352	1,525,367	1,612,738	1,443,024
Segment %:					
Plantation	**69**	61	67	56	54
Intrapreneur Venture	**3**	3	4	3	4
Others	**28**	36	29	41	42
Profit from Operations	**267**	154,882	118,190	85,722	113,576
Segment %:					
Plantation	**21,570**	53	204	136	64
Intrapreneur Venture	**75**	1	(2)	1	2
Others	**(21,545)**	46	(102)	(37)	34
Interest income	**20,157**	7,728	3,871	33,930	36,909
Finance costs	**(100,511)**	(92,133)	(88,197)	(59,477)	(33,003)
Share of results of associates	**(47,760)**	(12,664)	552	(258)	317
Profit before taxation	**(127,847)**	57,813	34,416	59,917	117,799
Taxation	**17,873**	(38,172)	(47,197)	(46,391)	(30,193)
Profit after taxation from					
- Continuing operations	**(109,974)**	19,641	(12,781)	13,526	87,606
- Discontinued operations	**-**	-	(79,072)	(340)	1,316,326
Net profit for the year	**(109,974)**	19,641	(91,853)	13,186	1,403,932
Attributable to:					
Owners of the Company	**(98,201)**	(39,193)	8,619	3,855	1,410,516
Non-controlling interests	**(11,773)**	58,834	(100,472)	9,331	(6,584)
Net profit for the year	**(109,974)**	19,641	(91,853)	13,186	1,403,932

* *Comparative figure have been restated due to prior year adjustment as disclosed in page 328, Note 38 (e)*

Group 5-Year Profit VS Average CPO Price

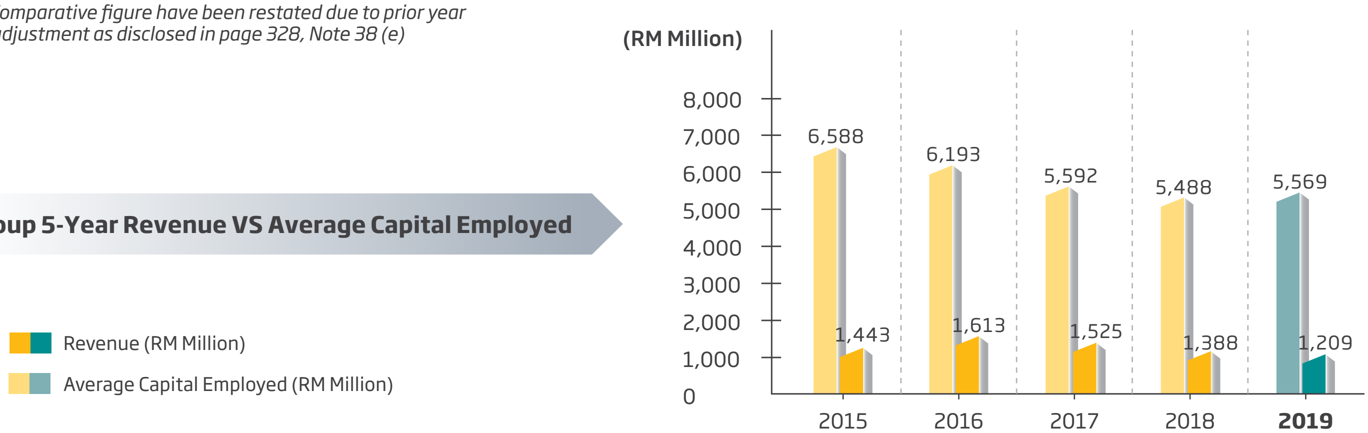


Group 5-Year Financial Statistics

	2019	2018*	2017	2016	2015
STATEMENT OF FINANCIAL POSITION HIGHLIGHTS (RM'000)					
ASSETS EMPLOYED					
Other non-current assets	**5,984,043**	5,693,209	5,694,503	5,732,814	5,348,716
Intangible assets	**7,498**	27,415	26,905	32,774	69,819
Total Non-Current Assets	**5,991,541**	5,720,624	5,721,408	5,765,588	5,418,535
Other current assets	**535,085**	472,350	751,974	794,867	603,815
Cash and bank balances	**169,932**	252,454	325,470	530,783	1,584,805
Assets of disposal group classified as held for sale	**-**	-	-	-	13,291
Total Current Assets	**705,017**	724,804	1,077,444	1,325,650	2,201,911
Other current liabilities	**478,536**	394,286	566,931	450,495	296,560
Loans and borrowings	**331,547**	800,022	506,895	1,182,151	396,772
Liabilities of disposal group classified as held for sale	**-**	-	-	-	-
Total Current Liabilities	**810,083**	1,194,308	1,073,826	1,632,646	693,332
	5,886,475	5,251,120	5,725,026	5,458,592	6,927,114
FINANCED BY					
Share capital	**1,000**	1,000	1,000	1,000	337,605
Reserves	**(26,395)**	(49,662)	51,394	28,116	1,266,529
Reserves of disposal group classified as held for sale	**-**	-	-	-	-
Retained profits	**3,384,699**	3,683,333	3,896,856	3,938,237	4,218,890
Shareholders' equity	**3,359,304**	3,634,671	3,949,250	3,967,353	5,823,024
Non-controlling interests	**99,826**	108,594	115,860	222,462	209,423
Long-term borrowings	**2,050,339**	1,081,371	1,253,253	858,745	512,507
Other long-term liabilities	**377,006**	426,484	406,663	410,032	382,160
	5,886,475	5,251,120	5,725,026	5,458,592	6,927,114
Average capital employed	**5,568,798**	5,488,073	5,591,809	6,192,853	6,588,389
Average shareholders' equity	**3,496,988**	3,791,961	3,958,302	4,895,189	4,922,765

* *Comparative figure have been restated due to prior year adjustment as disclosed in page 328, Note 38 (e)*

Group 5-Year Revenue VS Average Capital Employed



Group 5-Year Financial Statistics

	2019	2018*	2017	2016	2015
STATEMENT OF CASH FLOWS HIGHLIGHTS (RM'000)					
Net cash flow from operating activities	**304,380**	227,679	399,230	195,851	14,512
Net cash flow from investing activities	**(580,778)**	(159,891)	(29,146)	(418,997)	2,224,535
Net cash flow from financing activities	**182,874**	(140,596)	(388,311)	(982,375)	(1,173,053)
Net change in cash and cash equivalents	**(93,524)**	(72,808)	(18,227)	(1,205,521)	1,065,994
KEY FINANCIAL INDICATORS					
Profitability and Returns					
Operating profit margin (%)	**0.02**	11.16	7.75	5.32	7.87
PBT margin (%)	**(10.58)**	4.16	2.26	3.72	8.16
PATMI margin (%)	**(8.12)**	(2.82)	0.57	0.24	97.75
Return on average shareholders' equity (%)	**(2.81)**	(1.03)	0.22	0.08	28.65
Return on average capital employed (%)	**(1.76)**	(0.71)	0.15	0.06	21.41
Net assets per share (RM)	**839.83**	908.67	987.31	991.84	4.74
Solvency and Liquidity					
Gearing ratio (times)					
- Gross	**0.69**	0.50	0.43	0.49	0.15
- Net	**0.64**	0.44	0.36	0.36	(0.11)
Interest cover (times)	**(0.27)**	1.63	1.39	2.01	4.57
Current ratio (times)	**0.87**	0.61	1.00	0.81	3.18
Financial Market					
EPS (sen)					
- basic	**(2,455.03)**	(979.83)	215.48	96.38	109.80
- diluted	**-**	-	-	-	108.03
Gross dividend per share (sen)	**50.00**	37.50	12.50	-	37.65
Gross dividend rate (%)	**208**	156	52	-	151
Gross dividend yield (%)	**-**	-	-	-	11.09
Net dividend payout rate (%)	**-**	-	-	-	35.46
Average price-to-earnings ratio (times)	**-**	-	-	-	3.09
Average price-to-book ratio (times)	**-**	-	-	-	0.72

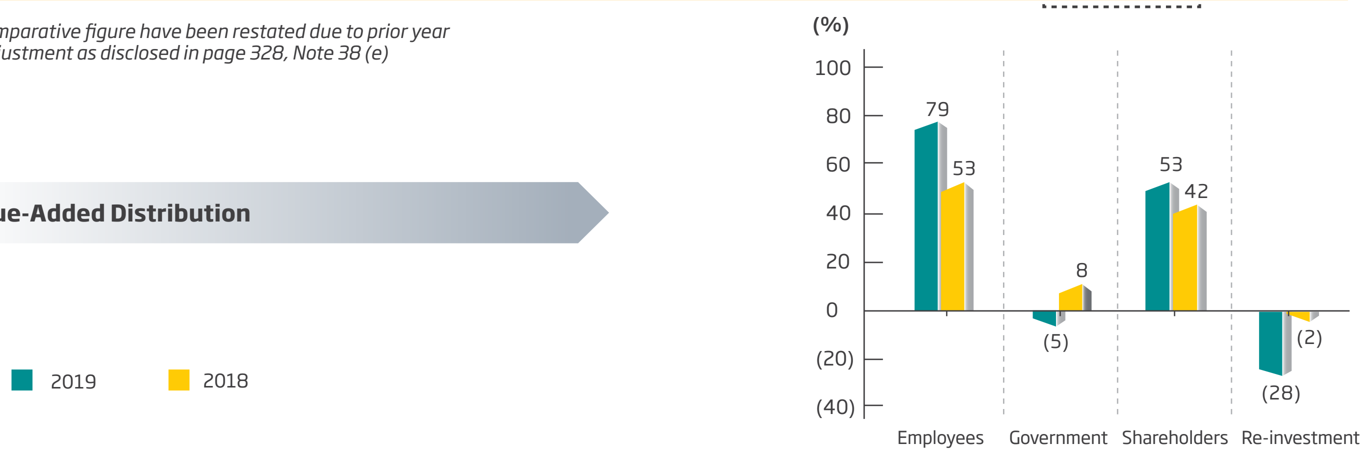
* *Comparative figure have been restated due to prior year adjustment as disclosed in page 328, Note 38 (e)*

GROUP STATEMENT OF VALUE-ADDED

	2019 RM'000	2018* RM'000
VALUE-ADDED		
Revenue	1,208,836	1,388,352
Purchase of goods and services	(790,218)	(823,342)
Value added by the Group	418,618	565,010
Other income	82,046	42,807
Finance cost	(100,511)	(92,133)
Share of results of associates	(47,760)	(12,664)
Discontinued operation	-	-
Value added available for distribution	352,393	503,020
DISTRIBUTION		
To Employees		
Staff costs	279,570	264,791
To the Government		
Taxation	(17,873)	38,172
To Shareholders		
Dividends	200,000	150,000
Non-controlling interests	(11,773)	58,834
Retained for re-investment and future growth		
Depreciation/amortisation of PPE	200,670	180,416
Retained earnings	(298,201)	(189,193)
	352,393	503,020
No. of employees at year end (excluding discontinued operations)	9,133	8,942
Value added per employee (RM)	45,836	63,186
Wealth created per employee (RM)	38,585	56,254
No. of shares at year end ('000 units)	4,000	4,000
Value added per share (RM)	105	141
Wealth created per share (RM)	88	126

* *Comparative figure have been restated due to prior year adjustment as disclosed in page 328, Note 38 (e)*

Value-Added Distribution



5-YEAR MALAYSIA PLANTATION STATISTICS

SCAN ME

	2019	2018	2017	2016	2015
OIL PALM					
Production (tonnes)					
FFB Produced - Processed by own mills	**894,765**	902,764	952,278	844,582	872,867
FFB Produced - Sold to others	**12,423**	17,080	42,851	6,854	13,305
Total FFB Produced	**907,188**	919,844	995,129	851,436	886,172
Purchased FFB - External Supplier	**366,443**	402,523	312,962	359,224	415,029
Purchase FFB - Related Parties[1]	**156,883**	136,964	159,605	128,999	109,457
Total FFB Processed	**1,430,514**	1,459,331	1,467,696	1,339,659	1,410,658
Crude Palm Oil	**309,867**	306,484	299,981	273,354	294,255
Palm kernel	**77,108**	78,995	79,071	70,030	78,290
CPO (delivered)	**334,666**	285,847	288,574	286,322	278,991
PK (delivered)	**77,256**	79,286	79,003	68,696	77,008
Yield and Extraction Rates					
FFB Yield (tonnes per mature hectare)	**21.69**	22.13	23.98	20.86	22.50
OER (%)	**21.66**	21.00	20.44	20.40	20.86
KER (%)	**5.39**	5.41	5.39	5.23	5.55
Average Selling Price (RM per tonne)					
Crude Palm Oil (locally delivered)	**2,182**	2,327	2,852	2,532	2,191
Palm Kernel (ex-mill)	**1,289**	1,792	2,427	2,387	1,534
AREA STATEMENT (HECTARES)					
Oil Palm					
- Mature	**41,819**	41,556	41,497	40,819	39,387
- Immature	**5,411**	5,703	5,601	6,209	7,623
	47,230	47,259	47,098	47,028	47,010
Other Crops:					
Rubber	**-**	-	-	298	298
Sentang	**12**	12	12	25	25
Pineapple	**290**	220	200	182	216
Fruits (inter-row planting with oil palm)	**-**	-	-	-	509
Planted Area	**47,532**	47,491	47,310	47,533	47,549
Reserve land, building sites etc	**3,319**	3,503	3,684	3,500	3,450
Titled Area	**50,851**[2]	50,994	50,994	51,033	50,999

(1) *Related parties including JCorp estate, Johor Franchise Development Sdn Bhd and Asam Bubuk Sdn Bhd*
(2) *The changes in titled area due to non-plantation area have been classified under other properties*

5-YEAR INDONESIA PLANTATION STATISTICS

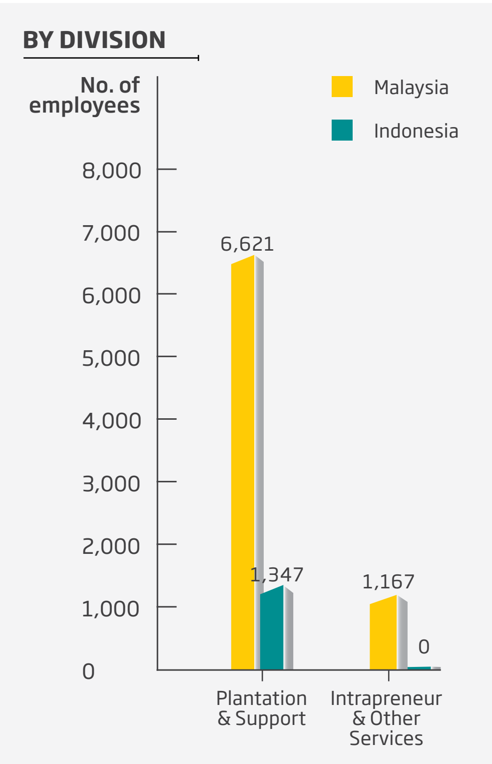
	2019	2018	2017	2016	2015
OIL PALM					
AREA STATEMENT (HECTARES)					
Oil Palm					
- Mature	**2,807**	2,814	3,524	4,316	-
- Immature	**5,464**	5,531	4,821	4,336	307
Planted Area	**8,271**	8,345	8,345	8,652	307
Undeveloped Land	**6,240**	6,166	6,166	46,390	40,338
Total area with HGU*	**14,511**	14,511	14,511	14,397	-
Total area with IUP#	**23,700**	23,700	23,700	64,345	40,645

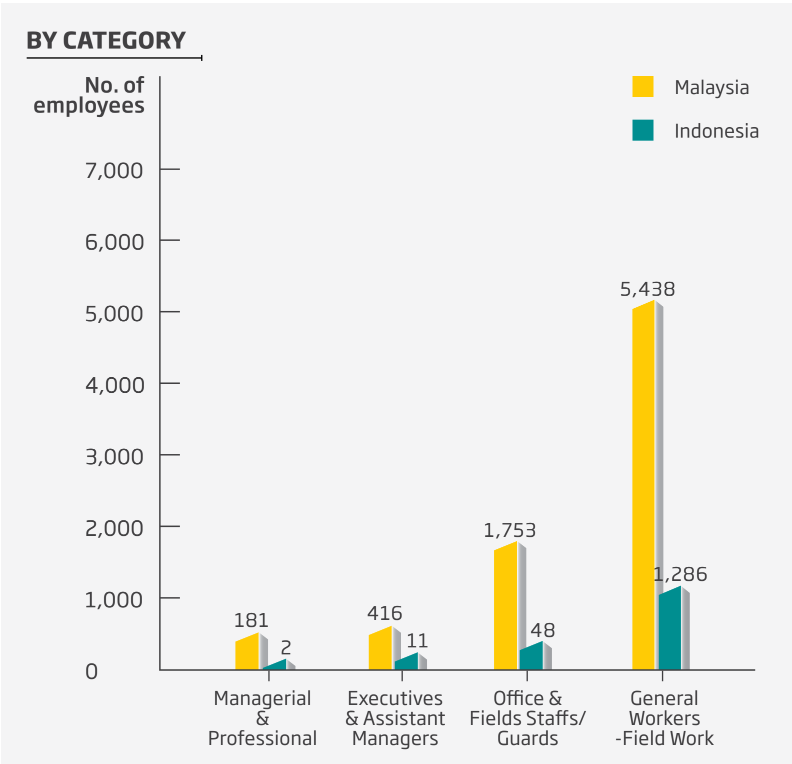
* HGU - *Hak Guna Usaha*
# IUP - *Izin Usaha Perkebunan*

HUMAN CAPITAL STATISTICS
AS AT 31 DECEMBER 2019

	BY DIVISION		
DIVISION	**Malaysia**	**Indonesia**	**Total**
Plantation and Support	6,621	1,347	7,968
Intrapreneur and Other Services	1,167	-	1,167
	7,788	**1,347**	**9,135**

	BY CATEGORY		
CATEGORY	**Malaysia**	**Indonesia**	**Total**
Managerial and Professional	181	2	183
Executives and Assistant Managers	416	11	427
Office and Field Staffs/ Guards	1,753	48	1,801
General Workers - Field Work	5,438	1,286	6,724
	7,788	**1,347**	**9,135**





PROPERTIES OF THE GROUP IN MALAYSIA

	Tenure	Hectares	Description	Net Book Value @ 31.12.2019 RM'000	Year of Acquisition/ Revaluation
KULIM (MALAYSIA) BERHAD					
Labis Bahru Estate K B 517 85009 Segamat, Johor	Freehold	2,108	Oil palm estate	156,244	2016
Mutiara Estate P O Box 24 86700 Kahang, Johor	Leasehold expiring: 20.06.2085 26.09.2085 4.11.2074	 1,608 324 607	Oil palm estate	153,881	2016
Basir Ismail Estate K B 502 81909 Kota Tinggi, Johor	Freehold	3,197	Oil palm estate	392,466	2016
R.E.M. Estate K B 501 81909 Kota Tinggi, Johor	Freehold Leasehold expiring: 12.03.2911	1,246 945	Oil palm estate	291,252	2016
Sg. Sembrong Estate P O Box 21 86700 Kahang, Johor	Leasehold expiring: 05.05.2074 25.11.2082 13.10.2102	 608 604 29	Oil palm estate	82,388	2016
Ulu Tiram Estate K B 710 80990 Johor Bahru, Johor	Freehold	500	Oil palm estate	104,043	2016
Kuala Kabung Estate K B 125 81020 Kulai, Johor	Leasehold expiring: 16.08.2081	1,718	Oil palm estate	–	1997
		13,494		**1,180,274**	
KULIM PLANTATIONS (MALAYSIA) SDN BHD					
Tereh Selatan Estate K B 537 86009 Kluang, Johor	Freehold Leasehold expiring: 27.08.2078	1,929 869	Oil palm estate	158,896	2016
Tereh Utara Estate K B 536 86009 Kluang, Johor	Freehold Leasehold expiring: 27.08.2078 Leasehold expiring: 27.06.2079	831 1,559 607	Oil palm estate	170,197	2016
		5,795		**329,093**	

Properties of the Group in Malaysia

	Tenure	Hectares	Description	Net Book Value @ 31.12.2019 RM'000	Year of Acquisition/ Revaluation
MAHAMURNI PLANTATIONS SDN BHD					
Rengam Estate K B 104 86300 Rengam, Johor	Freehold	2,418	Oil palm estate	181,000	2016
Sedenak Estate K B 124 81000 Kulai, Johor	Freehold	2,807	Oil palm estate	267,086	2016
Siang Estate K B 515 81909 Kota Tinggi, Johor	Leasehold expiring: 23.01.2087	3,433	Oil palm estate	202,753	2016
Sg. Papan Estate P O Box 15, Bandar Penawar 81909 Kota Tinggi, Johor	Leasehold expiring: 22.09.2090	2,996	Oil palm estate	146,943	2016
Palong Estate K B 530 85009 Segamat, Johor	Leasehold expiring: 11.09.2112	1,916	Oil palm estate	90,317	2016
Mungka Estate K B 524 85009 Segamat, Johor	Leasehold expiring: 11.09.2112	1,928	Oil palm estate	84,870	2016
Kemedak Estate K B 525 85009 Segamat, Johor	Leasehold expiring: 11.09.2112	1,786	Oil palm estate	78,871	2016
Pasir Panjang Estate K B 527 81909 Kota Tinggi, Johor	Leasehold expiring: 16.09.2112	1,610	Oil palm estate	92,222	2016
		18,894		**1,144,062**	
UNITED MALAYAN AGRICULTURAL CORPORATION BERHAD					
UMAC Estate P O Box 31 26900 Bandar Tun Razak Pahang	Leasehold expiring: 17.03.2070 29.08.2071 11.12.2071 28.11.2072 25.02.2074	 239 237 324 346 474	Oil palm estate	95,474	2016
		1,620		**95,474**	

	Tenure	Hectares	Description	Net Book Value @ 31.12.2019 RM'000	Year of Acquisition/ Revaluation
ULU TIRAM MANUFACTURING COMPANY (MALAYSIA) SDN BHD					
Bukit Layang Estate K B 502 81909 Kota Tinggi, Johor	Freehold	398	Oil palm estate	54,659	2016
		398		**54,659**	
SELAI SDN BHD					
Enggang Estate K B 503 86009 Kluang, Johor	Freehold	1,735	Oil palm estate	95,845	2016
Selai Estate K B 529 86009 Kluang, Johor	Freehold	1,800	Oil palm estate	96,212	2016
		3,535		**192,057**	
KUMPULAN BERTAM PLANTATIONS BERHAD					
Sepang Loi Estate P O Box C-21 85007 Segamat, Johor	Freehold	970	Oil palm estate	64,366	2016
		970		**64,366**	
SINDORA BERHAD					
Sindora Estate K B 539 86009 Kluang, Johor	Leasehold expiring: 24.01.2086	3,919	Oil palm estate	238,331	2016
Sg. Tawing Estate K B 531 86009 Kluang, Johor	Leasehold expiring: 27.06.2079	2,226	Oil palm estate	103,718	2016
		6,145		**342,049**	
TOTAL - PLANTATIONS		**50,851***		**3,402,034**	

* *The changes in titled area due to non-plantation area have been classified under other properties*

Properties of the Group in Malaysia

	Tenure	Hectares	Description	Net Book Value @ 31.12.2019 RM'000	Year of Acquisition/ Revaluation
KULIM (MALAYSIA) BERHAD					
Taman R.E.M.	Leasehold expiring: 12.03.2911	40	Residential area	4,980	2015
Kulim Training Centre	Leasehold expiring: 15.04.2093	4	Building	1,032	1994
Mukim of Plentong, Johor			Vacant land	17,458	1997
Lot 1581	Freehold	5			
Lot 2222	Freehold	8			
Lot 2223	Freehold	66			
Lot 2226	Freehold	4			
Lot 2227	Freehold	5			
Mukim Sungai Tiram PTD 5069 HSD 564663	Leasehold expiring: 16.01.2068	8	Vacant land	8,161	2017
Mukim of Plentong, Johor PTD 155633 HSD 303856	Leasehold expiring: 18.05.2060	6	Container depot	22,000	2019
Mukim Bandar PTB 17770 HSD 187429	Leasehold expiring: 26.10.2090	1	Building	27,500	2019
12 units of Selesa Tioman Condotel	Leasehold expiring: 02.05.2107	0.07	Building	2,880	2019
		147		**84,011**	

	Tenure	Area	Description	Net Book Value @ 31.12.2019 RM'000	Year of Acquisition/ Revaluation
SINDORA BERHAD					
Sindora Timber Complex Lot 1384 Industrial Area Phase 1 Bandar Tenggara 81000 Kulai, Johor	Leasehold (60 years) Expiring: 24.11.2059 (Building age: 20 years)	2.56 hectares	Industrial land and building	1,527	2019
	Leasehold (60 years) Expiring: 30.01.2041 (Building age: 37 years)	2,344,000 hectares	Industrial land and building for office and factory	4,800	2019
	Leasehold (60 years) Expiring: 30.01.2041 (Building age: 34 years)	5,000 sq. ft.	Factory building	8,300	2019
No. 1, Jalan Temenggong 10 Bandar Tenggara 81000 Kulai, Johor	Leasehold (60 years) Expiring: 30.01.2041 (Building age: 33 years)	6,000 sq. ft.	Factory building	500	2019
Sg. Simpang Kiri Mukim of Chaah Bahru	Leasehold expiring:		Vacant land	-	2017
HSD 55820 PTD 9990	01.11.2105	127 hectares			
HSD 55684 PTD 9995	21.09.2105	67 hectares			
				15,127	

	Tenure	Area	Description	Net Book Value @ 31.12.2019 RM'000	Year of Acquisition/ Revaluation
E.A. TECHNIQUE (M) BERHAD					
Unit C-3A-3A Setiawangsa Business Suites No 2, Jalan Setiawangsa 11 Taman Setiawangsa 54200 Kuala Lumpur	Freehold (Building age: 14 years)	6,402 sq.ft.	Office building	930	2006
DANAMIN (M) SDN BHD					
PTB 811, Jalan Industri A6, Kawasan Perindustrian Bandar Penawar 81970 Bandar Penawar, Johor	Leasehold (60 years)	2.9 hectares	Office building	686	2013
No 11-A & B, Jalan Serangkai 1, Taman Bukit Dahlia, 81700 Pasir Gudang, Johor	Leasehold (89 years)	348 m²	Shop office	779	2013
Expansion Plant in Bandar Penawar Kawasan Perindustrian MIEL, Bandar Baru Seri Alam, 81750 Masai, Johor	Leasehold (60 years)	2,600 m²	Industrial land and building for plant	2,546	2014
Expansion Plant in Bandar Penawar Kawasan Perindustrian MIEL, Bandar Baru Seri Alam, 81750 Masai, Johor	Leasehold (60 years)	23,956 sq. ft.	Industrial land and building for plant	2,009	2019
				6,020	
DQ-IN SDN BHD					
Lot PT 11254, Taman Perindustrian Paka, 23100 Paka Dungun, Terengganu	Leasehold (85 years)	143m²	Shop office	279	2014
EXTREME EDGE SDN BHD					
No 37, 37-01 & 37-02, Jalan Perjiranan 15/1 Bandar Dato' Onn, 81100 Johor Bahru, Johor	Freehold	1,540 sq. ft.	3-storey shop office	1,800	2019
TOTAL - OTHER PROPERTIES				**108,167**	

05 SECTION **05/07**

SUSTAINABILITY REPORT

Our estates and mills personnel are the backbone of the Company whose valuable contributions throughout the years provide the basis for Kulim's growth.

SUSTAINABILITY REPORT

Aiming for Sustainable

Healthy palms will produce optimum FFB yield, which is the primary commodity of most plantations

Growth

Sustainability Report

"This report details our sustainability journey for the year 2019. It shows how we continue to keep apace with the new paradigm for sustainability: that is, People, Planet, Prosperity, Peace and Partnership, better known as 5Ps."

By defining all that we do within the 5Ps, we have embraced the more comprehensive 17 Sustainable Development Goals ("SDG"), now the global standard for sustainability.

As a plantation company, we are aware that the world is watching us. Even before sustainability became a global clarion call, Kulim had adopted many agricultural practices now deemed as sustainable.

Today, Kulim's business policies, strategies and operations are aligned to both global and industry sustainability frameworks. With this, we can stand up to scrutiny as a responsible plantation company committed to enhancing value for diverse stakeholders - from shareholders to the wider community and the environment.

For more details on our 5Ps, please refer page 136 to 163

The wetland of Selai Estate, Kluang; one of the largest man-made wetlands within Kulim's estates measuring approximately 7 acres.

The 17 Sustainability Development Goals as below:

PEACE
Foster peaceful, just and inclusive societies

PARTNERSHIP
Implement the agenda through a solid global partnership

PROSPERITY
Ensure prosperous and fulfilling lives in harmony with nature

PEOPLE
End poverty and hunger in all forms and ensure dignity and equality

PLANET
Protect our planet's natural resources and climate for future generations

Key Sustainability Highlights

Safety

Achieved

1.53

Lost Time Accident Rate ("LTAR")

[Target below 10]

Achieved

2.82

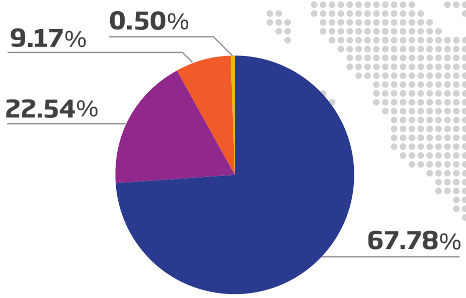
Severity Rate

[Target below 3.5]

Our Workforce

Workers by countries of origins:

- Indonesia
- Malaysia
- Bangladesh
- India



6,621

total number of employees in Malaysia Plantation Operation

Average Training Hours per Employee

40.58

hours

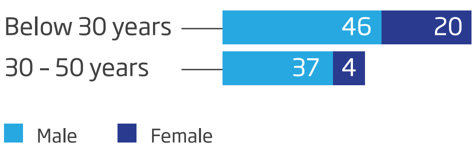
[Target man-hours 40 hours]

Management
by Gender

240 Male

108 Female

New
Employee Hires



Environment

No Deforestation
No Development on peat land areas
No Exploitation of People and Communities

Decreased ▼
42.5%
Reduction of Carbon Footprint

Biodiversity & Conservation

HCV Forest Area
305.74
hectares

Incidences of **elephant** enroachment cases **61**

** Including JCorp Estate*

Corporate Responsibility

RM17.26 million
for Corporate Responsibilities contribution

3 School under **PINTAR FOUNDATION** Programme

2 Kulim's Adoption Schools

PINTAR HARAPAN PROGRAMME

211 Students B40 (UPSR & SPM)

7 Participating Schools

2 Schools as Tuition Centres

Certification

RSPO Certified

MSPO Certified

Halal Certified

ISCC Certified

ISO 14001:2015

ISO 9001:2015

Report & Publication

1 Sustainability Handbook

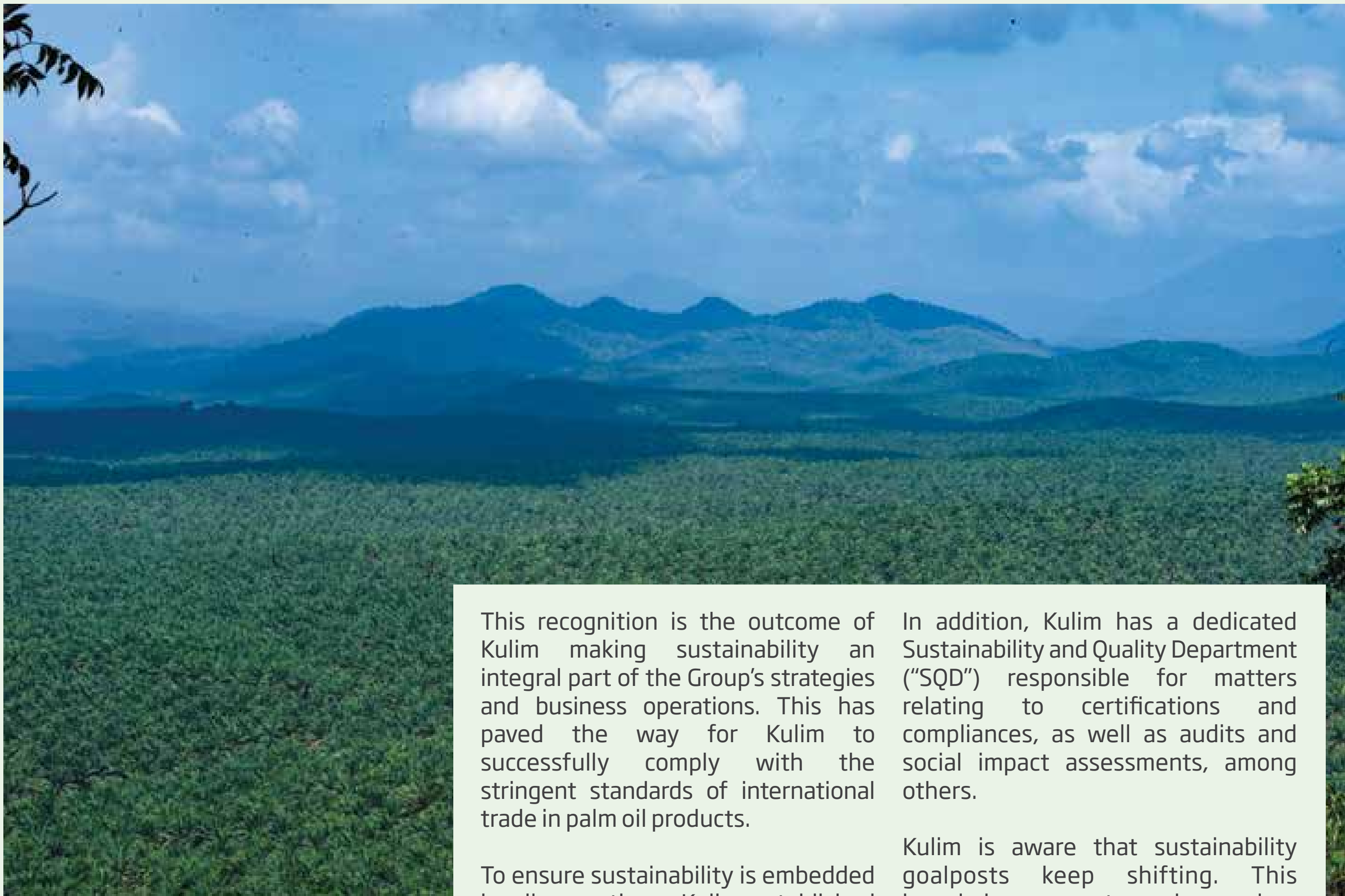
6 Sustainability Report

4 Carbon Footprint Report

OUR SUSTAINABILITY POLICY

KULIM IS ONE OF THE EARLIEST PLANTATION COMPANIES IN THE WORLD TO BE RECOGNISED AS A SUSTAINABLE PALM OIL PRODUCER.

Today, the Group continues to break boundaries in global palm oil markets by continuing to embrace innovative and sustainable practices in palm oil production.



This recognition is the outcome of Kulim making sustainability an integral part of the Group's strategies and business operations. This has paved the way for Kulim to successfully comply with the stringent standards of international trade in palm oil products.

To ensure sustainability is embedded in all operations, Kulim established the Sustainability and Initiative Council ("SIC"). It is chaired by the Plantation Inspectorate, and consists of 14 members who represent various operating units and departments. Every month, the SIC meets to review the Group's sustainability performance across various economic, social and environmental indicators.

In addition, Kulim has a dedicated Sustainability and Quality Department ("SQD") responsible for matters relating to certifications and compliances, as well as audits and social impact assessments, among others.

Kulim is aware that sustainability goalposts keep shifting. This knowledge serves to push ourselves harder and set our sights higher, as reflected in the latest revision of our Sustainability Policy (May 2018), which incorporated the following policies: No Deforestation; Protection of Peat Areas; and No Exploitation of People and Communities.

Sustainability Report

SIGNIFICANT MILESTONES

Officially, the Group's sustainability journey began in 2004, when it became one of the earliest oil palm companies in Malaysia to subscribe to the RSPO. Our R&D initiatives helped Kulim developed its own Sustainable Management System ("SMS") based on the defined structures, practices and responsibilities set out in the RSPO's Principles and Criteria

ENVIRONMENT

In 2009, Kulim published its first Sustainability Report, the first by any plantation company. In 2013, we published the Carbon Footprint Report, the first of its kind in Malaysia. In 2009, we launched our Wildlife Defenders Programme to reach out to schools and smallholders to protect and conserve Malaysia's unique wildlife. Since 2015, we have invested in biogas plants as a carbon reduction strategy and established of guidelines for the responsible use of chemicals, fertilizers and water at our estates.

SOCIAL

Kulim conducts the Annual Social Impact Assessment that look into the welfare of our workers and local community, with the view to raise their living standards. We also engage regularly with our stakeholders to understand their concerns better. Through our Women OnWards ("WOW") programme, we promote gender equality and empower the knowledge and skills of women. Our WOW programme was recognised at the 11th Annual Global CSR Summit Awards Ceremony 2019, when it won the Empowerment of Women Award in Bronze Category.

SUSTAINABLE DEVELOPMENT & PERFORMANCE PRINCIPLES

1. The SMS places priority on maintaining a safe, healthy and viable work environment in compliance with all applicable rational and international legislations.
2. We invest in the training and development of employees to improve their knowledge, skills and competency to enhance performance and advance their career.
3. We promote optional land use to ensure its long-term sustainability and productivity for agricultural use.
4. We strive to build community trust by integrating corporate responsibility and sustainability in all our business processes and contributing to the well-being of the communities in which we operate.
5. We uphold the principle of Free, Prior and Informed Consent ("FPIC") in all negotiations and interactions with stakeholders.
6. We agree that there will be no new development in primary forests or High Conservation Value ("HCV") areas. In any development, Kulim will take into account the conservation of biodiversity and the protection of cultural and customary land use within the context of a sustainably managed landscape.

Our SUSTAINABILITY Journey

2004

Became a RSPO member

Launched Sustainable Palm Oil Programme based on 8 Principles and 39 Criterias of RSPO

Appointed task force to implement Sustainable Palm Oil Programme

2007

First Internal Social Impact Assessment ("SIA") based on RSPO Principle 6 and contains SA8000-Auditable Certification Standard

Established the Sustainable Palm Oil team and appointed a Group Director for Sustainability

2008

Joined World Wildlife Fund ("WWF") Malaysia in a meeting with Greenpeace in London to seek clarification and engage in open discussion

Established *Panel Aduan Wanita* ("PAW"), a women's grievance panel

Became first Malaysian palm oil producer to publish the Sustainability Report for 2007-2008

2013

Published Carbon Footprint Report 2012, the first by a plantation company in Malaysia

Launched 'Raja Zarith Sofiah Wildlife Defenders Challenge', a programme to increase awareness of wildlife conservation among students

2015

Published Carbon Footprint Report 2014

Kulim's Carbon Footprint Report 2014 won the Best Carbon Disclosure Report at Asia Sustainability Reporting Awards ("ASRA") 2015

Installed biogas plants in Sedenak and Pasir Panjang POM to achieve 58% carbon reduction by 2020

Banned the use of Paraquat in all estates

Launched Saving Orangutan Saving Forest' campaign with Orangutan Land Trust ("OLT")

Four (4) palm oil mills were *Halal* certified in 2015

2016

Relaunched empty pesticide container recycling campaign in collaboration with G-Planters

Raja Zarith Sofiah Wildlife Defender Challenge Programme 2016 *'Manusia dan Paya Bakau, Ke Arah Kehidupan Simbosis'*

WOW celebrated International Women's Day with the theme *'Wanita dan Cabaran Global'*

2009

Launched Kulim Wildlife Defenders ("KWD") to eliminate poaching in estates

Became one of the earliest Malaysian plantation companies with RSPO-certified mills and supply base

Launched Kulim's Sustainability Handbook outlining policies and guidelines for stakeholders

2010

SIC to monitor performance against sustainability matrix

WOW which launched *Jejari Bestari*; an entrepreneurship programme for women in local communities

2011

Launched the Natural Corridor initiatives that linked to natural habitats separated by human modified landscapes.

2012

Three (3) palm oil mills were ISCC certified

2017

Participated in the Tribute to Women Malaysia Lifestyle Fest 2017

RSPO Secretariat conducted field trip to Tereh POM, Tereh Selatan Estate, Sungai Tawing Estate and Kulim Eco-TRAIL Retreat

Wildlife Conservation Campaign at Simpang Renggam

Launched Semarak Kasih 2.0, an Education Programme for children with special needs and persons with disabilities

Published Carbon Footprint Report 2016

Published Sustainability Report 2014-2015

WOW celebrated International Women's Day with the theme *"Karnival Hari Wanita Antarabangsa 2017"*

Pasir Panjang POM was RSPO certified and *Halal* certified in 2017

2018

Commisioning of Biogas Plant at Sindora POM on 16 January

Received the Identity Preserved ("IP") certified mills recognition for Palong Cocoa POM on 20 April, which subsequently obtained the ISCC Certified Mills on 9 May

WOW celebrated International Women's Day with the theme *"Wanita Harapan Negara 2018"*

ISO transition of QMS 9001:2008 and EMS 14001:2004 has successfully completed for ISO QMS 9001:2015 and EMS 14001:2015 in August 2018

MSPO certification has completed the Audit programme in December 2018, target to received certificate in March 2019

Raja Zarith Sofiah, Wildlife Defender Challenge Programme 2018 with theme of 'Johor Mighty Rivers'

Karnival Sukan Piala KMB (U16)

Published 6th Sustainability Report 2016-2017

2019

Received MSPO certification in March 2019

Published Carboon Footprint Report 2018

Summer Camp KMB 2019 was held on 13-14 August at Savanna Hill Resort, Ulu Tiram, Johor.

Karnival Sukan KMB (U17)

Peace

16 PEACE, JUSTICE & STRONG INSTITUTIONS

- Complying with the national regulations and respecting international agreements.
- Implementing non-discriminatory policies and grievance channel for stakeholders to raise concerns.
- Protecting the fundamental rights and freedom of employees.

The 5Ps of Sustainability Peace

Building community trust by integrating corporate responsibility and sustainability in all our business process and contributing to the well-being of the communities in which we operate.

Kulim places great emphasis on the building of peaceful relations with our employees as well as external stakeholders. In order to build resilience amongst vulnerable communities as well as provide support where necessary, we actively contribute towards social causes and encourage our employees to participate in community engagement activities.

Heading to work; morning scene at Sg Papan Estate, Kota Tinggi

COMMUNITY DEVELOPMENT

Taking a proactive approach to our core value of putting people first, Kulim has always endeavoured to contribute to the well-being of the communities in which we operate. By now it is ingrained not only in our identity but in our business strategy to listen to the needs of the people we come in contact with. Closest to home, Kulim's As-Sajadah Fund provides assistance to our staff, where possible, improve their quality of life.

Our staff including management is also encouraged to take part in our welfare and charitable projects. Their response has made us proud which we frequently see staff of all levels stepping up to volunteer their time and effort, and even making personal donations to support good causes. This includes the community development programmes and activities that rest on five (5) main pillars: community, sports, welfare, education and infrastructure development.

SCAN ME
PEACE
PROSPERITY
PLANET
PEOPLE
PARTNERSHIP

In 2019, Kulim was involved in the following community investment activities:

COMMUNITY INVESTMENT ACTIVITIES	APPROXIMATE CONTRIBUTION (RM'000)
Kelab Bolasepak Johor Darul Takzim (JDT) National sports sponsorship to support the development of football and encouraging football club to compete at Asia Championship Level.	**3,000**
Yayasan Johor Corporation To improve the living conditions of the under-privileged community	**1,100**
Mutiara Johor Corporation Sponsorship by purchasing table in High-Tea programme for fund raising	**98**
PINTAR Foundation Sponsorship for tuition programme and provide school essentials for three (3) adopted schools	**11**
Yayasan Pelajaran MARA (Pintar Harapan Programme) This programme is an initiative by Ministry of Rural Development via YPM and Kulim as the sponsorship partner with focus to assist rural school students in education, especially families in the B40 group (Family with household income below RM3,000 per month). The programme includes tuition classes, answering technique courses, science workshops, excellence seminars, mentor-mentee programs between MARA College of Science students, writing aid programs and training books	**59**
School Uniform Project Subsidies the school uniform for Kulim's employee children located at Kulim's Operating Unit on annual basis	**61**

SUMMER CAMP KMB 2019

Among last year's initiatives were our SQD's hosted the Summer Camp KMB 2019 for students preparing their UPSRs, PT3s and SPMs. The camp took place from 13 to 14 August at Savanna Hill Resort, Ulu Tiram, Johor.

The total of 97 students from each operating unit and headquarters participated in the activities. The camp kicked off with the motivational activity *Jom Jadi Hebat* conducted by Akademi Ikon Muda Malaysia ("AIKOM"), followed by KWD awareness, as well as aerobic and recreational activities.

The highlight activity of the event was *Bicara Tokoh-Potensi Diri dan Kecemerlangan Pelajar* with Dato' Ustaz Badli Shah Bin Haji Alauddin and presentation of mock-cheque by Yayasan JCorp to schools within our operating units.

The closing ceremony was attended by Encik Noor Effendy Mohd Ali, Head of Business Development and Marketing Division.

KARNIVAL SUKAN PIALA KMB 2019

In December 2019, SQD hosted its fifth KMB Sport Tournament for employees children under seventeen years old. The netball and football tournament was held at Padang Dataran Majlis Perbandaran Pasir Gudang and Stadium Bolasepak Pasir Gudang.

A *Klinik Bolasepak* and *Klinik Bola Jaring* were also organised for teams that were not successful in moving on to the semi-finals. These clinics were aimed at improving the skills and general understanding of the game to the players or participants. The prize giving ceremony was officiated by Cik Zainuriah Abdullah, the Head of Plantation Advisory and Services Division. A friendly football tournament were also organised between Legend Johor and Kulim XI.

All these initiatives provided opportunities for our children to participate in health-promoting activities. Through sport, we also facilitated the building of relationships among Kulim's citizens, which fits in with our CR efforts.

Prosperity

8 DECENT WORK & ECONOMIC GROWTH

- Achieving higher levels of economic productivity as well as inclusive and sustainable growth.
- Creating employment opportunities within the supply chain, especially for marginalised and under represented groups.

9 INDUSTRY, INNOVATION & INFRASTRUCTURE

- Developing strategy for expansion and diversification, unlocking value and prioritising R&D efforts to increase productivity.
- Investing in infrastructure development to protect human well-being and with a focus on affordable and equitable access for all.

The 5Ps of Sustainability Prosperity

Redefining success to include sustainable levels of consumption to ensure a prosperous future for the coming generations.

Malaysia's palm oil industry is more than a century old. What started in 1917, has driven the nation's economic growth, created job opportunities and boosted the export trade. Kulim strives to advance this fine tradition and become a leader not only in palm oil production but in observing sustainable practices that impact the entire supply chain.

Key to this is supply chain visibility and traceability. In its pledge to ensure this, Kulim is RSPO certified and additionally, has incorporated elements of the UN's SDGs into our business practices. The incorporated elements support our commitment to protecting the environment and uplifting the communities in which we operate. As the global community becomes more aware of and concerned with the provenance of the products they purchase, the ability for an organisation to prove the sustainability of its supply chain makes good business sense. For this reason, our actions are not only socially and environmentally responsible, but it will likely have a positive effect in terms of performance and marketability.

‹‹‹

DELIVERING YEAR-ON-YEAR PROFIT

We are long past the time when a company's success was measured on profitability alone. Presently, we also look at the larger social and economic impacts, understanding that taking responsibility for these things are the only way for a company to grow and survive in the long-term.

AGRICULTURAL PRODUCTIVITY

Maintaining sustainable crude palm oil production requires constant improvement of our business practices. Kulim is tireless in its endeavours to achieve continuous agricultural productivity by maintaining a high percentage of OER and KER from the high quality of FFB we have harvested. We have achieved an OER of 21.66% and KER of 5.39% in FYE 2019.

The buffalo drawn cart for in-field FFB evacuation is the most traditional method that is still in use in Tereh Utara Estate

Palm Oil Product	FYE 2019	FYE 2018	FYE 2017	FYE 2016	FYE 2015
FFB (MT)	1,430,514	1,459,331	1,467,696	1,339,659	1,410,658
EFB (MT)	271,971	282,552	296,771	261,350	243,210
PK (MT)	77,108	78,995	79,071	70,030	78,290
Crude Palm Oil (MT)	309,869	306,484	299,981	273,354	294,255
Raw Effluent/POME Produced (MT)	1,050,873	1,080,638	1,129,218	1,085,216	943,442
OER (%)	21.66	21.00	20.44	20.40	20.86
KER (%)	5.39	5.41	5.39	5.23	5.55

Kulim is firmly committed to adopt the MSPO certification scheme as the main standard and also encourage our smallholders to comply with the certification accordingly

PRODUCT QUALITY

The quality of our palm oil influences the marketability of our products which is the higher the quality, the greater our customer's satisfaction. To this end, Kulim has always ensured the highest levels of quality, and continues to be guided by the Quality Policy we implemented in 2008. The policy outlines expectations for the Group's estates and mills based on the high standards of regulators, stakeholders and our customers.

QUALITY POLICY

ESTATES	MILLS
Produce ripe FFB to achieve maximum extraction rate	Remain in compliance to ISO 9001:2015
Prioritise mechanised harvesting method store reduce dependence on human resources	Implement a continuous improvement programme
Continuously train estate workers to achieve maximum working potential	Communicate policies to all employees
Promote a healthy and safe working condition	Regularly evaluate and assess the effectiveness of the Quality Policy
Recycling mill by-product to reduce environmental pollution	Fulfill customer requirement

Increase the effectiveness of the Group's Quality Management System

STANDARDS AND CERTIFICATIONS

At Kulim, we faithfully comply with the international standards Environmental Management Systems ("EMS") and Quality Management Systems ("QMS"). While adherence is voluntary, we believe the standards enable us, as an organisation, to usefully examine our values, priorities, policies, strategies, objectives, methods for allocating resources for delivering performance and continuous learning.

Five (5) operating units namely, Tereh Selatan Estate, Palong Cocoa POM, Tereh POM, Sindora POM and Sedenak POM have successfully earned the latest ISO QMS 9001:2015 accreditation. Meanwhile, Sindora Estate, Sedenak Estate and Sindora POM, have earned ISO EMS 14001:2015 certification, the world's most recognised environmental management system standard. Kulim's UTCL has also been accredited with the ISO/ IEC 17025:2015 certification, which is the main ISO standard used by testing and calibration laboratories to be deemed technically competent.

While ISO 14001:2015, ISO 9001:2015 and ISO/IEC 17025:20052 recertification is required annually, the recertification for MS 1500:2009 (*Halal* Certification) is required every two (2) years.

Since February 2017, all our palm oil mills, namely the Palong Cocoa POM, Tereh POM, Sindora POM, Sedenak POM and Pasir Panjang POM have earned the MS 1500:2009, *Halal* Certification issued by JAKIM for their products.

PRODUCT GRADING METHOD

Kulim products are strictly graded using methods designed to guide our efforts in improving the quality of our CSPO production as well as palm oil and palm kernel oil extraction rates. Quality control starts at the earliest stages. At the R&D stage, we focus our attention on planting and cultivating specific species of palms. At the harvesting, we use the FFB grading method for best results when processing into CPO. Kulim's grading criteria for FFB ripeness standards is distributed to our estates, mills and corporate office via email distribution and regular briefings. The standards also list instructions to distinguish the ripeness of the FFB by assessing the colour, size, stalk length and the characteristic ratios of harvested FFB.

CUSTOMER SATISFACTION

Kulim depends on customer feedback to continuously improve on the quality of our products and services. We proactively solicit feedback through an annual customer satisfaction survey which allows us to engage with our customers in an organised and constructive manner, identify product quality issues, and take prompt action where necessary.

When customers return the surveys, the answers are analysed and our findings presented to Senior Management to ensure the Group's leadership is aware of any challenges, issues or discontent. Keeping the line of engagement open with our customers also allows us to gain favourable feedback to further improve our products and remain a front-runner in the industry, especially in the competitive business of palm oil production.

COMMUNITY INVESTMENT

The Group is invested in protecting the well-being and quality of life for our employees and estate workers alike. This often translates into improving infrastructure, including the building of decent estate living quarters. As we already have sufficient housing in good condition, no new houses were built during the year under review, which also saved us a lot of costs during a challenging financial year.

Planet

12 RESPONSIBLE CONSUMPTION & PRODUCTION

- Encouraging sustainable sourcing and production through the efficient use of natural resources
- Monitoring and reporting effluents and waste that's is generated and disposed of

13 CLIMATE ACTION

- Working towards greenhouse gas emissions reduction targets
- Strengthening resilience and adaptive capacity to climate related hazards

15 LIFE ON LAND

- Ensuring the sustainable use of forest, wetlands and other terrestrial ecosystems
- Conserving ecosystems and taking actions to halt the loss of biodiversity

The 5Ps of Sustainability **Planet**

Kulim has long taken measures to mitigate our impact to the environment by responsibly managing our energy use, water consumption, waste production as well as implementing good agricultural practices.

To be recognised as a leader in sustainable palm oil production, the Group strives to safeguard our overall environmental performance throughout our supply chain. We prioritize continuous improvement, investing efforts in sustainable development and innovative technology that are geared towards protecting and conserving the environment through sound energy, water, and waste management. Our SQD also focuses their resources to introduce initiatives and targets that are aimed to reduce our carbon footprint in an attempt to mitigate climate change.

All our estates are required to provide regular updates on the species found in and around the estates and track incidents of wildlife encroachment, particularly elephants.

Sustainability Report

SCAN ME

PROTECTING OUR PLANET

The relationship between the business world and the planet that sustains it has undergone profound changes. Pollution, global heating and deforestation have reached a tipping point. Therefore, it is up to the human race to step up to the plate and take concerted actions to save our planet.

CONSERVING BIODIVERSITY

Kulim's plantations in Johor border the Endau-Rompin National Park and the Labis Forest Reserve. The last survey to assess the state of the flora and fauna bordering our estates was conducted in 2008. According to the International Union for Conservation of Nature ("IUCN"), the number wildlife on its Red List of Threatened Species has risen. Hence, Kulim has stepped up its conservation efforts by working closely with Government and Non-Governmental Organizations ("NGOs") to strengthen its internal monitoring and control mechanisms to mitigate incidents of poaching.

HIGH CONSERVATION VALUE ("HCV") TOOLS

The RSPO is committed to deploying HCV tools in order to maintain sustainably managed landscapes through the RSPO Principles and Criteria. There are various HCV definitions, including endemic, rare, threatened or endangered species. Kulim has built a reservoir which has become a haven for a variety of wildlife, including two (2) species of migratory birds that fall under the HCV category.

SAVING OUR NATURAL HERITAGE

Kulim champions efforts to protect Malaysia's rich biodiversity as well as its endangered species. In 2019, 61 incidences of elephant encroachment were reported. A more serious growing problem is that of elephants encroaching into residential areas, as a result of increasing activities at the surrounding estates.

Acting in the interest of everyone involved, we continue to collaborate with the Wildlife Conservation Society to reach a permanent solution to the encroachment problem.

The Group places a great deal of importance on conservation and is determined to put a stop to animal poaching. To this end, our KWD have joined forces with the Johor National Parks Corporation, Wildlife Department, Forestry Department, and the Police Force under the Johor Wildlife Conservation Project to save our natural heritage. A total of eight (8) programmes were conducted in 2019 at different locations in Johor, as follows:

In an effort to create public awareness of the importance of protecting the nation's wildlife, KWD has also participated in several other events, including *Program Kesedaran Pemuliharaan Hidupan Liar dan Alam Sekitar*, organised by Wildlife Conservation Society ("WCS") at SK Kg Peta on 16 July 2019 and at SK Kg Kudong on 23 July 2019. In addition, KWD participated in *Program Penghijauan Kawasan Tersorot*, organised by Suruhanjaya Pencegahan Rasuah Malaysia and WCS Malaysia at Pantai Gunung Arung, Mersing, on 8 September 2019.

KWD Awareness programmes for students were also organised. Among others, the Summer Camp KMB 2019 at Savanna Hill Resort for students who were preparing for their UPSR, PT3 and SPM examinations.

ENHANCING BIODIVERSITY AREAS

As of 31 December 2019, Kulim has set aside 59.08 hectares of land for buffer zones, while another 305.74 hectares of jungle patches within our estates will be preserved as full-fledged HCV forests.

In addition, seven (7) years ago, Kulim launched the National Corridor Initiative linking natural habitats that have been separated by human-modified landscapes. These corridors are critical for the maintenance of ecological processes. Among their many benefits, the corridors facilitate the free movement of animals and the continuation of viable populations. To create these natural corridors, we organised an annual tree planting event, *Infaq 1 Warisan*, which brings together employees as well as members of the public to play their part in enhancing the biodiversity in our estates.

MITIGATING IMPACTS

Inevitably, the establishment of monoculture oil palm plantations leaves a deep footprint on the environment. Among the most serious repercussions are, loss of large areas of indigenous forests when they are converted into plantations loss of critical habitat for endangered species, soil, air and water pollution and threats to the safety, culture and livelihood of local communities. The Group has therefore initiated several measures to mitigate the negative impacts of its operations:

1. All our estates are required to provide regular updates on the species found in and around the estates and track incidents of wildlife encroachment, particularly elephants.

2. Buffer zones have been established at major water bodies in or around the estates and adjacent to forest reserves. Regular rapid biodiversity monitoring is conducted in identified hotspot areas within the vicinity of our operating units. Any encroachment by intruders into these conservation areas or hotspots is closely monitored.

3. To minimise soil erosion, our roads have been realigned and silt traps have been constructed at appropriate locations. We have also planted soft grasses, mucuna and natural cover crops for young palms. In areas where erosion is severe, we have encouraged the planting of vertivar and Guatemala grass to minimise soil erosion.

4. Hunting, fishing and taking of fauna within our estates and adjacent protected areas are strictly prohibited.

The Group's Environmental and Biodiversity Unit serves as a point of reference for all environmental matters, especially when it comes biodiversity protection and pollution control. The unit collates and analyses environmental and wildlife data, publishing its findings and outcomes in environment and biodiversity bulletins.

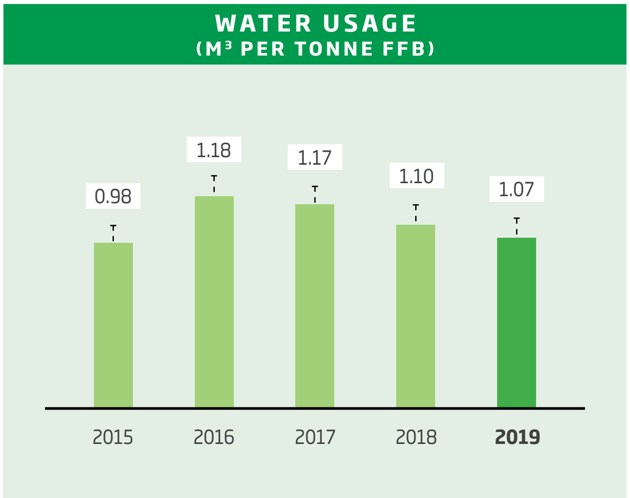
BEYOND OUR ESTATE BOUNDARIES

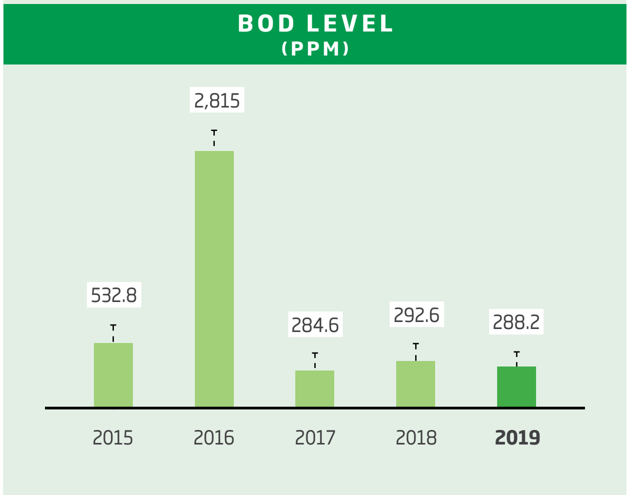
Our work in biodiversity conservation sometimes extends beyond the boundaries of the Group's estates. In 2019, elephants encroached into Selai Estate, Mutiara Estate, Sungai Tawing Estate, Tunjuk Laut Estate, Bukit Payung Estate, Enggang Estate, Siang Estate, REM Estate, Pasak Estate, Pasir Panjang Estate and Bukit Kelompok Estate. The incursion into the 11 estates incurred damage estimated at approximately RM1,469,562.01. To protect the interests of both people and wildlife, we work closely with the WCS and the Johor Department of Wildlife. In our efforts to find a solution to the problem, we also participated in dialogues and meetings with the State Government and outgrowers.

As of 31 December 2019, Kulim has set aside 59.08 hectares of land for buffer zones, while another 305.74 hectares of jungle patches within our estates will be preserved as full-fledged HCV forests.

WATER CONSERVATION

In Kulim's updated materiality matrix, water usage by the Group's estates and mills and the risk of chemical contamination were among the primary concerns raised by our stakeholders.





In 2019, the Group's water consumption decreased slightly to 1.07 m^3 per tonne FFB from 1.10 m^3 per tonne FFB recorded the previous year.

The drop was due to the recycling of steriliser condensates for use in mill operations. Water is mainly used to maintain our nurseries or for domestic consumption. To ensure that the processed water that is supplied to our workers is safe for consumption, water quality is closely monitored to ensure it meets the parameters set by the National Water Services Commission ("SPAN").

Our main water usage is in the mills, which draw water from local rivers, in accordance with national and local environmental regulations.

ERODED SOIL PARTICLES

Soil erosion can be a major contaminant of our waterways and as a standard operating practice, fast-growing leguminous cover crops are planted in erosion-prone areas. Extensive use of chemical fertilisers will also pollute rivers and underground water sources. To reduce pollution from heavy metals and wherever feasible, the Group has combined inorganic with organic fertilizers derived from Empty Fruit Bunches ("EFB"), a waste product from the milling process.

The utilisation of effluents for land application has raised concern over the Biological Oxygen Demand ("BOD") levels. BOD is the amount of dissolved oxygen needed by aerobic biological organisms in the oxidation of organic matter. The average BOD from our mill effluents has decreased by 1.5% compared to 2018. This is due to the completion of biogas plant at Sindora POM and polishing plant in 2019, and all palm oil mills have been carried out desludging activity as required by DOE in *Jadual Pematuhan*.

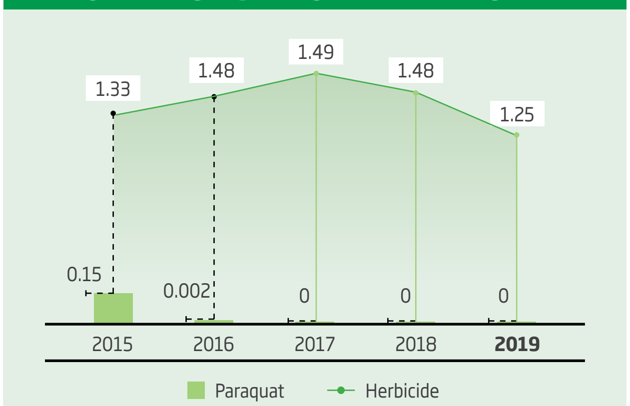
The Group has a growing Agrofood business and as at 31 December 2019, we had a total cattle population of 6,024 heads. We are closely monitoring the problems associated with cattle rearing, which include soil compaction, over-grazing and soil erosion. Going forward, the challenge is to ensure that our business targets are in line with Good Agricultural Practices.

It is mandatory for each of our workers to undergo the training on the handling, application and safe disposal of chemicals

REDUCING CHEMICAL USAGE

Waterways are also contaminated by the use of chemicals such as pesticides and herbicides. Kulim has long endeavored to find an alternative to pesticides and in 2008, we introduced cattle rearing as a natural weeding program to reduce the use of chemicals. In lieu of pesticides, we have also adopted Integrated Pest Management ("IPM") techniques to control pests, diseases, weeds and invasive species introduced to the environment. IPM techniques include the use of barn owls, which are part of our efforts to control the rodent population.

USE OF HERBICIDE AND PARAQUAT (ACTIVE INGREDIENTS IN LITRE/ HECTARE)



Paraquat has been banned or its use disallowed in 32 countries, mainly for health reasons. The herbicide is acutely toxic and corrosive. Apart from causing health problems, paraquat is not readily biodegradable and has the potential to contaminate groundwater. The RSPO has not permitted members to use paraquat, as per indicator 7.2.5 of the RSPO P&C 2018, as well as other pesticides categorised as Class 1A or 1B by the World Health Organisation or those that are listed by the Stockholm or Rotterdam Conventions, unless in exceptional circumstances. The exceptional use of these pesticides could be in cases where it use has been validated by a due diligence process or when authorised by the Government authorities during outbreak.

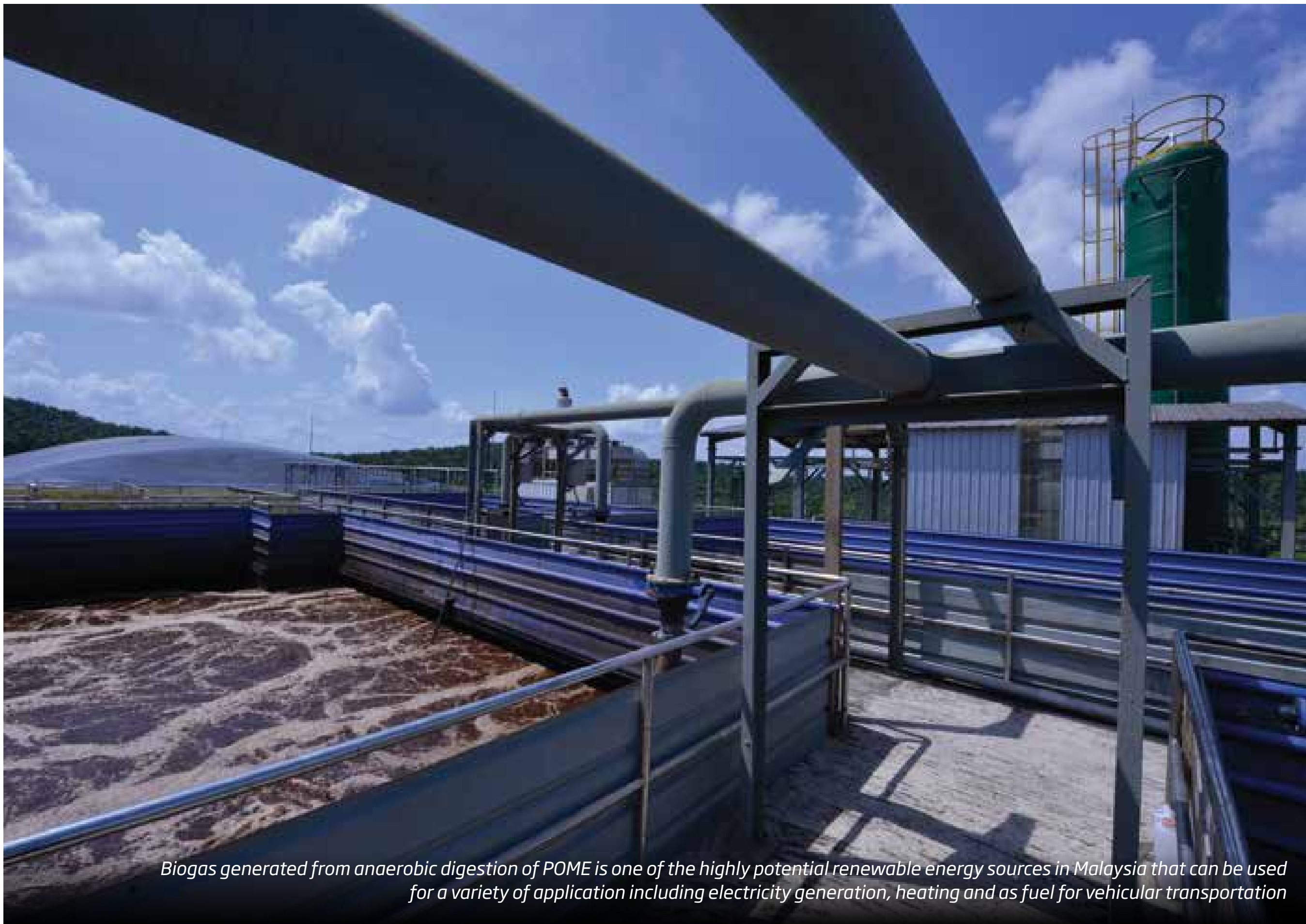
MINIMISING SOLID WASTE

Standard operating procedures are in place for the disposal of solid waste. EFB is used as biocompost, while more than half of the palm fibersand shell produced by our estates are used as biomass in milling operations. The remaining palm fibers are used as biocompost while the shells are sold. A small amount of boiler ash is produced when palm fibers and shell are burned and this is recycled into the soil to reduce acidity levels. An authorised agent has been appointed to transport the small amounts of hazardous scheduled waste for safe disposal at designated facilities.

BIOGAS PLANT

The Group is establishing biogas facilities using methane capture technologies to convert Palm Oil Mill Effluents ("POME") to electricity. Four (4) plants have already been commissioned at Sedenak POM, Sindora POM, Pasir Panjang POM and the latest Palong Cocoa POM. Kulim has set a target to reduce the Group's overall carbon footprint to 50%[1] by 2025. The installation of biogas plants at the remaining Tereh POM are expected to be completed by June 2020 in order to meet the requirements of the DOE. This puts us well on track to achieve our target of having fully operational biogas capture facilities at 100% of Kulim mills by 2025.

(1) In light of the significant changes made to the PalmGHG methodology and greater certainty in our biogas capture plans, we have revised this target (58% by 2020– set in 2014) to be in line with our biogas-specific goals as it is largely determined by our POME emission mitigation initiatives.



Biogas generated from anaerobic digestion of POME is one of the highly potential renewable energy sources in Malaysia that can be used for a variety of application including electricity generation, heating and as fuel for vehicular transportation

CARBON EMISSION BASELINE

In 2013, Kulim had the distinction of being the first Malaysian plantation company to publish a Carbon Footprint Report using the GHG Beta Version 1a Guidelines. These guidelines were developed with funding from RSPO, to enable palm oil producers to estimate the net GHG emissions produced during palm oil production. Public reporting of GHG emissions is mandatory through annual audit summary reports published on RSPO's website.

Kulim is committed in our continuous effort to implement new and strategic initiatives while achieving sustainable
The formula behind the PalmGHG Calculator has been updated several times since the launch of Version 1 in 2012. Version 2.1.1 ("V2") was released in 2014 with significant changes to the categorisation of previous land uses and default values. A further update to Version 3 in 2016 brought additional changes in default values. The latest iteration of the tool, PalmGHG Version 4 was released in December 2018 with a 12-month transition period.

In November 2019, Kulim produced its fourth biennial Carbon Footprint report for the year 2018 using PalmGHG V3. This has enabled us to make reliable data comparisons on our emissions performance from 2015 to 2018. Earlier methodological changes (particularly between VI and V3) means that data from our 2012-2014 reporting period are not comparable. Our net emissions have decreased by an average of 1.85% annually over the past four years – from just over 421,000 MT CO_2e in 2015, to 390,000 MT CO_2e in 2018.

Our carbon footprint per tonne of product also trended down over the same period, from 1.13 MT CO2e in 2015, to 1.01 MT CO2e in 2018. This represents a 20% reduction from our 2012 base year figure of 1.26 MT CO2e per MT CPO/PK.

We believe that good agricultural practices, including the efficient use of fertilizers will help to reduce emissions from third-party FFB.

PALM KERNEL SHELLS

Another waste product of our milling operations is Palm Kernel Shells ("PKS"), of which 90,912 tonnes of were produced in 2019. The total of 73,250 tonnes or 80.57% was used internally for power generation, while 17,662 tonnes were sold for external use as a replacement for fossil fuels.

FERTILIZERS REDUCTION

GHG emissions from the production, transportation and use of chemical fertilizers are among the concerns being addressed by Kulim in its efforts to reduce the impact of its operations on the environment. In order to mitigate the excessive use of fertilizers without affecting FFB yields, Kulim has initiated a long-term organic fertilizer program. Collection of field data is underway to optimize the combined use of chemical and organic fertilizers. In addition, all our mills have established composting projects to recycle the nutrients from EFB and POME back to the fields.

People

3 GOOD HEALTH & WELL-BEING

- Continuously monitoring the safety and health aspects of our operations in order to create a safe working environment.
- Protecting the health and well-being of our employees.

4 QUALITY EDUCATION

- Providing competency and skill development training to further the candidate's exposure to the industry and to learn transferable skills.
- Contributing to efforts by the government that promote equitable acess to quality education.

5 GENDER EQUALITY

- Encouraging women's full and effective participation and equal opportunities for leadership at all levels of decision-making.
- Providing opportunities to encourage women entrepreneurs.

The 5Ps of Sustainability People

Securing and building on the strength of our workforce.

All our employees deserve fair and equal treatment. Kulim puts this belief into action with policies that protect our employees' rights and dignity. Our human resource policies are governed by Malaysia's labour laws as well as the International Labour Organisation's ("ILO") Declaration on Fundamental Principles and Rights at work. We are also guided by the Code of Conduct for Industrial Harmony, which sets forth the "principles and guidelines to employers on the practice of industrial relations for achieving greater industrial harmony".

In turn, all employees are expected to sign and abide by the Ethics Declaration Form and adhere to the Group's Social Media Policy. Furthermore, we are committed to the highest standard of integrity, openness and accountability in the conduct of our business and operations. Since 2013, we have put in place a Whistleblowing Policy that encourages staff to report any criminal or unethical activities they witness.

Kulim is also in the process of implementing a Conflict of Interest Policy, which provides guidelines and reinforces good and professional behaviour in key areas. For example, concern for our employees' health and safety has led the Group to adopt a zero tolerance stance on the use of illegal drugs, banned substances and alcohol in the workplace.

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Daily morning Roll Call in Mungka Estate,Segamat

DEVELOPING OUR PEOPLE

Kulim has always been especially invested in the "PEOPLE" aspect of Sustainability. We unconditionally agree with the global vision on the importance of building healthy and vibrant communities. Improving the well-being of the individual on an equitable basis, practicing ethical responsibility in dealing with the communities in which we work and play, and protecting vulnerable individuals and communities all lie at the centre of our sustainability agenda.

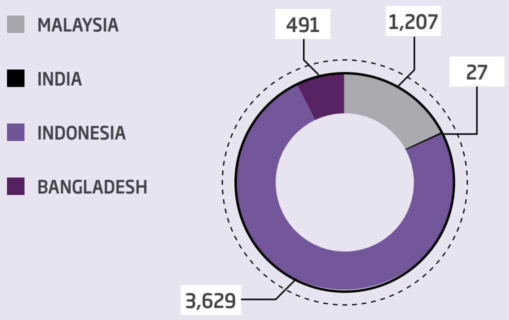
Our efforts start close to home. Kulim's employees are its greatest asset and their contribution to the Group's success cannot be over-stated. We are proud to have a team of such diverse talent, knowledge and experience able to work in tandem to carry the Group ever forward and we take great measures to continue this trend. We do this by fostering a workplace culture and environment that attracts, retains and develops people to reach their fullest potential so that we can continue to deliver value to our stakeholders.

STAFF STRENGTH

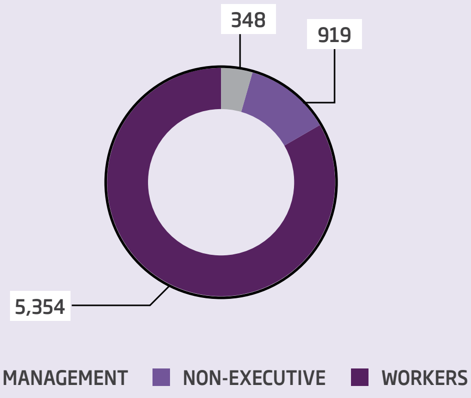
As of the end of 2019, we had a total staff strength of 6,621 full-time employees in Malaysia Plantation Operation. Of this total, 5,354 or 80.86% were classified as workers with the remaining 19.14% comprising management and non-executive. Foreign workers made up 62.63% of the manpower, coming mainly from Indonesia, India and Bangladesh. In 2019, we recorded a turnover rate of below 6%, a testament to the Group's strong retention power.

We strive to inculcate an inclusive work environment, where we have strictly enforced a policy of non-discrimination against women, ethnic or religious minority groups and foreign workers. We also subscribe to the basic labour right of 'equal pay for equal work' for all employees, including field, office and management, based on pre-defined grades.

WORKERS BY COUNTRIES ORIGINS



STAFF STRENGTH



CORE LABOUR STANDARD

LIVING CONDITIONS

Typical worker accommodation is in two (2) or three (3)-bedroom houses that meets the Workers' Minimum Standard of the Housing and Amenities Act 1990. Weekly inspections are carried out to ensure that all living quarters, as well as nurseries and community halls are in good condition.

MANAGING OVERTIME

During peak harvest seasons, mill workers tend to work longer hours to ensure that the fruits are processed before the quality deteriorates. However, we ensure that workers do not exceed the overtime limits to comply with the guidelines issued by the Department of Labour.

CHILD AND BONDED LABOUR

Child and bonded labour is illegal. While it continues to thrive in many developing countries, Kulim strictly enforces this law and does not employ anyone below the age of 16. To the contrary, we provide access to schools as well as other amenities for the welfare and development of our workers' on-site families.

COLLECTIVE BARGAINING

We respect the right of our employees to join organisations of their own choosing, as part of our commitment to freedom of association. The Collective Bargaining Agreement ("CBA") that we have signed with our workers is periodically negotiated and reflect work-related issues such as working conditions, wages and benefits, among others. A total of 2,977 or 52.13% of our employees are covered by the terms of the CBA.

HUMAN CAPITAL DEVELOPMENT

HUMAN CAPITAL	DEVELOPMENT
PERFORMANCE MANAGEMENT SYSTEM	Critical to Kulim's success is our skilled and committed workforce. To this end, 2019 was yet another year which placed high priority on strengthening the Group's organisational capabilities. Among our many initiatives was our Performance Management System ("PMS") which aims to promote a culture encourages hard workers and high achievers. Competencies are further encouraged through our performance based Reward System. To push teams, individuals and the Group as a whole to achieve continuously greater excellence, each year the targets of the previous year are reviewed and the bar is raised.
JOB ROTATION	The Group's job rotation and generic training programmes are specifically tailored to bridge the skill gaps of staff at all levels. Our experience has proven that job rotation can increase the depth and breadth of an employee's knowledge and capabilities, thereby adding value to the organisation. When an employee is moved from one job to another, he or she is given a schedule of assignments designed to provide maximum exposure to a range of the Group's operations. Apart from learning new skills, job rotation facilitates a better understanding of the organisation as a whole and the functions of its respective operating units and departments.
ENGAGEMENT SESSIONS	Building a strong pipeline of leaders is fundamental to our sustainability strategy. As millennials reach their peak employment years, they are quickly becoming aninfluential segment of today's workforce. This generation brings with them new perceptions of what office life should be like and how relationships should be structured. Compared with Gen-X employees and baby boomers, millennials are more likely to change jobs if they do not believe there are opportunities for them to move up the corporate ladder. Kulim understands that employees within this specific group want their points of view to be heard, so we offer regular staff engagement sessions which provides them with every opportunity to voice their concerns and expectations.
UP-SKILLING PROGRAMMES	Key to the Group's emphasis on human capital development is the promotion of learning, training and up-skilling for our staff. Kulim prides itself on consistently encouraging motivated employees to pursue professional qualifications. We have found that it benefits the Group as a whole when employees enhance their core competencies, specialise and become certified in ACCA, CIMA, MIA, Certified Integrity Officer ("CeIO") and Human Resource Certification (CAHRM and CHRO), etc. At the same time, we continue to collaborate with the Johor Skills Development Centre or PUSPATRI, ILP Pasir Gudang as well as IKM Johor Bahru to conduct technical courses for our employees. Each year, we assess the potential and performance of stand out candidates through the Johor Corporation Leadership Programme ("JLP") and Advanced Johor Corporation Leadership Programme ("AJLP"). Under these programmes, participants are exposed to numerous scenarios with business challenges and are given the opportunity to share leadership experiences. In 2019, a total of three (3) employees were selected for the AJLP and three (3) for JLP. This is in addition to the four (4) AJLP graduates in the previous year and 19 JLP graduates JLP in three (3) batches of participate. The Strategic Enhance Executive Development System ("SEEDS") Programme, which was launched in 2007, has been reengineered and registered with Skim Latihan 1 Malaysia ("SL1M"), which came under the aegis of the Economic Planning Unit ("EPU") of the Prime Minister's Office. The programme aims to develop and enhance leadership amongst the younger generation. The reengineered SL1M program was launched in December 2016 with an intake of 19 fresh graduates from local higher learning institutions. Another four (4) fresh graduates were selected for the second intake commencing April 2017, while the third intake, which began in July 2017, had a total of six (6) candidates. Which ten (10) of them had been offered permanent positions within Kulim group.
TALENT MANAGEMENT AND MANPOWER SUCCESSION PLANNING	Key to the Group's longevity and human development strategy are Kulim's plans for staff succession. To meet this need, Kulim introduced a revised Talent Management Framework to support its Workforce Succession Plans for key and critical positions in the management hierarchy. The talent management frameworks covers a number of critical steps, including identification of candidates with the right potential, a talent development programme, mentoring and coaching, and placement of the talent pool in core and strategic units to develop overall exposure. The ultimate goal is to ensure the placement of the right person with the right skills for the right job at the right time, as well as to ensure leadership readiness for key position as and when the need arises.

PRECIPITATING GENDER EQUALITY

Kulim continues with its commitment to create an inclusive work environment and to advance this goal, has rolled out various initiatives to empower women in the workplace. As at 31 December 2019, the 797 women on our payroll constituted 12.04% of our workforce. Of this number, 1.63% were at the management level. Despite inherent challenges, our policy of non-discrimination against women also extends to our estate workers.

Total Ratio Women in Workforce

2017	2018	2019
Female 11.44%	Female 11.52%	Female 12.04%

SEXUAL HARASSMENT

Efforts are on-going to educate and reinforce in employees of what constitutes inappropriate behaviours. Through a concerted campaign, women are also more aware of their rights and as a result, have become more open to reporting cases of sexual harassment. In 2019, two (2) cases of sexual harassment was reported.

MATERNITY LEAVE

All our female employees are entitled to 60 consecutive days of paid maternity leave in accordance with the Malaysia Employment Act 1955 Part IX Maternity Protection. In 2019, 34 female employees went on maternity leave and upon returning to work, continued their employment with the Company. We are proud of this 100% retention rate as employment patterns suggest that women with new born babies are likely to leave their jobs after one (1) year. As a matter of policy, utmost care is taken to ensure that pregnant or nursing employees are not exposed to harmful chemicals in discharging their duties.

C.A.R.E. PROGRAMME

In April 2018, the Group launched C.A.R.E. programme whose name reflects Kulim's corporate values: Competitive, Action, Responsible and Ethical. The programmes are conducted by Employee Relations Executives (i.e. Executive Imams) to encourage employees to apply these values into their work and day to day activities. As of end-2019, Kulim has conduct 21 such programmes for a total of 609 employees (executive, staff and security guards) from both the corporate office and operating units and achieved a 86% satisfaction level from participants.

Caring not only for our stakeholders, but for one another, society and the environment is key to Kulim's prosperity and survival. We integrate it into staying Competitive by taking Action in generating profitable growth in ways that are both Responsible and Ethical.

Kulim will further improve C.A.R.E. programme whereby the programme will be expanded to workers in 2020.

IMPLEMENTATION OF WORKERS SALARY KA$H KAD

The year in review saw positive advances on the KA$H KAD pilot project which has been approved at the end of 2018. The intention of this Human Capital Management Department ("HCMD") project was to provide a safe, secure, globally accepted and Labour Law compliant way to bank in worker salaries.

BENEFITS

- Reduced risk from no monthly handling of cash
- On-time salary payments
- Ease of transfer for foreign workers who wish to send money to family in Indonesia or Bangladesh
- Cashless business transaction (merchant @ estate)
- Cost effectiveness

During the year under review, a total of 5,413 workers had registered for a KA$H KAD. Currently, a total of 33 estates and mills, including KPF and Selai Cattle, use KA$H crediting. In view of the card's popularity, we aim to reach 100% adoption for salary payout to the Group's more than 6,000 workers.

WOMEN ONWARDS ("WOW")

Panel Aduan Wanita or the Kulim's Women's Grievance Panel, has since been renamed more empoweringly as Women OnWards ("WOW"). Endorsed by the Management with activities fully funded by the Company, WOW was established as part of a larger women employee outreach programme. In addition to providing a platform for women to air their grievances, WOW supports and promotes gender equality, as well as advances the knowledge and skills of our female employees.

Under a programme known as *Jejari Bestari,* WOW actively provides opportunities for the women in Kulim to become entrepreneurs in their own right. A WOW unit has been established in every estate, each one assisting women in developing a unique product, service or skill such as tailoring, baking, arts or handicrafts. These products or services are sold to staff and the public on festive occasions such as Hari Raya Aidilfitri and Company events such as the Kota Tinggi Eco Boat Fishing Challenge, Kota Tinggi MTB Challenge, Kulim Trail Run and among others. Income generated from WOW programme was chanelled back to their fledging businesses.

In 2018, Mutiara Johor Corporation in collaboration with WOW has published a recipe book titled: *Nak masak apa mak? Meh mak tunjuk.* The total of 60 recipes contained in this book are contributions from WOW members from each complex. Accordingly, WOW has received donations from Mutiara Johor Corporation from the sales of the recipe book. The fund has been used to design the WOW Special Projects for WOW members and their families. Among the projects that have been carried out are barber and hairdresser training, classes in traditional malay massage and motivational courses for children of WOW members.

Kulim has always acknowledged the important role women play in our workforce and works hard to empower women through WOW's various initiatives. WOW's efforts in supporting women have been recognised by industry practitioners over the years. In fact, this recognition was exemplified last year when Kulim was named winner in the Empowerment of Women Award in Bronze Category at the 11th Annual Global CSR Summit Awards Ceremony 2019.

In 10 September 2019, Kulim through WOW organised *Jelajah Mutiara 25 Tahun* in conjunction with the 25th Anniversary of Mutiara Johor Corporation at KSRT Clubhouse. The event was graced by Yang Dihormati Datin Noor Laila Yahaya, the Chairman of Mutiara Johor Corporation. The objective of the event was to reach out to all Mutiara members, to bring members closer and to provide further understanding of the roles and functions of the association. The event also held a sharing slot on stress management topics presented by Madam Lee Yin, Psychology Officer from LPPKN Johor Bahru.

From 10 December to 11 December 2019, WOW in collaboration with Unit Nilai, HCMD has organised the KEM DA'I CILIK 2.0 at Felda Residence, Tanjung Leman, Kota Tinggi. This motivational course encouraged the estate's children to take part in collaborative activities in order to help them uncover opportunities for personal growth and development, promote self-reliance, build teamwork and become more proactive. The course was also part of WOW's corporate responsibility efforts for its members and their children. The event received enthusiastic feedback from the participants; approximately 120 children of aged between 9 to 15 years old.

OCCUPATIONAL SAFETY AND HEALTH ("OSH")

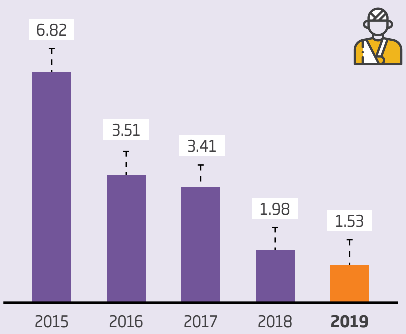
Kulim fully subscribes to ILO decree that every employee has the right to work in a safe and healthy environment. This has not only been recognised as a basic human right by international bodies, but is also enshrined in various laws enforced by Malaysia's Department of Occupational Safety and Health.

Kulim's own commitment to our workers' well-being is reflected in our OSH record, with numbers that set us apart from our industry peers. Over the years, we have made it our mission to manage OSH effectively through the implementation of efficient oversight and regulatory actions. This is strictly enforced at all our mills and estates, where a dedicated OSH Officer ensures the effective implementation of the Group's OSH system. Apart from organising safety training programmes, conducting tool-box briefings and OSH quarterly briefings, the Officer's responsibilities include investigating and reporting all accidents to the OSH Manager. All incidents are transparently reported and thoroughly invested so that important lessons can be learnt to prevent or at least, reduce their recurrence.

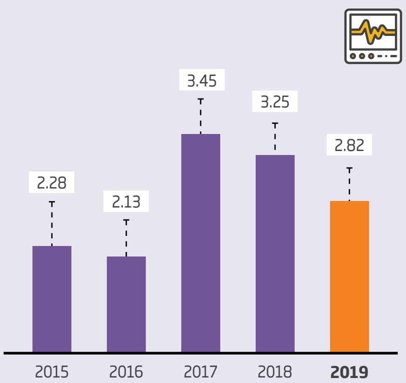
We recognise that ensuring the well-being of all employees is a huge task – far too big and important to be the responsibility of a single person or team. Kulim has therefore made OSH the responsibility of every employee Group-wide, whereby managers and staff across businesses cooperate to ensure everyone's safety and health. Among the enforced initiatives, is a mandatory 40 hour (5 work-days) OSH training per employee, per year. The training covers, among other things, safe practices specific to our industry, including the handling, application and disposal of hazardous chemicals.

Machine operators are also given special training and must pass an examination in order to qualify. Our tractor, lorry and mechanical buffalo operators have to complete 16 hours (2 work-days) of training under supervision, and must pass practical examinations in order to become certified drivers and be allowed to operate the machines on their own.

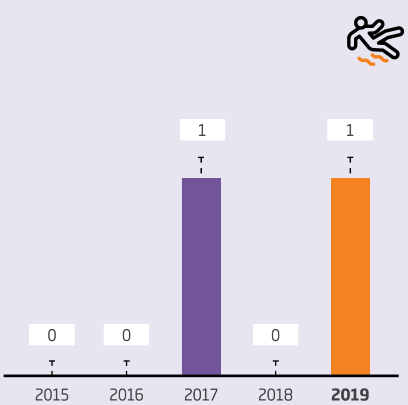
LOST TIME ACCIDENT RATE
(TARGET BELOW 10)



SEVERITY RATE
(TARGET BELOW 3.5)



FATALITY RATE
(TARGET AT ZERO)



In 2019, we had one (1) reported fatality. This drove us to implement improvements and enhance safety standard to reduce the likelihood of more accidents. The year under review also saw an improvement in the Lost Time Accident Rate ("LTAR"), which was recorded at 1.53 as compared to 1.98 posted the preceding year, thus keeping us within the target of below ten (10). Our severity rate was recorded at 2.82, compared with 3.25 registered in 2018, once again achieving our set target of below 3.5.

While numerous efforts have been devoted to reducing workplace accidents and injuries, and the Group's respective OSH indicators show an improving trend, we are aware that there is always room for improvement. With the stakes being so high, we can't ever afford to become complacent. Hence, we will strive even harder to identify and manage key occupational and safety risks through responsible governance, rigorous controls and compliance systems. As mentioned, OSH is treated as a shared responsibility between the Management and every employee at Kulim. We continuously enhance our approaches and procedures to ensure workers come to work safely, conduct their work safely and go home safely.

Kulim has also put in place a comprehensive OSH plan that takes care of the welfare and health of its employees. Our workers benefit from a range of amenities that are provided, including crèches, clinics and canteens. Regular fogging is carried out to reduce the threat posed by mosquitoes, while proper water treatment facilities have recently been installed as part of our health surveillance programme. The OSH Plan also covers various environmental aspects, the most critical being the adoption and enforcement of the Environmental Quality Act 1974.

Safety signages are placed at all our operating units

Partnership

17 PARTNERSHIPS FOR THE GOALS

- Creating effective alliances in the public, public-private and civil society spheres.
- Developing multi-stakeholder partnerships that mobilise and share knowledge, technology and resources to create shared value and embed sustainable practices throughout the supply chain.

The 5Ps of Sustainability Partnership

Collaborating with other organisations to create sustainable ventures and enhance economic prosperity.

OUTGROWER ENGAGEMENT

In preparing its 2012 Carbon Footprint Report, Kulim began a long-term engagement process with its outgrowers, who are estimated to account for more than 30% of its total footprint. This work has continued through 2018 and has now evolved into a full-scale programme to assist these outgrowers achieve RSPO certification. Two (2) outgrower groups have, so far, achieved this certification, while we continue to work with the others. We believe that good agricultural practices, including the efficient use of fertilizers, will help to reduce emissions from third-party FFB.

It's been a good ten (10) years of partnership with RSPO and may the years ahead bless us with continuing success.


The fundamentals of the business were improved by the continued promotion of best agronomic practices and continued strengthening of the human resource capacity.

INTERNATIONAL SUSTAINABILITY AND CARBON CERTIFICATION ("ISCC")

ISCC is a multi-stakeholder initiative which in turn has the multi-pronged objective of reducing GHG emissions, promoting sustainable use of land, protecting natural biospheres and achieving social sustainability. The ISCC standard verifies compliance with the requirements of the European Unions, Renewable Energy Directive and Germany's Sustainability Ordinance and it is now amongst the most successful certification schemes. Five (5) of our mills namely, Palong Cocoa, Sindora, Tereh, Sedenak and Pasir Panjang have been accorded to ISCC status.

The sustainable production of commodities has now become mainstream, with Governments, industry players, traders and buyers, indigenous groups and consumers coming together to voice their concerns and forge systemic solutions to move forward. To allay the growing concerns of environmentalist and consumers, the RSPO was established in 2004 to promote the sustainable production and use of palm oil. RSPO has drawn Principles and Criteria ("RSPO P&C") that define sustainable palm oil production. One of the most important governing the category of land that can be turned into oil palm plantations. No primary forests or areas that contain significant concentrations of biodiversity, fragile ecosystems or are fundamental to meeting the traditional needs of indigenous communities may be cleared for the cultivation of oil palms. An infringement of the rules and standards may result in the RSPO certification being withdrawn at any time.

In 2019, total production of palm oil from 2.80 million ha certified area amounted to 13.61 million tonnes or 19% of the global production *(Source: RSPO, 28 February 2019)*. The demand for responsibly produced palm oil is growing as environmentally and socially aware buyers are willing to pay premium prices for ethical products. Kulim was among the first palm oil companies to become a member of the RSPO. Since January 2009, almost all of our plantations, including those of JCorp managed by Kulim, have been fully RSPO-certified. All our five (5) mills have also been certified, the latest being the Pasir Panjang POM, which was certified on 9 March 2017. RSPO certification is valid for five (5) years with a surveillance audit conducted annually and a recertification audit at the end of the fifth year. After five (5) year of application by RSPO members, RSPO P&C 2013 were reviewed by RSPO Principles and Criteria Review Task Force, leading to the RSPO P&C 2018. The New RSPO P&C 2018 basically had been improved from its previous version, with the reduction in principles without disregarding its core elements to achieve sustainability. This document, RSPO P&C 2018 is effective after adoption by the RSPO 15th General Assembly ("GA15") on 15 November 2018. The P&C 2018 core objectives are now given better outcome focused through its alignment with RSPO Theory of Change ("ToC") impact area of Prosperity, People and Planet.

Since countries differ in their laws for the same criteria, the RSPO P&C 2018 are further adapted for use by individual countries through National Interpretations. At a meeting on 07 November 2019, the RSPO Board of Governors has endorsed the revision of the Malaysian National Interpretation ("MYNI") document. MYNI 2019, as it is known, is based on the RSPO P&C 2018 and it supersedes MYNI 2014 which was used for certification of plantations and mills in Malaysia.

The RSPO also developed a mechanism for supply chain traceability from the plantation to the end user. Kulim's Certified Sustainable Palm Oil ("CSPO") can be purchased through three (3) mechanisms approved by the RSPO. The "Book and Claim" option is the simplest method, allowing buyers to obtain the product without incurring high administrative costs and relying on complex logistics. Presently, CPO from the Tereh POM, Pasir Panjang POM and Palong Cocoa POM are sold under Identity Preserved ("IP") status. CPO from two (2) other mills is sold under the Mass Balance ("MB") mechanism where CSPO is mixed with conventionally produced CPO and tracked throughout the supply chain.

STAKEHOLDERS' ENGAGEMENT

It has been many years since organisations could exist in isolation. Today, the stakeholders' answer to are more sophisticated, better informed and more engaged than ever before. The modern stakeholder also has higher expectations about how corporations respond to their concerns. Hence, stakeholder engagement is no longer to be treated as a "nice-to-have" option, but is, in fact, a critical element of good corporate governance.

OBJECTIVE	BENEFIT OF ENGAGING	COST OF NOT ENGAGING
Tracking socio-political and environmental issues	• Maximum positive environmental and social impacts • Issue Identification • Risk mitigation • Agility • Enhanced business intelligence for improved decision making • A clearer view of remedial possibilities based on collaboration and feedback	• Absence or loss of trust • Damage control • Negative press • Ensure project success • Increased business risks
Monitoring and managing stakeholders' expectations	• Reputation capital • Stakeholder buy-in, trust and understanding • Insights and feedback that contribute to value creation and deliver performance • A competitive advantage and positive impact on business sustainability	• Potential project delays • Impaired relations
Ensuring CR programme impact	• Strategic value creation • Successful outcomes for CSR investment • Increased social capital and brand loyalty	• Reputation capital impaired • Negative perceptions
Ensure buy-in of employees and builds trust	• Convergence of company's values and employee expectations • Boosted morale and reduced anxiety • Increased productivity & efficiency • Job satisfaction and intrinsic motivation • Heightened innovation	• Disengaged employees • High turnover rate • Increase in absenteeism rate • Lack of trust in management

At Kulim, we see engaging with our stakeholders as a welcome opportunity to align our business practices with their needs and expectations, helping us drive long-term sustainability and shareholders' values. We pursue stakeholders' engagement in sync with our business strategies, as an integral part of an generating ideas, and becoming more innovative and collaborative.

At Kulim, concerted efforts are continuously being made to build good relations and rapport with our employees, business partners, investors, members of the media, suppliers, government agencies, NGOs, pressure groups, unions and the community at large. We take the utmost care to solicit and accept the views and opinions of a broad spectrum of stakeholders. To ensure balanced and fair representation of opinions on a subject matter, we recognise the importance of bringing opposing and critical voices on board.

Stakeholders' issues cannot be treated in isolation. Going back to 2008 and in line with the principles of the Global Reporting Initiative, Kulim has engaged with its internal and external stakeholders to develop a materiality process. This process will identify and prioritise the issues that are of highest interest to our stakeholders and have the greatest bearing on our business across the entire value chain.

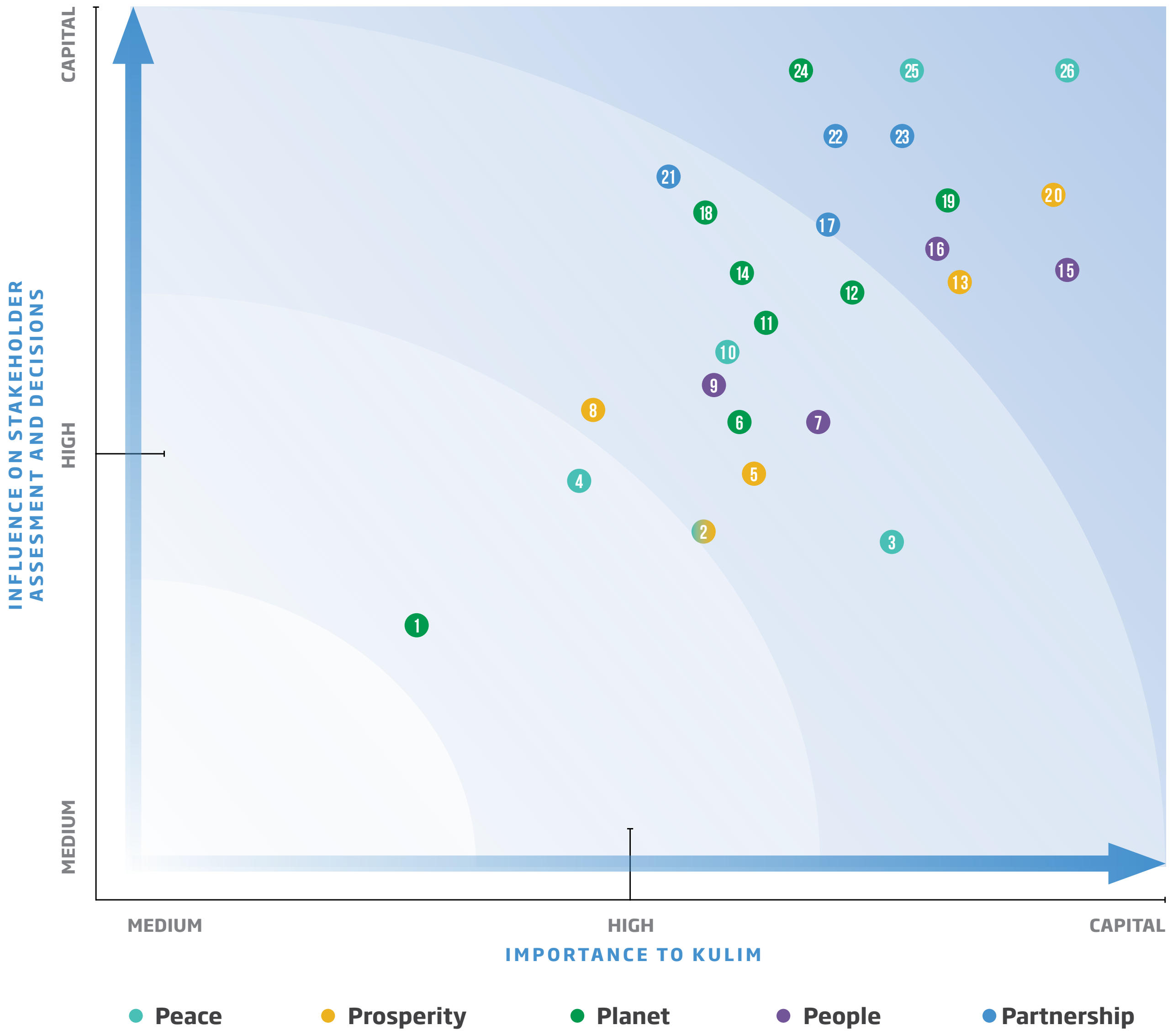
MAPPING THE MATERIAL MATTERS TO SDG's

Identifying and assessing aspects of our business that can be mapped to economic, environmental and social sustainability is important in building a strong and meaningful strategy for sustainability.

MATERIAL SUSTAINABILITY MATTERS		RELEVENT STAKEHOLDER(S)	CORRESPONDING SDGs
1 PEACE	• Compliance • Human Rights and Labour Practices • Workers Union • Grievance mechanism • Agricultural Productivity • Community investment & engagement	• Employees • Workers • Government and Regulators • Unions	16 PEACE, JUSTICE & STRONG INSTITUTIONS (16)
2 PROSPERITY	• Product quality • Economic performance • Customer satisfaction • Market presence • Community investment & engagement	• Investor, Bankers and Business Partners • Customers • Trading Houses • Government and Regulators • Workers • NGOs	8 DECENT WORK & ECONOMIC GROWTH (8) 9 INDUSTRY, INNOVATION & INFRASTRUCTURE (9)
3 PLANET	• HCV/ HCS protection & management • Emissions • Responsible chemical use • Effluent and waste • Fire & haze • Water • Energy • Recycling	• Customers • Government and Regulators • Workers • NGOs • Outgrowers and Communities • Media	12 RESPONSIBLE CONSUMPTION & PRODUCTION (12) 13 CLIMATE ACTION (13) 15 LIFE ON LAND (15)
4 PEOPLE	• Occupational safety & health • Anti-corruption • Diversity & equal opportunity • Training & education	• Employees • Workers • NGOs • Outgrowers and Communities • Media	3 GOOD HEALTH & WELL-BEING (3) 4 QUALITY EDUCATION (4) 5 GENDER EQUALITY (5)
5 PARTNERSHIP	• Transparency & traceability • Supply chain management • Corporate governance & policies • Smallholder management	• NGOs • Industry Peers • Outgrowers and Communities • Customers • Government and Regulators • Media	17 PARTNERSHIPS FOR THE GOALS (17)

MATERIALITY MATRIX

SIGNIFICANCE OF REPORTINGG ORGANISATIONS ECONOMIC, ENVIRONMENTAL AND SOCIAL IMPACTS



1. Recycling
2. Community Investment and Engagement
3. Agricultural Productivity
4. Workers' Union
5. Customer Satisfaction
6. Energy
7. Training and Education
8. Market Presence
9. Diversity and Equal Opportunity
10. Grievance Mechanism
11. Effluent and Waste
12. Responsible Chemical Use
13. Economic Performance
14. Water
15. Occupational Safety & Health
16. Anti-Corruption
17. Corporate Governance and Policies
18. Fire and Haze
19. Emissions
20. Product Quality
21. Smallholder Management
22. Supply Chain Management
23. Transparency and Traceability
24. HCV/ HCS Protection and Management
25. Human Rights and Labour Practices
26. Compliance

BUILDING FOR A BETTER FUTURE

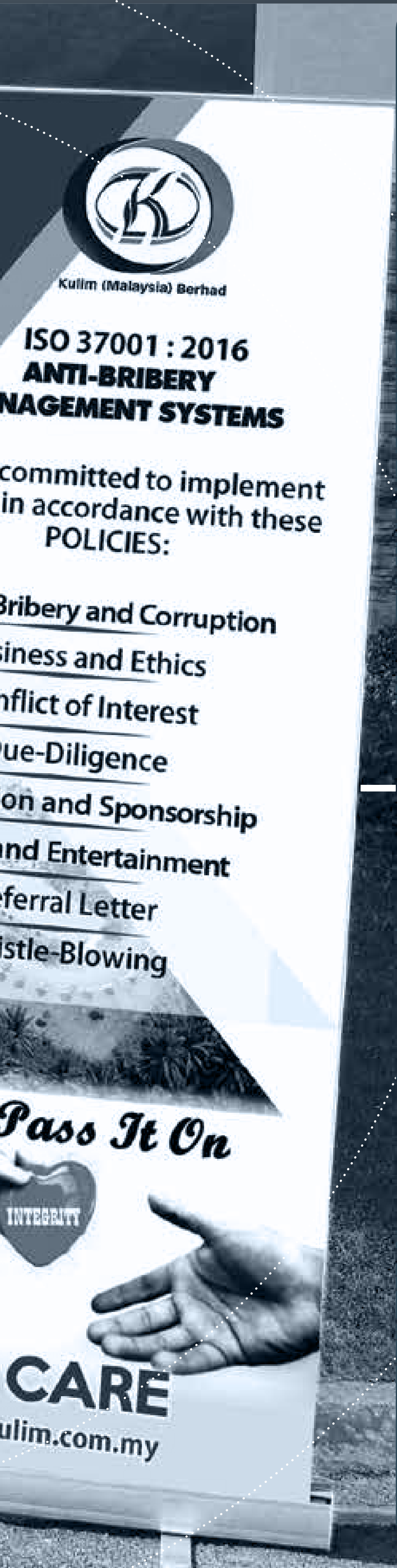
Riverside mangrove at Pulau Tg. Lena, located just South-East corner of Basir Ismail Estate, Kota Tinggi

Events of the past decade have pushed sustainability to the top of every responsible company's agenda. We've discovered that business growth and sustainable practices are not mutually exclusive. In fact, they are closely tied together. Today we live in a world where both the public and private sectors have a role to play in being socially responsible, safeguarding the environment, guarding against unethical practices, and being more accountable and transparent. In order to do this, companies must treat sustainability as a core consideration in every business decision they make.

As the world's human population increases, it puts strain on the natural resources. Kulim recognises that it is up to each of us to do our part in slowing down trends such as loss of biodiversity, deforestation, ocean acidification, air and water pollution, and other threats to the only world we have. Hence, now is the time for us to step up and forge ahead. Kulim is well aware that the road ahead will be rocky and challenging. Nevertheless, we believe it is possible to find a middle ground, where decisions can be made that are good for business, the environment and humanity.

The journey towards sustainability will enable Kulim to join the global movement "meeting the needs of the present generation without compromising the ability of future generations to meet their own needs". It may not always be a clear path, but Kulim remains determined to help define as well as walk that road and achieve peace and prosperity for present and future generations.

GOVERNANCE STATEMENT



Corporate Office of Kulim (Malaysia) Berhad located at Ulu Tiram Estate, Johor Bahru

CORPORATE GOVERNANCE OVERVIEW STATEMENT

"WE WOULD LIKE TO TAKE THIS OPPORTUNITY TO PROVIDE YOU WITH SOME INSIGHTS INTO THE BOARD OF DIRECTORS' VIEW OF CORPORATE GOVERNANCE, ITS KEY FOCUS AREA AND FURTHER PRIORITIES IN RELATION TO THE CORPORATE GOVERNANCE OVERVIEW STATEMENT."

Management Committee ("MCM"), the Group who are held accountable for the activities of the organisation

INTRODUCTION

THE BOARD OF DIRECTORS ("THE BOARD") OF KULIM (MALAYSIA) BERHAD IS PLEASED TO PRESENT THE CORPORATE GOVERNANCE OVERVIEW STATEMENT ("CG OVERVIEW") WHICH PROVIDES SHAREHOLDERS AND STAKEHOLDERS WITH AN OVERVIEW OF THE CORPORATE GOVERNANCE PRACTICES OF THE KULIM GROUP DURING THE FYE 2019 WITH REFERENCE TO THE KEY CORPORATE GOVERNANCE PRINCIPLES AND PRACTICES AS SET OUT IN THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 2017 ("MCCG 2017").

The Board acknowledges the importance of good corporate governance in protecting and enhancing the interest of shareholders. As such, the Board conscientiously strives to attain high business ethics and governance in conducting the day to day business affairs of the Group, in order to build a sustainable business and discharging its regulatory role.

The Board will continue its efforts in evaluating its governance practices in response to evolving best practices and the changing needs of Kulim Group. The Board shall remain committed to attaining the highest possible standards of corporate governance through the continuous adoption of the principles and best practices of the MCCG 2017 and all other applicable laws and regulations.

A PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

BOARD RESPONSIBILITIES

The Board functions on the principle that all significant and material matters are addressed by the Board as it is accountable for the strategic management, performance monitoring and measurement, enterprise risk management, standard of conduct and critical business issues. The Board is responsible for determining the long-term direction and strategy of the Group, and creating value for shareholders.

Established clear functions reserved for the Board and those delegated to Management.

The Board is responsible for the oversight and overall management of the Group by providing guidance and direction to the Management with regards to the sustainability, strategic planning, risk management, succession planning, financial and operations to meet the expectations and obligations to the shareholders.

The Board assumed the following principal responsibilities in discharging its functions:

1. **Reviewing and adopting a strategic plan for the Group and monitoring thereof, and addressing the sustainability of the Group's business.**

   The Board will review and approve the annual budget and strategic plan for the Group. It has in place an annual strategic planning process, whereby a comprehensive strategic plan will be tabled and debated at divisional level before the Management presents to the Board its recommended strategy and proposed business and regulatory plans. At this session, the Board reviews and deliberates upon both the Management's and its own perspectives, as well as challenges the Management's views and assumptions, to deliver the best outcomes.

   Additionally, on an on-going basis, the Board will assess whether the projects, purchases and sale of equity as well as other strategic consideration being proposed at Board meetings during the year are in line with the objectives and broad outline of the adopted strategic plans.

2. **Overseeing the conduct of the Group's business including the formulation of strategy and performance objectives, control and accountability systems, corporate governance framework, risk management practices and human capital management.**

At Board meetings, all operational matters will be discussed and expert advice will be sought if necessary.

The Board oversees the performance of Management through quarterly results which is tabled during the Board meeting. The Board would then make the necessary business decisions to adapt to changing circumstances. The Management is tasked with the responsibility to keep the Board informed on all matters which may materially affect the Group and its business.

The Management is also required to present and brief the Board on the quarterly report on the Group's financial performance.

The performances of the various companies and operating units within the Group represent the major element of Board's agenda. Where and when available, data are compared against nationals trends and performance of similar companies.

3. **Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures.**

The Group has set up a Risk Management and Compliance Committee ("RMCC") in order to assist the Board in identifying, evaluating, reviewing and managing the principal risks and compliance management system.

The RMCC is established primarily to assist and advise the Management Committee ("MCM") and the Executive Director in fulfilling its corporate governance and responsibilities in relation to the Group's management of risk, compliance with rules and regulations and its internal control structure.

Details on the RMCC and the risk management framework are set out in the Statement of Risk Management and Internal Control of this Integrated Annual Report.

4. **Established and indentified succession plan for the Group that provide continuity in leadership within the Group**

The Board's responsibility in this aspect is being closely supported by the Human Capital Management Department ("HCMD"). More importantly, after several years of continuous effort in emphasising and communicating the important of succession planning, the subject has now become an on-going agenda being reviewed at various high-level Management and operational meetings of the Group.

Each year, HCMD was assessed the performance of the identified potential candidates undergoing the following leadership programmes:

a. Johor Corporation Leadership Programme ("JLP"). The JLP is a structured leadership programme aiming to accelerate the career of high potential Senior Executives up to Senior Manager to be future leaders of Johor Corporation Group. Participants will be exposed to business challenges from different angles and will have the opportunity to share their leadership experiences. In year 2019, three (3) employees were selected for JLP Cohort IV 2019/2020 which the programme will be completed in December 2020.

b. Advance Johor Leadership Programme ("AJLP"). The AJLP is one (1) year structured programmed which consists of intensive learning and development experience for high potential leaders across Johor Corporation Group. Three (3) employees of the first AJLP were completed their programme in April 2019. In 2019, the other three (3) employees were selected to undergoing AJLP II 2019/2020.

5. **Overseeing the development and implementation of a shareholder communications policy for the Group**

Various strategies and approaches are employed by the Group so as to ensure that shareholders are well-informed about the Group's affairs and development.

6. **Reviewing the adequacy and integrity of the management information and internal control system of the Group**

   The Board's function in fulfilling the above responsibility is supported and reinforced through the various Committees established at both the Board and the Management's level. Aided by an independent function of the Internal Audit Department, the active functioning of these Committees through their regular meetings and discussions would provide a strong check and balance and reasonable assurance on the adequacy of the Group's internal controls.

   Details on the Internal Audit functions are further discussed in Audit Committee Report in this Integrated Annual Report.

BOARD COMMITTEES

The Board Committees are entrusted with specific responsibilities to oversee the Group' s affair, with authority to act on behalf of the Board in accordance with their respective Terms of Reference.

Though the duties have been delegated to respective Board Committees, the Committees have responsibilities to report and table the respective minutes to keep the Board abreast of the decisions and discussions made by each Board Committee.

Currently, the Board has one (1) standing committee namely, Audit Committee. The principal function of Audit Committee is to review and report on the Group's results, external audit procedures and internal audit function.

There is a division of functions between the Board and Management. The Board is duly assisted by the key management team of the Group, comprising Executive Director, Head of Divisions and other key management of respective departments. The principal responsibilities of the Management team are as follow:

- Developing, coordinating and implementing business and corporate strategies for the approval of the Board;
- Assume day-to-day responsibility for the Company's performance with relevant laws and regulations;
- Achieve the performance targets set by the Board;
- Communicating to the staff and implementing the strategic plan approved by the Board and any decision of the Board to ensure that the objectives of the Company that were approved by the Board are met;
- Assisting the Board in the establishment of the Company or Group's policies by developing such policies for the Board's review and approval for the Company's and Group's adoption and implementation the approved policies; and
- Developing effective Management information and internal control systems of the Group to ensure that the integrity and adequacy of the systems are intact.

Schedule of Matters/ Agenda Reserved for Collective Decision of the Board

The authorities of the Board are specified below. The authorities may be varied from time to time as determined unanimously by the Board.

1. **Conduct of Board**
   - Appointment and resignation of Directors;
   - Appointment and resignation of Company Secretaries;
   - Appointment and resignation of Board Members in Board Committees;
   - Approval of terms of references of Board Committees and amendments to such items;
   - Appointment and resignation of Senior Management positions, including the Executive Directors, their duties and the continuation of their service; and
   - Disclosure of the corporate governance practices of the Company in the Integrated Annual Report.

2. **Remuneration**
   - Approval of the remuneration arrangements for Non-Executive Directors. The Non-Executive Directors whose remuneration is being deliberated by the Board should play no part in the deliberations;
   - Approval of the remuneration structure and policy for Executive Director and key executives; and
   - Approval of remuneration packages for Executive Director and Senior Management;

3. **Operational**
   - Approval of business strategy and Group's operational plans and budgets;
   - On-going review of performance against business strategy and Group's operational plans, including monitoring of marketing, key risks and risk management policies and actions;
   - Approval of capital expenditure;
   - Approval of asset write-off;
   - Approval of investment or divestment in a company/ business/ property/ undertaking;
   - Approval of investment or divestment of a capital project which represents a significant diversification from existing business activities;
   - Approval of changes in the major activities of the Company; and
   - Approval of treasury policies and Bank mandate.

4. **Financial**
   - Approval of quarterly and annual financial statements based on recommendations of the Audit Committee;
   - Approval of the Integrated Annual Report and Statutory Financial Statements;
   - Approval of interim dividends, the recommendation of final dividends and the making of any other distribution;
   - Adoption of accounting policies;
   - Approval of corporate policies and procedures, including the Group's system of internal control;
   - Review of the effectiveness of the Group's system of internal control; and
   - Disclosure of the state of internal controls of the Group to be included in the Integrated Annual Report.

5. **Other matters to be considered including:**
   - The granting of powers of attorney by the Company;
   - The entering into any indemnities or guarantees;
   - Recommendations for the alteration of the Constitution of the Company;
   - Alteration of the accounting reference date, registered office and name of the Company;
   - Purchase of own shares by the Company;
   - Issuance of any debt instruments;
   - Political or charitable contributions;
   - Scheme of reconstruction or restructuring; and
   - Any other significant business decision.

Segregation of Role and Responsibilities of Chairman and Executive Director

The Board is led by the Chairman, Datuk Anuar Ahmad who is responsible for leadership of the Board, ensuring its effectiveness on all aspects of its role and setting its agenda. The Chairman is also responsible for creating an environment for open, robust and effective debate. This include ensuring, via Company Secretary, that the Directors receive accurate, timely and clear information.

The role and responsibilities of our Board Chairman and Executive Director are separate and distinct, to ensure that there is a balance of power and authority, such that no one individual has unfettered powers of decision making.

Zulkifly Zakariah is an Executive Director of the Company and leads the day-to-day management of the Group. He, together with the support of the Management team, formulate business strategies and plans so as to achieve the Group's vision and missions, targeted growth, turnover and profitability to meet the stakeholders' expectation. He is responsible for implementing the policies and decisions of the Board and coordinating the implementation of business and corporate strategies.

Qualified and Competent Company Secretary

The Company Secretary of the Company has professional credential and is qualified to act as a Company Secretary is under Section 235(2) of the Companies Act, 2016.

The Company Secretary is an Associate member of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA"). The Secretary whose appointment and removal is subject to the Board's approval, attend all Board and Board Committees' meetings.

The Company Secretary play an advisory role to the Board and support the Board in ensuring the governance matters and Board procedures are followed and that applicable laws and regulations are complied with. The Company Secretary also facilitate the communication of key decisions and policies between the Board and Senior Management.

Access to information

The Board has direct access to the advice and services of the Secretary who is responsible to the Board for ensuring that all governance matters and Board procedures are followed and that all applicable laws and regulations are complied with.

The Chairman, assisted by the Company Secretary takes responsibility in ensuring that the Directors receive all notices, agendas and minutes of the previous meetings and supplied with pertinent information well in advance of each meeting. The agenda for each meeting shall be circulated at least seven (7) working days before each meeting to the Board Members and all those who are required to attend the meeting. Written materials including information requested by the Board from the Management and/ or external consultants shall be received together with the agenda for the meetings. The Executive Director in consultation with the Chairman would decide on the agenda and accordingly structure and prioritise the respective matters based on their relevance and importance so as to enable quality and in-depth discussion of the matters. All decisions and conclusions of the Board meetings are to be duly recorded and minutes are kept by the Company Secretary.

The Board recognises the importance of providing timely, relevant and up-to-date information in ensuring an effective decision making process by the Board. In this regard, the Board is provided with not just quantitative information but also those of qualitative nature that is pertinent and of a quality necessary to allow the Board to effectively deal with matters that are tabled in the meeting.

Board Charter

The duties and responsibilities of the Board of Directors are clearly defined in the Board Charter which regulates how business is to be conducted by the Board in accordance with the principles of good Corporate Governance.

The Board Charter addresses, which include amongst others, the Board responsibilities, Directors Code of Ethics, composition of Board, responsibilities of Chairman and Executive Director, the establishment of Board Committees, meetings, remuneration, accountability and audit, Company Secretary, conflict of interests and access to independent professional advice.

The Board Charter was last reviewed on 24 June 2014. The Board Charter will adopt any changes to the MCCG 2017, the Companies Act 2016 or any other relevant rules and regulations from time to time for best practices.

ACCESS TO INDEPENDENT PROFESSIONAL ADVICE

In discharging Directors' duties, each member of the Board is entitled to obtain independent professional advice at the cost of the Company.

If a member considers such advice is necessary, the member shall first discuss it with the Chairman and having done so, the member shall bring this matter up to the Board. The reason(s) for seeking independent professional advice and the proposed cost involved should be presented to the Board for approval. Once Board approval is obtained, the member is free to proceed.

The member should provide proper notice to the Company Secretary of the intention to seek independent advice and shall provide the names(s) of the professional advisors that he/ she intends to contact, together with a brief summary of the subject matter for which professional advice is sought. The Company Secretary shall provide written acknowledgement of acceptance of notification. In the event that one (1) or more Directors seek to appoint one (1) or more advisors, the Chairman should take steps to facilitate discussions to arrive at a consensus. Fees for the independent professional advice will be payable by the Company but approval of the Board will be required. The above restriction shall not apply to Executive Director acting in the furtherance of their executive responsibilities and within their delegated powers.

For the purposes of this section, independent professional advice shall include legal, accounting or other professional financial advice. Independent professional advice shall exclude any advice concerning the personal interests of the Directors (such as with respect to their contracts or disputes with the Company), unless these are matters affecting the Board as a whole and have the unanimous agreement of the Board.

ACCESS TO THE MANAGEMENT

Board members must have complete unimpeded access to the Company's Management. Board members must have unrestricted access to information pertaining to the Company including the Company's auditors and consultants.

In accessing its rights to information and the Management, Board members must use judgement to ensure that such access is not distracting the operations of the Company and that such contact, be copied to the Executive Director and Chairman.

Furthermore, during deliberations, the Board should encourage the Management when necessary, to bring managers into Board meetings who:

- Can provide additional insight into the items being discussed because of personal involvement in these areas; and/ or
- Have potential for future senior managerial positions that Senior Management believes would be enhanced by exposure to the Board.

BOARD COMPOSITION

The composition of the Board will reflect the duties and responsibilities to discharge and perform as representative of the interests of the shareholders. The composition of the Board shall reflect as much as possible or practicable, proportional representation of investments in the Group. Directors are not required to hold any qualification share.

A formal invitation to join the Group as a Board member would be extended by the Chairman after approval from the Board. The Chairman should ensure that all Board members, when taking up office, are fully briefed on the terms of their appointment, duties and responsibilities. New members will also be briefed on the operations of the Group to increase their understanding of the business, environment and markets in which the Group operates. The new members will be given a copy of the Board Policy Manual, which consists of the following information:

- Group Organisation;
- Board Organisation;
- Board Responsibilities;
- Board Procedures;
- Board's and Director's Evaluation; and
- Additional information including the latest business plan and budget, the latest Integrated Annual Reports and accounts, and minutes of past three (3) Board of Directors' meetings and applicable Committee Meetings.

The new members will be required to meet key members of the Management. Members are expected to keep themselves abreast of changes and trends in the business and with the Group's business environment and markets and changes and trends in the economic, political, social, legal and regulatory climate that could affect the business of the Group.

In addition, the Constitution provide that the office of any Director shall become vacant if such Director:

- Becomes bankrupt;
- Be found to be lunatic or become of unsound mind;
- Ceases to be a Director under the provisions of the Companies Act, 2016;
- Be convicted of any sizeable offences; and
- By notice in writing given to the Company, resigns from his office;
    - is removed by ordinary resolution of the Company subject to the provisions of Article 104; and
    - is absent for more than 50% of the total Board of Directors' meeting held during a financial year.

The Board, as at the date of this Statement, consists of:

Executive Director
- Zulkifly Zakariah

Non-Independent Executive Director
- Idham Jihadi Abu Bakar

Independent Non-Executive Directors
- Datuk Anuar Ahmad (Chairman)
- Dr. Radzuan A. Rahman
- Dato' Sr. Hisham Jafrey
- Kandasamy A/L Kanny

Non-Independent Non-Executive Director
- Wan Su Ali

There were several changes to the Board composition, Dato' Kamaruzzaman Abu Kassim had resigned from Board as Chairman/ Non-Independent Non-Executive Director ("NINED") on 31 December 2019. Datuk Anuar Ahmad, Dato' Sr. Hisham Jafrey and Kandasamy A/L Kanny were appointed to the Board as Independent Non-Executive Directors ("INED") on 1 March 2020. On the same date, the Board accepted the resignation of Ahamad Mohamad, Zulkifli Ibrahim, Mohamad Salleh Mohamad Yusof and Mohd Sahir Rahmat as NINED. Meanwhile, Idham Jihadi Abu Bakar was appointed to the Board as Non-Independent Executive Director on 1 March 2020.

INDEPENDENT NON-EXECUTIVE DIRECTOR

The presence of INED provides a pivotal role in corporate accountability. The role of the INED is particularly important as they provide independent and objective view, advice and judgement, and ensures strategies proposed by the Management are thoroughly discussed and evaluated, and that the long-term interests of stakeholders are considered. The INED do not participate in operation of the Group in order to uphold their objectivity and fulfill their responsibility to provide check and balance to the Board.

Currently, we have four (4) INED in the Board which are in line with Practice 4.1, that recommend the Board to have at least half of the Board is independant.

The Board is presently of the view that there is no necessity to fix a maximum tenure limit for INED as there are significant advantages to be gained from the long-serving Director who possess tremendous insight and knowledge of the Company's businesses and affairs.

BOARD DIVERSITY

The size and composition of the Board provides for a diversity of views, the desired level of objectivity and independence in Board deliberations and decision making. The Directors of the Group are persons of high integrity and caliber who come from diverse backgrounds with expertise and skills accounting, plantations, economics, taxation and legal.

The appointment of Senior Management are based on objective criteria, merit and with due regard for diversity in skills, experience, length of service and knowledge of the Group and cultural background.

FOSTER COMMITMENT OF THE DIRECTOR

The Director dedicated sufficient time to carry out their responsibilities in Board representations. The dates of the meetings of the Board for each financial year were fixed in advance for the whole year to ensure all Director's members dates are booked and also to facilitate Management's planning for the whole financial year. During the FYE 2019, four (4) Board Meetings have been held.

The Board is satisfied with the level of time commitment given by the Directors in the discharge of their roles and responsibilities as the Directors of the Company as evidenced by their attendance at the respective meetings office during the FYE 2019 are set out below:

	295th BOD 28/02/2019	296th BOD 26/05/2019	297th BOD 08/09/2019	298th BOD 24/11/2019	Total
Dato' Kamaruzzaman Abu Kassim	✓	✓	✓	✓	4/4
Zulkifly Zakariah	✓	✓	✓	✓	4/4
Ahamad Mohamad	✓	✓	✓	✓	4/4
Zulkifli Ibrahim	✓	✓	✓	✓	4/4
Mohd Sahir Rahmat	✓	✓	✓	✓	4/4
Dr. Radzuan A. Rahman	✓	✓	✓	✓	4/4
Mohamad Salleh Mohamad Yusof	✓	✓	✓	✓	4/4
Wan Su Ali	✓	✗	✓	✓	3/4

We would like to express our gratitude to our former BOD for their dedication and commitment towards building Kulim into an organisation of excellence. Thank you for bringing your passion, intellect, insight, experience and resources to the table

DIRECTORS' TRAINING

The Board is provided with opportunities to update and refresh their knowledge throughout the year, ensuring that they are able to fulfill their role as members of the Board and Committees effectively. In financial year 2019, the Directors attended various training programmes on issues relevant to the Group.

Training programmes, seminars and briefings attended by the Directors during the year were, among others:

- Adequate Measures and Anti-Bribery Management System ISO 37001:2016
- Johor Corporation's Directors Conference 2019 - Corporate Governance : A Marathon Not A Sprint
- Transfer Pricing Seminar 2019 - Inland Revenue Board
- Managing Large Taxpayer issues - A Practitioner's Update
- National Tax Conference 2019 - Inland Revenue Board and Chartered Tax Institute of Malaysia
- National Tax Seminar 2019

REMUNERATION

The Board believes that the levels of remuneration offered by the Group are sufficient to attract Directors and Senior Management, with sufficient experience and talents to contribute to the performance of the Group. Comparison with similar position within the industry is made in order to arrive at a fair rate of remuneration. The Board will determine the level of remuneration paid to members.

The details of the remuneration of each Director paid by the Company during the FYE 2019 are as follows:

	Salary	Allowances/ Others Emolument	Bonuses	Benefit In-kind	Total
	RM'000				
Executive Director					
Zulkifly Zakariah	397	401	149	34	981
Non-Independent Non-Executive Directors					
Dato' Kamaruzzaman Abu Kassim	-	-	-	37	37
Ahamad Mohamad	600	200	115	12	927
Zulkifli Ibrahim	-	-	-	-	-
Mohd Sahir Rahmat	-	-	-	-	-
Mohamad Salleh Mohamad Yusof	-	-	-	-	-
Wan Su Ali	-	-	-	-	-
Independent Non-Executive Director					
Dr. Radzuan A. Rahman	-	16	-	-	16
Grand Total	**997**	**617**	**264**	**83**	**1,961**

CODE OF ETHICS

The Code of Ethics sets forth the standard of conduct and culture required for all employees of the Group. It is sets out the ethical standards of conduct that all employees are expected to comply with in their dealings with colleagues, customers, shareholders, suppliers, competitors, the wider community and the environment. Among others, it also requires the employees to ensure the following:

- Maintaining full and accurate company's records;
- All assets and properties of the company will be used only for the benefit of the company;
- Always dealing with customers and suppliers based on merit and fairness;
- Engage competitors in a fair manner and not to engage in any unfair or illegal practice in order to gain an unfair advantage;
- Always act to ensure a workplace environment that is free from harassment and discrimination;
- Deal with all team members with respect, courtesy and fairness;
- Engage competitors in a fair manner and not to engage in any unfair or illegal practice in order to gain an unfair advantage; and
- Adhere to the Group's Code of Ethics and to submit the Ethics Declaration Form annually.

The Board has set up guidelines which are designed to legalise acceptable behaviours for the committee members to increase confidence in the Group by showing that the Board members are committed in following basic ethical guidelines in the course of discharging its duties that cover:

- Corporate Governance;
- Relationships: Shareholders, Employees, Creditors, Customers; and
- Social Responsibilities and Environment.

The Directors adhere to the Code of Ethics which is contained in the Board Policy Manual comprising the important aspects of which are as follows:

- Members must represent non-conflicted loyalty in the interests of the Group;
- Members must avoid conflict of interest with respect to their fiduciary responsibility;
- Members may not attempt to exercise individual authority over the Group except as explicitly set forth in the Board Policy; and
- Members will respect the confidentiality appropriate to issues of a sensitive nature.

WHISTLE-BLOWING POLICY

The Group's Whistle-blowing Policy covers any information or complaints received related to an "improper conduct", committed or about to be committed. The Whistleblower Protection Act 2010 provide a safe avenue for them to make disclosure of such alleged improper conduct whistle-blowing to the relevant authorities in good faith, by protecting their identities, providing them immunity from civil and criminal proceedings and protecting them from detrimental action.

The objectives of Whistle-blowing Policy are as follows:

- Provide a channel for secure reporting against improper conducts;
- Provide assurance to the whistle-blowing that he/ she will be protected from retaliation or reprisal; and
- Ensure that any complaints received will be processed, proper action to be taken and ends with a systematic and effective action.

A Whistle-blowing Policy is published on the Group's website.

ISO 37001 : 2016 ANTI BRIBERY MANAGEMENT SYSTEM

On 4 May 2018 the Parliament had passed and gazetted the new Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018 on corporate liability offence for corruption and this new Section 17A will be in force in June 2020.

At the reporting date, Kulim is in the progress for certification to ISO 37001:2016 Anti Bribery Management System ("ABMS"), as one of the tools for fighting corruption and as a defence in meeting the requirement of "adequate procedures". The process for certification commenced in November 2019 and is expected to be certified in December 2020.

The reviewing and developing of the policies related to ABMS is progressing well. These policies will set out the Group's position on corruption in all its forms and provide guidance o how to act when subjected to potential acts of corruption that might confront the Group in its day to day operations.

A Bribery Risk Assessment was conducted to identify and evaluate the bribery exposures within the Group and mitigation plans have subsequently been developed and will be implemented in the year 2020.

Kulim has set up an Integrity Unit in November 2019 as one of its initiatives to instill the culture of integrity. The establishment of the Integrity Units is in accordance with the Prime Minister's Directive No. 1/2018 (October 2018) on establishment of Integrity and Governance Unit in Government-Linked Companies (GLCs), companies owned by the ministry and Government Agencies including the State Government. The Integrity Unit is responsible for promoting including the state government. The Integrity Unit is responsible for promoting good governance, strengthening integrity, monitoring compliance and dealing with improper conducts.

B PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT

AUDIT COMMITTEE

The Audit Committee ("AC") facilitates the Board of Directors to fulfill its corporate governance and overseeing responsibilities in relation to the Group's financial reporting, internal control system, risk management and internal and external audit functions.

The AC of the Group comprises three (3) members. The AC is chaired by an Independent Non-Executive Director, Dr. Radzuan A. Rahman.

The Board has full access to both Internal and External Auditors and receive reports on all audits performed by them via the reports made by AC in Board meetings.

The Audit Committee Report for the FYE 2019 which sets out the composition, a summary of activities of the Audit Committee and internal audit function, is contained on pages 188 to 191 of this Integrated Annual Report.

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board recognised that it is obliged to systematically manage and regular review its risk profile at a strategic, financial and operational level. The Board has done this by developing and adopting risk management framework that determines the process and identifies tools for releasing its objectives. Not only does it maximise its opportunities. It enhances the Company's capability to respond timely to the changing environment and its ability to make better decision.

The Statement on Risk Management and Internal Control is set out on pages 178 to 187 of this Integrated Annual Report to provide an overview of the risk management framework and state of internal control within the Group.

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

Our Board is committed to adequate and timely disclosure of information, whether financial, organisational, governance or transactions related, to enable our stakeholders to assess our Group's performance.

COMMUNICATION WITH STAKEHOLDERS

The Group has been using the following formal channels to communicate with shareholders and stakeholders:

a) Integrated Annual Report

The Integrated Annual Report remains a major channel of communications disclosing information not only on the Group's business, financials and additional information such as the Group's mission and vision, operations performance, outlooks and Senior Management team. The Board places great importance on the contents of the Integrated Annual Report to ensure the accuracy of the information as the Integrated Annual Report is a vital source of information.

Integrated Annual Reports of the Company are available at the Company's website.

b) Audited Financial Statements

The Board is fully accountable for ensuring the Audited Financial Statements are prepared in accordance with Companies Act 2016 and Malaysian Financial Reporting Standards ("MFRS") so as to present a true and fair view of the Group and Company's state of affairs, results and cash flows as at the end of the accounting period.

In preparing the Audited Financial Statements, the Directors are satisfied that the applicable MFRS and provisions of the Companies Act 2016 have been complied with and reasonable and prudent judgements and estimates have been made.

c) Sustainability

The Board recognises that the Company's stakeholders are increasingly interested in understanding its approach and performance in embedding sustainability in the organisation.

The Group has published a Sustainability Report which disclosed Group's efforts and initiatives in managing its material economic, environmental and social risks and opportunities. The reporting is guided by the Global Reporting Initiative ("GRI") standard. The Sustainability Report is on pages 132 to 163 this Integrated Annual Report.

RELATED PARTY TRANSACTIONS

All related party transactions entered into by the Group were made in the ordinary course of business and on the same terms as those prevailing at the time for comparable transactions with other persons or charged on the basis of equitable rates agreed between the parties.

Details of the transactions entered into by the Group during the FYE 2019 are set out on pages 304 to 308 of this Integrated Annual Report.

Awareness session on Corporate Liability and ISO 37001:2016 Anti-Bribery Management System (ABMS)

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

“THE GROUP HAS IN PLACE AN ON-GOING CONTROL STRUCTURE AND PROCESS FOR IDENTIFYING, EVALUATING AND MANAGING THE SIGNIFICANT RISK FACED BY THE GROUP TO ACHIEVEMENT OF BUSINESS OBJECTIVES AND STRATEGIES THROUGHOUT THE FINANCIAL YEAR UNDER REVIEW.”

An essential part in the execution of the Company’s policies and strategies, our Executives and Support Staff are at the heart of the Company’s dynamic

SCAN ME

INTRODUCTION

OUR QUEST TO EXCEL IN DELIVERING VALUE TO SHAREHOLDERS AND REALISING THE GROUP'S MISSION TO BE THE MOST PROGRESSIVE, EFFICIENT, PROFITABLE AND RESPECTABLE ORGANISATION IS UNDERPINNED BY THE CONTINUOUS IMPLEMENTATION OF ENTERPRISE RISK MANAGEMENT ("ERM") FRAMEWORK ACROSS THE GROUP. OUR GROUP IS COMMITTED TO MANAGING RISKS IN A PROACTIVE AND EFFECTIVE MANNER. THIS IS DEMONSTRATED THROUGH COMPREHENSIVE RISK ANALYSIS AT ALL LEVELS IN REDUCING THREATS, PURSUING OPPORTUNITIES AND CREATES COMPETITIVE ADVANTAGE.

Our Board recognises the importance of sound risk management and internal control system practices to good corporate governance with the objective of safeguarding the shareholder's investment and the Group's assets.

Our Board also acknowledges overall responsibility for the Group's risk management and internal controls. This includes the establishment of an appropriate control environment and framework, as well as the need to review the effectiveness, adequacy and integrity of this system.

Our Group conducts periodic testing on the adequacy, effectiveness and integrity of the internal controls to ensure the achievement of objectives on the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with applicable laws and regulations. Our Group has in place an on-going control structure and process for identifying, evaluating and managing the significant risks faced by the Group to the achievement of business objectives and strategies throughout the financial year under review. This process is regularly reviewed by our Board with the assistance from Audit Committee ("AC") and the Management. The Board retains overall responsibility for implementing and monitoring the internal control and risk management process within the Group.

Our Group's system of internal control is designed to manage, rather than eliminate the risk which could arise from human error, the possibility of poor judgment in decision making, control process being deliberately circumvented by employees and others, Management overriding controls and the incidence of unforeseeable circumstances. Accordingly, it must be recognised that the system can only provide reasonable and not absolute assurance against misstatement, breaches of laws or regulations, fraud or losses. In addition, our Management also takes into consideration the expected cost and benefits to be derived from the implementation of the internal control system.

Our statement is prepared in accordance with the Practice 9.0 of the MCCG 2017 and guided by the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers". This guideline set out the obligations of Management and the Board with respect to risk management and internal control. It also provides guidance on the key elements needed in maintaining a sound system of risk management and internal control and describes the process that should be considered in reviewing its effectiveness. The scope of the disclosure excludes associated company which is not under the control of the Group.

Risk Management and Compliance Committee ("RMCC")

RISK MANAGEMENT FRAMEWORK

The Group recognises that it is obliged to systematically manage and regularly review its risk profile at a strategic, financial, compliance and operational level. Our Group's ERM framework incorporates the principles and guidelines of the ISO 31000:2009 Risk Management. The framework defines our Group's intention and commitment towards effective risk management and internal control practices. It also determines the responsibilities of the Group involves in ERM, outlines the risk management process and identifies tools for realising the Group's objectives aside from supporting and sustaining risk management throughout the organisation. It supports our Group's efforts to achieve the highest levels of corporate governance, including the creation of value in the short and long-term.

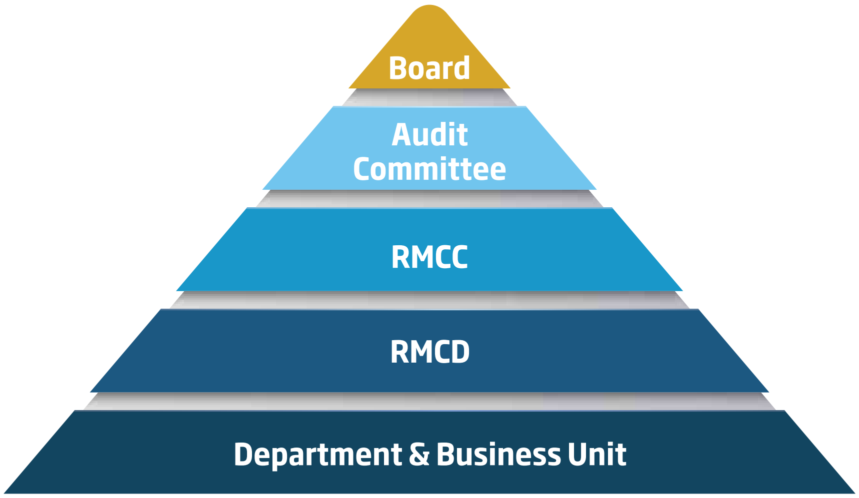
The key success factors of our Group's risk management process are active contribution and communication at operational and strategic level. Our Group's risks are managed on an integrated basis and their evaluation is incorporated into the Group's decision-making process such as strategic planning and each project feasibility studies. The continuous practices and application at Group-wide will ensure our Board has sufficient and accurate information about the level of risk the Group wants to take and with that information, appropriate controls will be implemented to ensure the achievement of the established business objectives.

Our Board believes that the risk management framework is adequately overseen through the AC and assisted by the Management via formation of Risk Management and Compliance Committee ("RMCC"). The RMCC is represented by Senior Management from all business functions of the Group. The Committee met four (4) times in 2019. This Committee which is cross-functional in nature, was formed to assist the Board in implementing the processes for identifying, analysing, evaluating, monitoring and reporting of risks and internal controls and to ensure proper management of risks to which our Group is exposed and to take appropriate and timely actions to manage such risks. The AC which consists of members with diversity in the industry and business knowledge will periodically review the risk management report and provide an objective view on the risk identification, assessment and challenge the management on the adequacy of mitigating strategies.

A strong culture of ownership and accountability is further built through a clear identification of specific roles and responsibilities in our framework that is Board, Management Committee, RMCC, Risk Management and Compliance Department ("RMCD"), Risk Owner, Risk Co-Owner, Internal Audit Department and all staff. This has improved their understanding of the boundaries of their responsibilities and how their positions fit into the organisation's overall risk and control structure as well as minimising the potential gaps in controls and unnecessary duplications of coverage.

RISK MANAGEMENT PROCESS

During the year under review, our Group's ERM approach which priorities risk according to their likelihood and impact goes through the following steps:



Board of Directors Review:

The Chairman of AC will bring to the Board's attention, the significant risks as tabled and discussed in the AC meeting. The Board will then determines the final decision on the risk treatment options and risk action plans proposed by the Management.

Audit Committee Review:

The AC provides an objective view on the significant risks presented by the Group Chief Risk Officer. The AC will request and challenge risk information and its risk mitigation strategies implemented by the Group. The AC also acts as change catalyst in risk and control areas in the Group.

Compilation of Group Risk Profile:

All the endorsed top risks as tabled in RMCC will be extracted as the Group Risk Profile in accordance with the Group's financial or non-financial risk parameter.

Presentation to the RMCC:

The RMCD will facilitate the Risk Owner during the risk assessment and risk action planning. Each risk will be evaluated in terms of the adequacy and effectiveness of the existing internal checks and balances controls, so as to provide a reasonable assurance that the likelihood and impact of the adverse event are within a manageable and acceptable level. The level of likelihood of a particular outcome actually occurring, including a consideration of the frequency of the event are determined using an approved likelihood parameter. The impact of an event is similarly evaluated using an approved financial or non-financial impact parameter. The RMCC will review, rank and debate the risk profile, its ratings, control effectiveness and risk treatment options plans identified by the Risk Owners.

Department or Business Unit Risk Assessment:

The risk owner performs an exercise to identify and assess risk. The main sources of reference used at the identification phase are the business plans and budgets, financial and production performances, Board and annual reports, audit findings, market and sector research, compliance report and historical data. The exercise also covers a comprehensive occupational, safety and health risk assessment process through the Hazard Identification, Risk Assessment and Risk Control ("HIRAC"). The risk owner provides the RMCD with risk register updates on a quarterly basis. The risk level is determined according to their respective financial or non-financial risk parameter.

In ensuring our Group achieves its objectives, sustains the businesses and continues to add value to the stakeholders in the short, medium and long-term, our risk management process and approach is tailored to Group's structure and its constantly changing environment to ensure that our Group can continuously monitor and review its risks and the effectiveness of its risk management over time. Based on the results of monitoring and reviews, decisions are made on how the risk management programme can be improved. These decisions should lead to improvements in our Group's Management of risks and its risk management culture.

A separate risk management function also exists within our Group's listed subsidiary with the establishment of its own RMCC to assess and evaluate the risk management process of the company on a periodic basis.

In essence, the Management of risks is treated as an interactive process. The benefits arising from effective risk management processes is the creation of awareness of risks among employees of different departments and business units.

UNDERSTANDING OUR SIGNIFICANT RISKS - TOP THREE (3) GROUP RISKS

The identification of our significant risks during the year was taking into consideration the internally and externally driven factors. The following represents our Group's top strategic and operational risks that if we not effectively manage may create a significant or material adverse impact to the Group as well as impede the achievement of the established objectives and affect the Group's ability to create value.

Risk Factors	Mitigating Strategies
Economy-wide phenomena which affect the rate of industry growth, CPO and O&G prices, and increase operating costs.	• Market intelligence and being up-to-date on market conditions; • Combination strategies of spot and forward contract for sales and procurement; • Creation of new revenue stream; • Enhance the productivity and efficiency through an innovative solution; and • Cost optimisation initiatives and prudent CAPEX and OPEX management.
New Investment's Risks in respect of the industry, laws and regulations, politics, country and local risks.	• Continuously explore and secure new opportunities with innovative solutions; • Comprehensive due-diligence exercise and feasibility study for each new investment; • Putting in place workable internal control and monitoring framework including corporate and systems infrastructure; • Revisit and strengthen the strategy to ensure the success of the investment; and • Proactive engagement with business partners and local stakeholders.
Liquidity Risk on existing and future funding requirements in meeting its financial obligations.	• Matching of inflows and outflows of cash and maintaining sufficient credit facilities; • Borrowings are created in a particular currency to match payments and receipts or liabilities and assets; • Capital restructuring; and • Monitor the agreed covenants with the lenders.

CONTROL ENVIRONMENT AND CONTROL ACTIVITIES

The Board and the Management are committed to establish a strong control environment through a robust and effective check and balance. The control environment comprises the integrity and ethical values, the parameters enabling the Board to carry out its governance oversight responsibilities, organisational structure and assignment of authority and responsibility and effective human capital management. The Group's established objectives will be achieved through the commitment in continuously enhancing the design of the internal control environment through the adoption of various policies and procedures.

BOARD AND MANAGEMENT

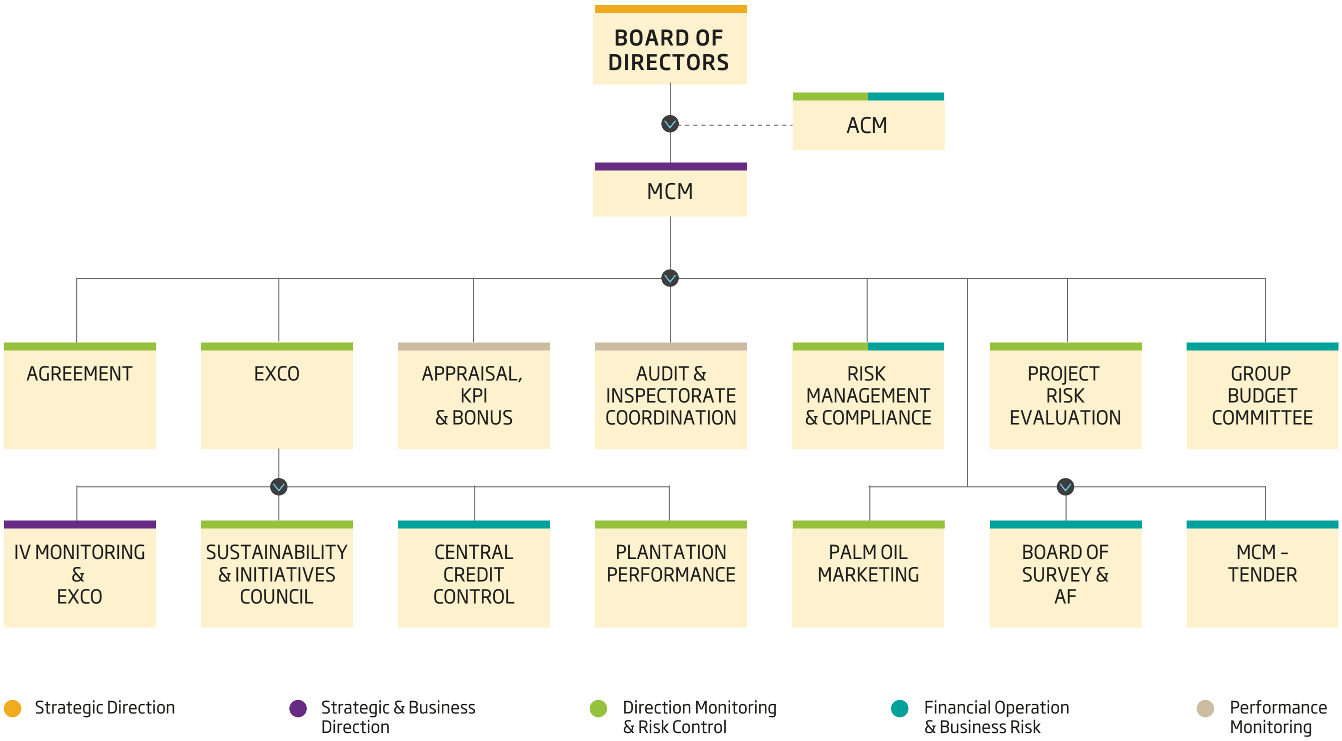
The Board and Management Committees are set up to promote corporate governance, transparency and accountability and to assist the Board in implementing and monitoring the system of internal controls within the Group with the aim of realising the vision, mission, strategies and objectives established for the Group. The Committees oversee the areas assigned according to their Terms of Reference ("TOR") which are carefully developed to ensure that it is aligned with the Group's objectives, short-term and long-term strategic plans and to avoid overlapping activities and gaps in governance coverage.

During the period under review, we have set a broader functions of Plantation Budget Review and subsequently was renamed as Group Budget Committee. The primary functions of the Group Budget Committee are to deliberate and approve the budget for forthcoming year for Plantation Operation in Malaysia and Indonesia, IV companies, Strategic Business Unit ("SBU"), Kulim Agrotech Centre ("KAC") , Kulim Top Plant Sdn Bhd ("KTP"), Agrofood Business and Kulim Corporate Office. The approved budget later will be consolidated in the Kulim's Group 5-year strategic planning.

In addition, the function of the Audit and Inspectorate Coordination Committee has been expanded to monitor and coordinate the IV companies, non-listed subsidiaries/ unit as well as support services within the Kulim Group.

The composition of members of the committee is continuously tailored to collectively have good knowledge of the industries, ability to understand fundamental financial indicators, including the knowledge of key business and financial risk, and internal control fundamentals. This arrangement shall improve the evaluation process, the least element of surprises and ultimately provides a greater chance of success to the proposed investment.

NEW COMMITTEE STRUCTURE



Management Committee	
Name Of Committee	**Primary Function**
Management Committee ("MCM")	To review and evaluate the performance progress including the key policy and strategy implementations of the various divisions, subsidiaries and operating units of the Group. Where authorised, to formulate and approve matters relating to Group policy, objectives and business strategy and projects, and where necessary to evaluate and recommend for Board's approval.
Board of Survey and Additional Capital and Revenue ("AF")	To coordinate departmental roles and administrative matters in relation to the various divisional operations and to review, recommend and seek Management's approval on any related proposals. To review all requests pertaining to capital and revenue spending and to recommended them for the satisfaction of the MCM.
Executive Committee ("EXCO")	To coordinate departmental roles and administrative matters in relation to the various divisional operations and to review, recommend and seek Management's approval on any related proposals.
Management Committee – Budget and Tender ("MCM – Budget and Tender")	To recommend to the MCM the award of contracts for purchases and projects to suppliers/ contractors in accordance with the Contract Administration Guidelines and Procedures of the Company. To review the budget on capital and revenue spending.
Sustainability and Initiatives Council	To oversee and monitor the development, implementation, maintenance, compliance and effectiveness of all matters relevant to sustainability and quality initiatives of the Group as well as ensuring compliance with the principles and criteria of RSPO. Periodic assessment of legal compliance risk within the plantation division.
Risk Management and Compliance Committee	To review, rank and debate the risk identified, its ratings, control effective and other option plans on a periodic basis to ensure that the Group is managing risks effectively. Periodic assessment and prioritisation of legal compliance risk areas and review the efficiency and effectiveness of Group-wide compliance activities.
Appraisal, KPI and Bonus Committee	To deliberate on performance, KPIs, behavioural competencies and recommend appropriate increments, promotions and merit of all executives and staff.
Palm Oil Marketing Committee	To review and decide on the appropriate selling arrangement, quantity and prices of the Group's palm products.
Group Budget Committee	To deliberate and approve the budget for forthcoming year for Plantation Operation in Malaysia and Indonesia, IV Companies, SBU, KAC, KTP, Agrofood Business and Kulim Corporate Office. The approved budget later will be consolidated in the Kulim's Group 5-year strategic planning.
Project Risk Evaluation Committee	To assess the viability of the projects for all investment proposals within Kulim Group in terms of its financing, marketing and technical issues, be it a new project, expansion of business or joint venture projects.
Audit and Inspectorate Coordination Committee	To monitor and coordinate the IV companies, non-listed subsidiaries/ unit and support services within the Kulim Group.

We are committed to the highest standard of integrity, openness and accountability in the conduct of our business and operations

Committees For Intrapreneur Venture	
Name of Committee	**Primary Function**
IV Monitoring and Executive Committee ("IV EXCO")	To monitor progress and development of all the IV companies with the objective of strengthening respective business and management capabilities by providing necessary business guidance and referrals.
Agreement Committee	To ensure that material agreements are forwarded for Committee discussion and/ or approval. This is to ensure and safeguard the Group's interest.
Central Credit Control Committee	To appraise the IV companies on its financial health, performance and compliance to MFRS, Income Tax Act 1967 and internal controls of the IVs which are related to credit control.

GROUP POLICIES AND PROCEDURES

Our Group policies and procedures are developed to ensure the effectiveness and efficiency of our operations, financial and non-financial reporting's reliability, timeliness, accountability, transparency and adherence to the laws and regulations that our business is subject to.

These policies and procedures are approved by Management and the Board. Periodically, we review them to ensure they remain relevance and effective. The Group policies and procedures in place are, among others:

- Accounting Policy and Procedures
- Agriculture Manual
- Contract and Purchasing Guideline Procedures
- Environmental Policy
- Forward Sales Policy
- *Halal* Policy
- Internet Access Policy
- Occupational, Safety and Health Policy
- People Policy
- Quality Policy
- Sustainability Policy
- Corporate Responsibility Policy
- Social Media Policy

FINANCIAL AND OPERATION CONTROL FRAMEWORK

Our Group acts in accordance with MFRS and the requirements of the Companies Act 2016. Review of our actual performance against budgets and performance in prior periods are also being carried out and appropriate mitigating and monitoring are continuously carried out.

Our AC together with Management reviews the Group's quarterly financial performance and subsequently reported to the Board. The Group's financial results and operational performance will be assessed by the AC which particularly focusing on changes in major accounting policy, any significant matters or unusual events or transaction, related party transactions and integrity of the Group financial information.

We have Financial Authority Limit which defines revenue and capital expenditure spending limits for each level of Management within the Group. These limits cover authority for cheques signatories, major capital and revenue expenditure spending limits, purchasing and contract procedures, and approval mechanism for a budget.

Our 5-year strategic planning exercise is conducted annually and approved by the Board. Our Group is guided by this 5-year strategic planning which specifically outlines the business objectives and strategies. In this challenging economic and business landscape, new opportunities and innovative strategies are continuously explored to create competitive advantage which ultimately will expand our business and investment portfolio. In this respect, we always improving and strengthening our core competencies strategies in our strategic planning exercise.

HUMAN CAPITAL MANAGEMENT

Our Group's organisation structure delineates the line of authority, responsibility and accountability. Its formation is focusing on both performance delivery and business continuity through succession planning. It fosters and promotes the continual development of employees, and ensures that key positions maintain some measure of stability, thus enabling our Group to achieve business objectives.

The structure supports our Group's ability to ensure that qualified and experienced management personnel which head the Group's diverse operating units are always available and in place to carry out their job functions. Training analysis is conducted annually and various internal and external training programmes are in place to fulfill the actual skills and knowledge required. Their performance is measured against the established Balanced Scorecard which has been approved by the Board.

STATUTORY AND REGULATORY COMPLIANCE

Our Group is committed to complying with applicable statutory and regulatory requirements and we are subject to regular inspections by the relevant authorities. Our compliance program starts in the year 2017 with a bi-monthly compliance reporting from each department and business units to RMCD and subsequently reported to RMCC and AC.

Our Group is aware and continuously considers any appropriate commitment towards the statutory and regulatory compliance. Significant efforts and changes during and subsequent to the reporting period with respect to the statutory and regulatory compliance, among others:

- The Legal Tracking Working Group has conducted three (3) legal tracking exercises. To date, we have covered all the laws, regulations and guidelines that have significant impacts to the company's operation and business activities.
- Minimum Wages Order 2020 – The rate of monthly wages payable to the employee who works in a place of employment in any City Council or Municipal Council areas had increased from RM1,100 to RM1,200 and had come into force on 1 February 2020.
- MSPO Certification – The certification was mandatory for all plantations and all of our plantations estates has obtained the certification in 2019.
- Corporate Liability provision and the requirement of the "adequate procedures" under the Section 17A of the Malaysia Anti-Corruption Commission (Amendment) Act 2018 that will be inforce in June 2020. In response to this new provision, Kulim is voluntarily embarked on the ISO 37001:2016 ABMS. The ABMS was designed to establish, implement, maintain and improve an anti-bribery compliance programme which also includes a series of measures and controls that represent global anti-bribery good practices.

CORPORATE INTEGRITY

Our Group's corporate integrity initiatives are crafted to aspires the conduct of our affairs is in an ethical, responsible and transparent manner.

We are committed to the highest standard of integrity, openness and accountability in the conduct of our businesses and operations.

	A number of channels are available for our employees to report any non-compliance with the **Code of Ethics** or any unlawful activity. On annual basis, all employees are required to submit the **Ethics Declaration Form** which has been long established as a formal avenue for all employees to report directly to the Executive Director of any misconduct or unethical behaviour conducted by any employees within our Group.
	Our **Business Policy** and **Code of Ethics** are the keys policies that govern and act as a guideline on the standards of conduct that are expected from Board, Management and employees and help them make the right decision in the course of performing their jobs to the highest standards of ethics, integrity and governance.
	Our **Whistle-blowing Policy** was introduced to ensure that a process is in place to allow stakeholders to report alleged improper or unlawful conduct without fear of retribution. It is an integral component of the Group's zero tolerance policy on fraud and corruption.
	Apart from the **Corporate Integrity Pledge**, we have in place **No Gift Policy** and **Conflict of Interest Policy** which the primary objective is to avoid conflict of interest and to indicate our Group's commitment to accord equal treatment to all individuals and organisations in their dealings with our Group.
	Our **Grievance Policy and Procedure**, as well as **Women OnWards ("WOW")**, were introduced to allow employees to bring to the attention of the Management any dissatisfaction or feeling of injustice which may exist in respect of the workplace. The Management will attempt to resolve the grievance in a manner, which is acceptable to the employee concerned and the Group.

All the corporate integrity initiatives were designed with the aims of strengthening our Group's integrity culture, infrastructure and further strengthen stakeholders' confidence.

BUSINESS CONTINUITY MANAGEMENT

Our business continuity objectives are to identify any potential threats and disruptions to our Group-wide business and then build the capacity to deal with them to ensure we can continue to function with as little disruption as possible. Our approach covers both, the availability of an effective infrastructure and hedge against the potential risk of financial losses, through insurance coverage.

The activities of reviewing and improving our business continuity plans have been conducted periodically to ensure the availability and its effectiveness. These activities cover the potential disruptions from flood, fire, Information Technology ("IT") security and attack, supply chain failure and losing a key employee.

AUDIT COMMITTEE REPORT

"THE BOARD OF KULIM (MALAYSIA) BERHAD IS PLEASED TO PRESENT THE AUDIT COMMITTEE ("AC") REPORT FOR THE FYE 2019 AND UP TO DATE OF AC REPORT."

Kulim promotes gender equality and empower women to develop their knowledge and skills

Dr. Radzuan A. Rahman
Chairman/
Independent Non-Executive Director

Aziah Ahmad
Member

Khairul Badariah Basiron
Member

MEMBERS OF THE AUDIT COMMITTEE

The members of the AC during the financial year and up to the date of this AC report are as follows:

Name of Member	Appointment Date	Designation / Directorship
Dr. Radzuan A. Rahman	4 August 2016	Chairman / Independent Non-Executive Director
Aziah Ahmad	4 August 2016	Member
Khairul Badariah Basiron	21 February 2019	Member

MEETING ATTENDANCE

During the year 2019, four (4) meetings were held and details of attendance at AC meetings was as follows:

Name of Member	Date of Meetings				
	24/02/2019	20/05/2019	18/08/2019	17/11//2020	Total
Dr. Radzuan A. Rahman	✓	✓	✓	✓	4/4
Aziah Ahmad	✓	✓	✓	✓	4/4
Khairul Badariah Basiron	✓	✓	✓	✓	4/4

During the FYE 2019, the Chairman of the AC had engaged on a continuous basis with Senior Management, Internal Auditors and the External Auditors, in order to keep abreast of matters and issues affecting the Group.

The Company Secretary acts as the secretary to the AC. Notes of each meetings are distributed to each Board member and the Chairman of the AC reports on key issues discussed at each meeting to the Board.

ROLES AND RESPONSIBILITIES

During year 2019, our AC continued to play a key role in assisting our Board to fulfill its oversight responsibilities. Our AC activities were focused on ensuring the Group's financial reporting process, monitoring the management of risk and system of internal control, external and internal process, compliance with legal and regulatory matters with the support of Internal Audit Department.

Our AC's summary of work in year 2019 are summarised below:

Scope of Responsibilities	Activities
Financial Reporting	• Reviewed and recommended to our Board, the quarterly unaudited financial report for each quarter ended December 2018, March 2019, June 2019 and September 2019. • Assisted our Board in reviewing the audited financial statements of the Group and Company for year 2019 and ensuring that the financial statements have been prepared in accordance with MFRS, International Financial Reporting Standards ("IFRS") and the requirement of the Companies Act 2016 in Malaysia.
Risk Management & Internal Control	• Assisted our Board in ensuring that a robust process for identifying, evaluating and managing the significant risks faced by the Group is in place and operating effectively. • On quarterly basis, our AC reviewed our Group's risk profile with a focus on the keys risks identified. • Reviewed the adequacy and effectiveness of the internal control system, taking account of the findings from internal and external audit reports. Further details on the Group's risk management process are included in the Statement on Risk Management and Internal Control on page 178 of this Integrated Annual Report.
Compliance	• Reviewed arrangements established by the Company for compliance with any regulatory requirements, by-laws and regulation related to the Group's operations.
Internal Audit	• Reviewed and approved the annual audit plan and budget for activities to be undertaken during year 2019. • Reviewed the adequacy of the scope, functions, competency and resources of the internal audit function. • Reviewed internal audit report issued by Internal Auditors on the effectiveness and adequacy of governance, risk management, operational and compliance processes. • Reviewed the adequacy and effectiveness of corrective actions taken by Management on all significant matters raised.
External Audit	• Assessed the effectiveness of the external audit process and appropriateness of the audit scope, including review the audit plans and findings of external audit.

INTERNAL AUDIT FUNCTION

Abdul Rashid Ahmad @ Mohd Jaini
Senior Manager

A Senior Manager of the Internal Audit Department ("IAD") who is a Certified Internal Auditor ("CIA") led the internal audit function. He reports functionally to the AC. The AC approved the Internal Audit charter, which sets out the role, accountability and authority of the Internal Audit function.

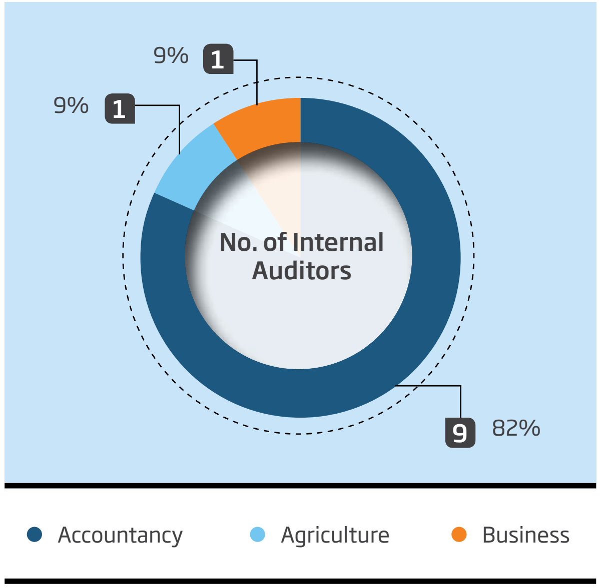
The Internal Audit function provides the AC with independent and objective reports on the state of internal controls of the operating units within the Group and the extent of compliance by such units with the Group's established policies and procedures and the regulatory requirements of the relevant authorities. The Internal Audit function is carried out by the IAD in accordance with the International Professional Practices Framework ("IPPF") set by the Institute of Internal Auditors ("IIA").

IAD adopts a risk-based approach towards planning and conduct of audits which is partly guided by an ERMs framework. The AC reviewed and approved the Internal Audit plan of the Group. Audit reports were issued during the year incorporating findings, recommendations to improve on the weaknesses noted in the course of the audits and Management's comments on the findings. The Management is responsible to ensure that corrective actions on reported weaknesses as recommended are taken within the required time frame to ensure that all potential weaknesses in system and risks under reviewed are mitigated or remain within acceptable levels.

A reliable follow-up system has been put in place to ensure that all remedial actions are carried out based on the agreed action plans as highlighted in the audit report.

Resources

As at 31 December 2019, the total manpower was 11 person comprised of auditors of different background as follows:



Coverage

The IAD audit universe which consists of auditable areas or activities that are available to be audited, considers and reflects the overall Kulim's planned business activities and designs that may affect the organisation. In determining the audit universe, IAD has taken into consideration the current operational structure, functions, systems, processes and business activities of Kulim.

In 2019, the audit coverage was focused on high risk areas which were identified by leveraging the organisation's risk management framework as well as IAD's own risk assessment. It also covered management request as well as consulting activity which are in line with the Audit Charter. The assurance engagement covered plantation operations in Malaysia and Indonesia, O&G sector, IV companies, Agrofood Division, Subsidiaries, Business Units and Support Services. Whereas consulting activity consisted of control self-assessment programme.

The Internal Audit maintains a Quality Assurance and Improvement Programme ("QAIP") and continuously monitors its overall effectiveness.

The total cost incurred for the Internal Audit function at the Group's Corporate Office level for the FYE 2019 was approximately RM1,920,000 (2018: RM1,790,000).

07 SECTION **07/07**

FINANCIAL STATEMENTS

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

DIRECTORS' REPORT

The Directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company is principally engaged in oil palm plantation, investment holding and property investment in Malaysia whilst the principal activities of the subsidiaries are as stated in Note 14 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year, other than as disclosed in the financial statements.

HOLDING CORPORATION

The Company's holding corporation is Johor Corporation ("JCORP"), a body corporate established under the Johor Corporation Enactment No. 4, 1968 (As amended by the Enactment No. 5, 1995).

SUBSIDIARIES

Details of subsidiaries are set out in Note 14 to the financial statements.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Loss net of tax	(109,974)	(207,751)
Loss attributable to:		
Owners of the Company	(98,201)	(207,751)
Non-controlling interests	(11,773)	-
	(109,974)	(207,751)

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

In the opinion of the Directors, the results of the operations of the Group and of the Company were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in the financial statements.

RESERVES AND PROVISION

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

DIVIDEND

The amount of dividend paid by the Company since 31 December 2018 was as follows:

In respect of the financial year ended 31 December 2019:

Total dividend of RM50.00 per share amounting to RM200,000,000.00 was declared on 31 March 2019 and 27 May 2019 and was fully paid in tranches on 27 May 2019, 11 June 2019, 30 August 2019, 4 September 2019 and 23 December 2019.

The Directors do not recommend the payment of any final dividends for the financial year ended 31 December 2019.

DIRECTORS

The names of the Directors of the Company in office during the financial year and up to the date of this report are:

Zulkifly bin Zakariah	
Wan Su binti Ali	
Dr Radzuan bin A. Rahman	
Datuk Anuar bin Ahmad	Appointed on 1.3.2020
Dato' Sr. Hisham bin Jafrey	Appointed on 1.3.2020
Idham Jihadi bin Abu Bakar	Appointed on 1.3.2020
Kandasamy A/L Kanny	Appointed on 1.3.2020
Dato' Kamaruzzaman bin Abu Kassim	Resigned on 31.12.2019
Ahamad bin Mohamad	Resigned on 1.3.2020
Zulkifli bin Ibrahim	Resigned on 1.3.2020
Mohd Sahir bin Rahmat	Resigned on 1.3.2020
Mohamad Salleh bin Mohamad Yusof	Resigned on 1.3.2020

The name of the Directors of subsidiaries are set out in the respective subsidiaries' financial statements and the said information is deemed incorporated herein by such reference and made a part hereof.

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Directors has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as shown in Note 8 to the financial statements) by reason of a contract made by the Company or a corporation with any Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 31 to the financial statements.

DIRECTORS' INTERESTS

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

	Number of ordinary shares			
	As at 1.1.2019	Acquired	Disposed	As at 31.12.2019
In related companies				
E.A. Technique (M) Berhad				
Direct interest				
Dato' Kamaruzzaman bin Abu Kassim	120,000	-	-	120,000
Ahamad bin Mohamad	500,000	-	-	500,000
In related companies				
KPJ Healthcare Berhad				
Direct interest				
Dato' Kamaruzzaman bin Abu Kassim	254,500	50,000	-	304,500
Zulkifli bin Ibrahim	-	135,000	-	135,000
Mohd Sahir bin Rahmat	860,000	44,800	-	904,800

	Number of warrants			
	As at 1.1.2019	Acquired	Disposed	As at 31.12.2019
In related companies				
KPJ Healthcare Berhad				
Direct interest				
Dato' Kamaruzzaman bin Abu Kassim	446,000	-	(446,000)	-
Mohd Sahir bin Rahmat	44,800	-	(44,800)	-

	Number of options over ordinary shares			
	As at 1.1.2019	Acquired	Disposed	As at 31.12.2019
In related companies				
KPJ Healthcare Berhad				
Direct interest				
Mohd Sahir bin Rahmat	400,000	-	-	400,000

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

DIRECTORS' REMUNERATION

Details of Directors' remuneration as required by the Fifth schedule of the Companies Act 2016 are set out in Note 8 to the financial statements.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

No indemnities has been given or insurance premium paid, during or since the end of the financial year, for any person who is or has been Director, officer and auditor of the Company.

OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:

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

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

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

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

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

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

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

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

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

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

(f) In the opinion of the Directors:

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

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

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO YEAR END

Significant events during and subsequent to financial year end are disclosed in Note 33 to the financial statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 7 to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

This report was approved by the Board of Directors on 12 March 2020. Signed on behalf of the Board of Directors.

ZULKIFLY BIN ZAKARIAH
DIRECTOR

WAN SU BINTI ALI
DIRECTOR

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group		Company	
		2019	2018 Restated	2019	2018
		RM'000	RM'000	RM'000	RM'000
Revenue	4	**1,208,836**	1,388,352	**153,961**	160,952
Cost of sales		**(976,850)**	(1,067,284)	**(95,496)**	(97,181)
Gross profit		**231,986**	321,068	**58,465**	63,771
Other income		**61,890**	35,079	**7,981**	9,011
Administrative expenses		**(187,596)**	(168,924)	**(61,397)**	(59,638)
Other expenses		**(106,013)**	(32,341)	**(199,564)**	(134,632)
Profit/(Loss) from operating activities		**267**	154,882	**(194,515)**	(121,488)
Interest income	5	**20,157**	7,728	**19,941**	8,728
Finance costs	6	**(100,511)**	(92,133)	**(63,037)**	(45,995)
Share of results of associate and joint venture, net of impairments	15	**(47,760)**	(12,664)	**-**	-
(Loss)/Profit before tax	7	**(127,847)**	57,813	**(237,611)**	(158,755)
Tax	9	**17,873**	(38,172)	**29,860**	4,975
(Loss)/Profit for the financial year		**(109,974)**	19,641	**(207,751)**	(153,780)
Other comprehensive (expenses)/income					
Items which may be reclassified to profit or loss in subsequent periods					
Net profit/(loss) on foreign currency translation differences for foreign operations		**10,947**	(12,662)	**-**	-
Net profit/(loss) on fair value through other comprehensive income		**12,776**	(207,989)	**1,046**	(10,004)
Item that will not reclassified to profit or loss					
Surplus on transfer of property, plant and equipment to investment property, net of tax		**5,465**	14,591	**5,465**	-
Other comprehensive income/(expenses) for the financial year, net of tax		**29,188**	(206,060)	**6,511**	(10,004)
Total comprehensive loss for the financial year		**(80,786)**	(186,419)	**(201,240)**	(163,784)

Statements Of Comprehensive Income (continued)

	Note	Group		Company	
		2019 RM'000	2018 Restated RM'000	2019 RM'000	2018 RM'000
(Loss)/Profit attributable to:					
Owners of the Company		**(98,201)**	(39,193)	**(207,751)**	(153,780)
Non-controlling interests		**(11,773)**	58,834	**-**	-
(Loss)/Profit for the financial year		**(109,974)**	19,641	**(207,751)**	(153,780)
Total comprehensive loss attributable to:					
Owner of the Company		**(68,729)**	(166,822)	**(201,240)**	(163,784)
Non-controlling interests		**(12,057)**	(19,597)	**-**	-
Total comprehensive loss for the financial year		**(80,786)**	(186,419)	**(201,240)**	(163,784)

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	Group			Company	
		31.12.2019 RM'000	31.12.2018 Restated RM'000	1.1.2018 Restated RM'000	31.12.2019 RM'000	31.12.2018 RM'000
ASSETS						
Non-current assets						
Property, plant and equipment	10	**3,599,042**	5,336,076	5,351,465	**975,002**	1,379,987
Right-of-use assets	11	**1,783,671**	-	-	**389,963**	-
Investment properties	12	**69,307**	45,996	28,231	**52,380**	28,880
Biological assets		**-**	-	1,150	**-**	-
Intangible assets	13	**7,498**	27,415	26,905	**-**	-
Investment in subsidiaries	14	**-**	-	-	**1,117,642**	902,828
Investments accounted for using the equity method	15	**226,164**	224,168	206,472	**-**	3,939
Financial assets at fair value through other comprehensive income	16	**49,133**	44,316	274,562	**33,107**	34,561
Financial assets at fair value through profit or loss	17	**23,368**	20,300	41,556	**22,301**	19,461
Deferred tax assets	27	**2,013**	1,900	3,450	**-**	-
Trade and other receivables	20	**231,345**	20,453	52,712	**230,939**	19,140
		5,991,541	5,720,624	5,986,513	**2,821,334**	2,388,796
Current assets						
Inventories	18	**111,126**	138,170	110,236	**93,397**	83,647
Biological assets	19	**26,441**	23,270	29,906	**5,548**	5,838
Trade and other receivables	20	**381,959**	281,891	299,214	**271,358**	383,168
Tax recoverable		**15,559**	29,019	23,147	**4,908**	11,395
Derivatives		**-**	-	36	**-**	-
Cash and bank balances	22	**169,932**	252,454	325,470	**104,182**	103,820
		705,017	724,804	788,009	**479,393**	587,868
Total assets		**6,696,558**	6,445,428	6,774,522	**3,300,727**	2,976,664

Statement Of Financial Position (continued)

	Note	Group			Company	
		31.12.2019 RM'000	31.12.2018 Restated RM'000	1.1.2018 Restated RM'000	31.12.2019 RM'000	31.12.2018 RM'000
EQUITY AND LIABILITIES						
Current liabilities						
Trade and other payables	24	**420,332**	389,995	490,166	**256,215**	131,423
Contract liabilities	23	**15,610**	-	-	**-**	-
Tax payable		**4,040**	2,595	28,341	**-**	-
Borrowings	26	**331,547**	800,022	506,895	**157,555**	339,000
Convertible notes		**-**	-	46,456	**-**	-
Lease liabilities	25	**35,084**	-	-	**713**	-
Derivatives	21	**3,470**	1,696	1,968	**2,644**	1,272
		810,083	1,194,308	1,073,826	**417,127**	471,695
Net current (liabilities)/assets		**(105,066)**	(469,504)	(285,817)	**62,266**	116,173
Non-current liabilities						
Trade and other payables	24	**-**	-	-	**288,576**	-
Borrowings	26	**2,050,339**	1,081,371	1,253,253	**1,036,213**	504,319
Lease liabilities	25	**24,834**	-	-	**2,525**	-
Deferred tax liabilities	27	**352,172**	426,484	406,663	**42,306**	85,348
		2,427,345	1,507,855	1,659,916	**1,369,620**	589,667
Total liabilities		**3,237,428**	2,702,163	2,733,742	**1,786,747**	1,061,362
Net assets		**3,459,130**	3,743,265	4,040,780	**1,513,980**	1,915,302
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY						
Capital and reserves						
Share capital	28	**1,000**	1,000	1,000	**1,000**	1,000
Reserves	29	**(26,395)**	(49,662)	51,394	**3,852**	(2,659)
Retained earnings	30	**3,384,699**	3,683,333	3,872,526	**1,509,128**	1,916,961
		3,359,304	3,634,671	3,924,920	**1,513,980**	1,915,302
Non-controlling interests		**99,826**	108,594	115,860	**-**	-
Total equity		**3,459,130**	3,743,265	4,040,780	**1,513,980**	1,915,302
Total equity and liabilities		**6,696,558**	6,445,428	6,774,522	**3,300,727**	2,976,664

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Group	Note	Share capital RM'000	Translation reserve RM'000	Fair value reserve RM'000	Other reserves RM'000	Equity transaction reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		<------ Attributable to shareholders of the Company ------>								
At 1 January 2019, as previously stated		1,000	(14,770)	(27,669)	(7,605)	182	3,726,262	3,677,262	108,594	3,786,194
Prior year adjustment	38	-	-	-	-	-	(42,929)	(42,929)	-	(42,929)
Effects of MFRS 16	38	-	-	-	-	-	(433)	(433)	-	(433)
At 1 January 2019, as restated		1,000	(14,770)	(27,469)	(7,605)	182	3,682,900	3,634,238	108,594	3,742,832
Foreign exchange translation differences		-	11,231	-	-	-	-	11,231	(284)	10,947
Surplus on transfer of property, plant and equipment to investment property, net of tax		-	-	-	-	5,465	-	5,465	-	5,465
Fair value adjustment for financial assets through other comprehensive income		-	-	12,776	-	-	-	12,776	-	12,776
Other comprehensive (expenses)/ income for the financial year		-	11,231	12,776	5,465	-	-	29,472	(284)	29,188
Loss for the financial year		-	-	-	-	-	(98,201)	(98,201)	(11,773)	(109,974)
Total comprehensive loss for the financial year		-	11,231	12,776	5,465	-	(98,201)	(68,729)	(12,057)	(80,786)
Transaction with shareholders:										
Acquisition of additional interest in subsidiaries from non-controlling interests	14	-	-	-	-	(6,205)	-	(6,205)	3,831	(2,374)
Dividend paid to shareholders	40	-	-	-	-	-	(200,000)	(200,000)	-	(200,000)
Dividends paid to non-controlling interests of subsidiaries		-	-	-	-	-	-	-	(542)	(542)
As at 31 December 2019		1,000	(3,539)	(14,693)	(2,140)	(6,023)	3,384,699	3,359,304	99,826	3,459,130

Statement Of Changes In Equity (continued)

Group	Note	Share capital RM'000	Translation reserve RM'000	Fair value reserve RM'000	Other reserves RM'000	Equity transaction reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		<--- Attributable to shareholders of the Company						--->		
At 1 January 2018, as previously stated		1,000	(14,899)	7,074	54,646	(8,004)	3,902,227	3,942,044	115,428	4,057,472
Prior year adjustment	38	-	-	-	-	-	(29,701)	(29,701)	-	(29,701)
At 1 January 2018, as restated		1,000	(14,899)	7,074	54,646	(8,004)	3,872,526	3,912,343	115,428	4,027,771
Foreign exchange translation differences		-	(13,652)	-	-	-	-	(13,652)	990	(12,662)
Surplus on transfer of property, plant and equipment to investment property, net of tax		-	-	-	14,591	-	-	14,591	-	14,591
Fair value adjustment for financial assets through other comprehensive income		-	-	(128,568)	-	-	-	(128,568)	(79,421)	(207,989)
Other comprehensive (expenses)/ income for the financial year		-	(13,652)	(128,568)	14,591	-	-	(127,629)	(78,431)	(206,060)
(Loss)/Profit for the financial year		-	-	-	-	-	(39,193)	(39,193)	58,834	19,641
Total comprehensive (loss)/ income for the financial year		-	(13,652)	(128,568)	14,591	-	(39,193)	(166,822)	(19,597)	(186,419)
Transaction with shareholders:										
Acquisition of additional interest in subsidiaries from non-controlling interests	14	-	-	-	-	8,186	-	8,186	(13,195)	(5,009)
Disposal of subsidiary	14	-	13,781	94,025	(76,842)	-	-	30,964	27,165	58,129
Dividend paid to shareholders	40	-	-	-	-	-	(150,000)	(150,000)	-	(150,000)
Dividends paid to non-controlling interests of subsidiaries		-	-	-	-	-	-	-	(1,207)	(1,207)
As at 31 December 2018		1,000	(14,770)	(27,469)	(7,605)	182	3,683,333	3,634,671	108,594	3,743,265

Company	Note	Share capital RM'000	Fair value reserve RM'000	Other reserves RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2019, as previously stated		1,000	(6,824)	4,165	1,916,961	1,915,302
Effects of MFRS 16	38	-	-	-	(82)	(82)
At 1 January 2019, as restated		1,000	(6,824)	4,165	1,916,879	1,915,220
Fair value adjustment for financial assets through other comprehensive income		-	1,046	-	-	1,046
Surplus on transfer of property, plant and equipment to investment property, net of tax		-	-	5,465	-	5,465
Loss for the financial year		-	-	-	(207,751)	(207,751)
Total comprehensive income/(loss) for the financial year		-	1,046	5,465	(207,751)	(201,240)
Transactions with shareholders:						
Dividend paid	40	-	-	-	(200,000)	(200,000)
As at 31 December 2019		1,000	(5,778)	9,630	1,509,128	1,513,980

Company	Note	Share capital RM'000	Fair value reserve RM'000	Other reserves RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2018		1,000	3,180	4,165	2,220,741	2,229,086
Fair value adjustment for financial assets through other comprehensive income		-	(10,004)	-	-	(10,004)
Loss for the financial year		-	-	-	(153,780)	(153,780)
Total comprehensive loss for the financial year		-	(10,004)	-	(153,780)	(163,784)
Transactions with shareholders:						
Dividend paid	40	-	-	-	(150,000)	(150,000)
As at 31 December 2018		1,000	(6,824)	4,165	1,916,961	1,915,302

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Group		Company	
	2019 RM'000	2018 Restated RM'000	2019 RM'000	2018 RM'000
Cash flows from operating activities				
(Loss)/Profit before tax	(127,847)	57,813	(237,611)	(158,755)
Adjustments for:				
Fair value changes on:				
- financial assets at fair value through profit or loss	139	-	89	6,041
- derivatives	1,774	(236)	1,372	(204)
- biological assets	(1,339)	6,887	3,534	1,160
- investment properties	(1,311)	(3,539)	(1,500)	(2,249)
Provision for impairment losses on:				
- receivables	16,750	7,898	151,546	-
- investments in subsidiaries	-	-	23,138	2,100
- property, plant and equipment	7,138	2,128	-	-
- goodwill	18,791	-	-	-
- intangible assets	1,285	800	-	-
Amortisation and depreciation of:				
- intangible assets	25	25	-	-
- property, plant and equipment	124,460	136,443	8,833	12,787
- bearer assets	52,719	43,972	7,246	7,187
- right of use assets	33,267	-	4,052	-
Dividend income	(3,520)	(3,677)	(37,500)	(32,241)
(Gain)/Loss on:				
- disposal of subsidiaries	-	-	-	97,291
- disposal of property, plant and equipment	(3,028)	1,026	37	283
Share of net results in investments Accounted for using equity method, net of impairment losses	47,760	12,664	6,439	-
Interest expense				
- borrowing	95,787	90,707	51,856	42,946
- lease liabilities	2,042	-	175	-
- intercompanies	2,682	1,426	11,006	3,049
Interest income	(20,157)	(7,728)	(19,941)	(8,728)
Unrealised foreign exchange (loss)/gain, net	(2,732)	11,739	(9,968)	12,237
Write offs of:				
- property, plant and equipment	465	7,873	248	256
- right of use assets	7	-	-	-
Write down of inventories	-	140	-	-
Operating profit/(loss) before changes in working capital	245,157	366,361	(36,949)	(16,840)

	Group		Company	
	2019	**2018 Restated**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flows from operating activities (continued)				
Changes in working capital:				
- biological assets	**(1,832)**	899	**(3,244)**	(1,235)
- inventories	**27,044**	(28,008)	**(9,750)**	(12,393)
- payables – third parties	**24,713**	(64,659)	**5,649**	749
- contract liabilities	**15,610**	-	**-**	-
- payables – holding corporation	**1,245**	-	**-**	-
- payables – related companies	**1,838**	(12,085)	**-**	65
- receivables – third parties	**36,098**	(29,851)	**(22,434)**	(25,719)
- receivables – holding corporation	**(4,640)**	49,420	**-**	-
- receivables – related companies	**(2,309)**	4,778	**(2,101)**	7,364
- receivables – subsidiaries	**-**	-	**84,645**	-
Cash generated from/(used in) operations	**342,924**	286,855	**15,816**	(48,009)
Tax paid	**(57,512)**	(61,053)	**(15,437)**	(6,346)
Tax refunded	**18,968**	1,877	**7,874**	-
Net cash flows generated from/ (used in) operating activities	**304,380**	227,679	**8,253**	(54,355)
Cash flows from investing activities				
Disposal of subsidiaries, net of cash outflows	**-**	(532)	**-**	-
Dividends received	**3,520**	3,677	**37,500**	32,241
Interest received	**20,157**	7,728	**19,941**	8,728
Additions:				
- financial assets at fair value through profit or loss	**(2,929)**	(675)	**(2,929)**	(897)
- property, plant and equipment	**(201,446)**	(195,083)	**(21,188)**	(17,938)
- investments accounted for using the equity method	**(47,256)**	(26,421)	**-**	-
- investment properties	**-**	(275)	**-**	-
(Additions to)/withdrawal of pledged fixed deposits	**(12,336)**	194	**(13,724)**	-
Additions to intangible assets	**(184)**	(1,335)	**-**	-

Statement Of Cash Flows (continued)

	Note	Group 2019 RM'000	Group 2018 Restated RM'000	Company 2019 RM'000	Company 2018 RM'000
Cash flows from investing activities (continued)					
Proceeds from:					
- disposal of subsidiary		**-**	-*	**-**	-*
- disposal of property, plant and equipment		**6,068**	2,227	**3,096**	117
- disposal of financial assets at fair value through profit or loss		**-**	27,783	**-**	27,783
- disposal of investment property		**-**	640	**-**	-
Advances to holding corporation		**(346,372)**	22,181	**(346,372)**	22,181
Advances to subsidiaries		**-**	-	**(164,155)**	-
Net cash flows (used in)/generated from investing activities		**(580,778)**	(159,891)	**(487,831)**	72,215
Cash flows from financing activities					
Dividends paid to:					
- shareholders of the Company		**(200,000)**	(150,000)	**(200,000)**	(150,000)
- non-controlling interests of subsidiaries		**(542)**	(1,207)	**-**	-
Proceeds from borrowings, net of transaction fees		**2,149,896**	402,488	**1,244,450**	240,000
Repayment of borrowings		**(1,646,966)**	(294,735)	**(894,000)**	(139,686)
Repayment of lease liabilities		**(16,629)**	-	**(856)**	-
Repayment of advances from subsidiaries		**-**	-	**(28,000)**	(16,846)
Interest paid		**(100,511)**	(92,133)	**(63,037)**	(45,995)
Addition on non controlling interests (net)	14	**(2,374)**	(5,009)	**(79)**	(4,948)
Advances from subsidiaries		**-**	-	**407,739**	-
Net cash flows generated from/ (used in) financing activities		**182,874**	(140,596)	**466,217**	(117,475)
Net change in cash and cash equivalents		**(93,524)**	(72,808)	**(13,361)**	(99,615)
Effect of exchange rate fluctuations on cash held		**13**	(14)	**(1)**	(14)
Cash and cash equivalents at 1 January		**219,107**	291,929	**103,470**	203,099
Cash and cash equivalents at 31 December	22	**125,596**	219,107	**90,108**	103,470

* HKD 1 (approximately RM0.53)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

1 CORPORATE INFORMATION

The Company is a company incorporated and domiciled in Malaysia. The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business
Ulu Tiram Estate
81800 Ulu Tiram, Johor

Registered office
Level 16, Menara KOMTAR
Johor Bahru City Centre
80000 Johor Bahru, Johor

The Company's holding corporation is Johor Corporation ("JCORP"), a body corporate established under the Johor Corporation Enactment No. 4 of 1968 (As amended by the Enactment No.5 of 1995).

The principal activities of the Company consist of oil palm plantation, investment holding and property investment in Malaysia. The principal activities of the subsidiaries are described in Note 14. There have been no significant changes in the nature of the principal activities during the financial year, other than as disclosed in Notes 14 and 31.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest million (RM million) except when otherwise indicated.

The preparation of financial statements in conformity with the MFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the 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. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates. It also requires management to exercise judgement in the process of applying the Group's and the Company's accounting policies, the areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the financial statements as disclosed in Note 3.

During the financial year ended as at 31 December 2019, the Group had net current liabilities of RM105.07 million. The Group's net current liabilities arose from advances of RM396.17 million to its ultimate holding, which is expected to be fully settled by 2021. However, the Group has profitable plantation, intrapreneur ventures and oil & gas support services operations as disclosed in Note 39 that are generating positive operating cash flows and the Group has sufficient undrawn financing facilities from external financial institutions as disclosed in Note 35(b). Therefore, the Directors are of the view that the going concern assumption used in the preparation of the financial statements of the Group is appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

Therefore, the Directors are of the view that the going concern assumption used in the preparation of the financial statements of the Group remained appropriate and there is no material uncertainty about the Group's ability to continue as a going concern.

During the financial year, the Group and the Company has considered the new accounting pronouncements in the preparation of the financial statements.

2.2 Standards, amendments and interpretations issued that are effective

The accounting policies adopted are consistent with those of the previous financial year.

The Group and the Company have applied the following amendments for the first time for the financial year beginning on 1 January 2019:

- Amendment to MFRS 9 'Prepayments Features with Negative Compensation'
- Amendments to MFRS 128 'Long-term Interest in Associates and Joint Ventures'
- Annual Improvements to MFRSs 2015-2017 Cycle – Amendments to MFRS 3, MFRS 11, MFRS 112, MFRS 123
- IC Interpretation 23 'Uncertainty over Income Tax Treatments'
- MFRS 16 'Leases'

The above amendments do not have a material impact on the Group's and the Company's financial statements, other than those disclosed in Note 38.

2.3 Standards, amendments and interpretations issued but not yet effective

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

Description	Effecttive for annual period beginning on or after
Amendments to MFRS 101 and MFRS 108 'Definition of Material'	1 January 2020
Amendments to MFRS 3 'Definition of a Business Combination'	1 January 2020
Interest Rate Benchmark Reform	1 January 2020
MFRS 17 'Insurance Contracts'	1 January 2021
Amendments to MFRS 10 and MFRS 128	Deferred

The effects of the above new accounting standards and amendments are currently being assessed by Director.

The Group and the Company is in the process of assessing the full impact of the new standards, revisions and amendments to published standards on its financial statements in the year of initial application.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the. Consistent accounting policies are applied for like transactions and events in similar circumstances.

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

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

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

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

When the Group has less than a majority of the voting rights of an investee, the Group considers the following in assessing whether or not the Group voting rights in an investee are sufficient to give it power over the investee:

(i) The size of the Group holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

(ii) Potential voting rights held by the Group, other vote holders or other parties;

(iii) Rights arising from other contractual arrangements; and

(iv) Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses and each component of other comprehensive loss within a subsidiary are attributed to the parent and non-controlling interests, even if that results in the non-controlling interest having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owner of the Group.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interests, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation (continued)

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

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

If the business combination is achieved in stages, the acquisition date fair 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.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. The accounting policy for goodwill is set out in Note 2.10(a).

The Group applies predecessor accounting to account for business combinations under common control. Under predecessor accounting, assets and liabilities acquired are not restated to their respective fair values. They are recognised at the carrying amounts from the consolidated financial statements of the ultimate holding company of the Group and adjusted to conform with the accounting policies adopted by the Group. The difference between any consideration given and the aggregate carrying amounts of the assets and liabilities (as of the date of the transaction) of the acquired entity is recognised as an adjustment to other reserves in equity. No additional goodwill is recognised.

The acquired entity's results, assets and liabilities are consolidated from the date on which the business combination between entities under common control occurred. Consequently, the consolidated financial statements do not reflect the results of the acquired entity for the financial period before the transaction occurred. The comparative information is not restated.

2.5 Transactions with non-controlling interests

Non-controlling interests represents the equity in subsidiaries not attributable, directly or indirectly, to owner of the Group, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owner of the Group. Changes in the Group owner's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owner of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Group's functional currency.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Group and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the financial period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(c) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income.

On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property, plant and equipment

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

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

Freehold land is not depreciated as it has an infinite life and other property, plant and equipment are depreciated on the straight line method to allocate the cost or the revalued amounts, to their residual values over their estimated useful lives, summarised as follows:

Bearer assets (oil palm)	20 years from year of maturity
Buildings	5 – 50 years
Vessels, plant and machinery	3 – 25 years
Furniture and equipment	2 – 15 years
Motor vehicles	3 – 5 years

Capital work in progress included in property, plant and equipment are not depreciated as these assets are not yet available for use. All expenditure relating to the development of oil palm fields (immature field) is classified under immature fields. This cost will be amortised over its' useful life when the field reaches maturity. The maturity date for bearer plants is the point in time such new planting areas reach 48 months from the date of initial planting or rehabilitation.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. See accounting policy on impairment of non-financial assets as set out in Note 2.11.

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

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

2.8 Investment properties

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the reporting date. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the financial year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the financial year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for at fair value at the date of change in use, and the difference is recorded in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Biological assets

Biological assets comprises fresh fruit bunches growing on bearer plants, pineapples and cattle livestock. Biological assets are measured at fair value less costs to sell. Any gains or losses arising from changes in the fair value less costs to sell are recognised in profit or loss. Fair value is determined based on the present value of expected output method and the estimated market price of the biological assets.

Biological assets are classified as current assets for bearer plants and pineapples that are expected to be harvested and for livestock that are expected to be sold or used for production on a date not more than 12 months after the reporting date. The balance are classified as non-current.

2.10 Intangible assets

(a) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods. See accounting policy on impairment of non-financial assets as set out in Note 2.11.

(b) Other intangible assets

(i) Research and development

Research expenditure is recognised as an expense when incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

(i) it is technically feasible to complete the intangible asset so that it will be available for use or sale;
(ii) management intends to complete the intangible asset and use or sell it;
(iii) there is an ability to use or sell the intangible asset;
(iv) it can be demonstrated how the intangible asset will generate probable future economic benefits;
(v) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
(vi) the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in subsequent period.

Capitalised development costs recognised as intangible assets are amortised from the point at which the asset is ready for use on a straight-line basis over its useful life.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Intangible assets (continued)

(b) Other intangible assets (continued)

(ii) Licences, patents and trademarks

Separately acquired licences, patents and trademarks are shown at historical cost. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Licences, patents and trademarks have a finite useful life and are carried at cost less accumulated amortisation and accumulated losses. Amortisation is calculated using the straight-line method to allocate the cost of licences, patents and trademarks over their estimated useful lives of 10 years.

At each reporting date, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2.11 on impairment of non-financial assets

2.11 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows Cash-Generating Units ("CGU").

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount not exceeding the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss. Impairment loss on goodwill is not reversed in a subsequent period.

2.12 Investments in subsidiaries

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Investments in subsidiaries (continued)

In the Group's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

See accounting policy on impairment of non-financial assets as set out in Note 2.11.

The amounts due from subsidiaries of which the Group does not expect repayment in the foreseeable future are considered as part of the Group's investments in subsidiaries.

2.13 Investments in 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 investment in associates includes goodwill identified on acquisition.

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. The Group presents the impairment loss in the share of results of associates.

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 un 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.

When the Group ceases to equity account its associate because of a loss of significant influence, 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 a financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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 or losses arising in investments in associates are recognised in profit or loss.

The amount due from associate of which the Company does not expect repayment in the foreseeable future are considered as part of the Company's investments in associates.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Investment in 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.

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 venture, including any long-term interests that, in substance, form part of the Group's net investment in the joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. An impairment loss is recognised for the amount by which the carrying amount of the joint venture exceeds its recoverable amount. The Group presents the impairment loss to 'share of results of associate and joint venture, net of impairment' in the statement of comprehensive income.

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. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to equity account its joint venture because of a loss of joint 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 a financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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

In the Company's separate financial statements, joint ventures are carried at cost less accumulated impairment losses. On disposal of investments in joint ventures the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial instruments

Financial assets - classification and measurement

(i) Classification

The Group and the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- those to be measured at amortised cost

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group and the Company 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.

(iii) Measurement

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest ("SPPI").

Debt instruments

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

(a) Amortised cost

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

(b) Fair Value through Other Comprehensive Income ("FVOCI")

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income 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 OCI is reclassified from equity to profit or loss and recognised in other income/(expenses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other income/(expenses) and impairment expenses are presented as separate line item in the statement of comprehensive income or statement of profit or loss and statement of comprehensive income as applicable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial instruments (continued)

Financial assets - classification and measurement (continued)

(iii) Measurement (continued)

Debt instruments (continued)

(c) Fair Value through Profit or Loss ("FVTPL")

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. The Group and the Company may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes is recognised in profit or loss and presented net within other income/(expenses) in the period which it arises.

Equity instruments

The Group and the Company subsequently measure all equity investments at fair value. Where the Group's and the Company's management have elected to present fair value gains and losses on equity investments in OCI, 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 and the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other income/(expenses) in the statement of comprehensive income or statement of profit or loss and statement of comprehensive income.

(iv) Subsequent measurement – Impairment

Impairment for debt instruments and financial guarantee contracts

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

The Group and the Company has various types of financial instruments that are subject to the ECL model:

- Trade receivables
- Other receivables
- Amount due from intercompanies
- Contract assets
- Financial guarantee contracts

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was 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 expects 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 Group and the Company expects to receive from the holder, the debtor or any other party.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial instruments (continued)

(iv) Subsequent measurement – Impairment (continued)

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.

(i) General 3-stage approach for other receivables, amount due from intercompanies and financial guarantee contracts

At each reporting date, the Group measures ECL for these balances through general 3-stage approach. Note 20 sets out the measurement details of ECL

(ii) Simplified approach for trade receivables and contract assets

The Group and the Company applies the MFRS 9 simplified approach to measure ECL for these balances. Note 20 sets out the measurement details of ECL.

<u>Impairment of financial assets and financial guarantee contracts</u>

In the prior year, the Group assessed impairment of financial assets based on the incurred loss model.

(i) Significant increase in credit risk

The Group and the Company consider 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 and the Company compare 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial instruments (continued)

Impairment of financial assets and financial guarantee contracts (continued)

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

The Group and the Company define a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria:

The Group and the Company define a financial instrument as default, when the counterparty fails to make contractual payment within 90 days of when they fall due.

Qualitative criteria:

The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Group and the Company consider 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.

(iii) Groupings of instruments for ECL measured on collective basis

(a) Collective assessment

To measure ECL, trade receivables and contract assets arising from palm oil, intrapreneur, oil and gas support services and others have been grouped based on shared credit risk characteristics. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group and the Company have 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.

Loans to subsidiaries in the Company's separate financial statements are assessed on individual basis for ECL measurement, as credit risk information is obtained and monitored based on each loan to subsidiary.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial instruments (continued)

Impairment of financial assets and financial guarantee contracts (continued)

(iv) 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 and the Company, and a failure to make contractual payments for a period of greater than 365 days past due.

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

(b) Other receivables, amount due from intercompanies and financial guarantee contracts

The Group and the Company write 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 and the Company may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

Financial liabilities

Financial liabilities are recognised on the statement of financial position when, and only when, the Group and the Company becomes a party to the contractual provisions of the financial instrument. Financial liabilities comprise trade and other payables, borrowings, loans or amounts due to subsidiaries and parties and derivatives.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transactions costs. As for loans to subsidiaries of the Company, they are recognised initially at fair value. If there are any difference between cash disbursed and fair value on initial recognition, the difference would be accounted as additional investment in the subsidiary as it reflects the substance of the transaction.

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

For financial liabilities other than the 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 derivatives that does not qualify for hedge accounting 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 and the Company have 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial instruments (continued)

Financial liabilities (continued)

Foreign exchange differences are capitalised to the extent of the capitalisation of the 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 difference 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 borrowings measured at amortised cost is modified without this resulting in derecognition, any gain or loss, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, shall be recognised immediately in profit or loss in finance cost.

Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group or the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued and the liability is initially measured at fair value.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the expected credit loss model under MFRS 9 and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of MFRS 15, where appropriate.

Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Other receivables generally arise from transactions outside the ordinary course of business of the Group. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, where they are recognised at fair value. Other receivables are recognised initially at fair value.

Trade and other receivables are subsequently measured at amortised cost using the effective interest method, less loss allowance.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash which are subject to an insignificant risk of changes in value with original maturities of three months or less. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

2.17 Inventories

(a) Completed properties

Cost of development properties held for sale comprise costs of acquisition of land including all costs incurred subsequent to the acquisition necessary to prepare the land for its intended use, development costs to projects and direct building costs.

(b) Land held for development

Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed, borrowing costs and other holding charges are expensed as incurred.

(c) Other inventories

Cost of raw materials, agricultural produce and consumables is determined using the first-in, first-out method or weighted average method. The cost of raw materials comprises cost of purchase and other direct costs. 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.

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

2.18 Provisions

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

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

2.19 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all conditions attached will be met. Where the grant relates to an asset, the fair value is recognised as deferred capital grant in the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual installments.

Government grants that compensate the Group for expenses incurred are recognised in profit and loss as other income on a systematic basis in the same periods in which the expenses are recognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Receivables, contract assets 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 for goods or services transferred to the customers.

When there is objective evidence of impairment, the amount of impairment losses is determined by comparing the contract asset's carrying amount and the present value of estimated future cash flows to be generated by the contract asset.

Contract liability is the obligation to transfer goods or services to customers for which the Group has received the consideration or has billed the customer. Contract liabilities include downpayments received from customers and other deferred income where the Group has billed or has collected the payment before the goods are delivered or services are provided to the customers.

2.21 Borrowings and borrowing costs

(a) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred.

Borrowings are subsequently carried at amortised cost; any difference between initial recognised amount and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

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.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised as finance cost in profit or loss.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss within finance cost

Where the terms of a financial liability are renegotiated and the Company issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

When borrowings measured at amortised cost is modified without this resulting in derecognition, any gain or loss, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, shall be recognised immediately in profit or loss in finance cost

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 end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Borrowings and borrowing costs (continued)

(b) Borrowing costs

General and specific 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.

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

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

2.22 Employee benefits

(a) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial 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.

(b) Defined contribution plans

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

2.23 Leases

(a) Accounting by lessee

Accounting policies applied from 1 January 2019

From 1 January 2019, leases are recognised as right-of-use ("ROU") asset and a corresponding liability at the date on which the leased asset is available for use by the Group and the Company (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Group and the Company allocate the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Group and the Company are a lessee, it has elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Leases (continued)

(a) Accounting by lessee (continued)

Accounting policies applied from 1 January 2019 (continued)

Lease term

In determining the lease term, the Group and the Company consider all facts and circumstances that create an economic incentive to exercise an extension option, or not to 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 to be terminated).

The Group and the Company reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and the Company and affect whether the Group and the Company are 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. See accounting policy below on reassessment of lease liabilities.

ROU assets

ROU assets are initially 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 incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group and the Company are reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

ROU are depreciated on the straight line method to allocate the cost to their residual values over their estimated useful lives, summarised as follows:

Leasehold land	33 - 904 years
Buildings	2 - 7 years
Plant and machinery	9 - 24 years
Office equipment	2 - 6 years

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;
- 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; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Leases (continued)

(a) Accounting by lessee (continued)

Accounting policies applied from 1 January 2019 (continued)

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 and the Company, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal 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 and the Company present 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 profit or loss in the statement of comprehensive income or statement.

Reassessment of lease liabilities

The Group and the Company are also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

Short term leases and leases of low value assets

Short-term leases are leases with a lease term of 12 months or less. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

Accounting policies on lessee accounting applied until 31 December 2018

Disclosure for accounting policies under MFRS 117 (pre-MFRS 16 accounting policies) below is only relevant if the Company applied the simplified retrospective transition method. Comparative information is not restated and continues to be reported under the previous accounting policies on leases based on the principles in MFRS 117 and IC Interpretation 4. Accordingly, the pre-MFRS 16 accounting policies should continue be disclosed in the 2019 financial statements where the Company first applied MFRS 16, in addition to MFRS 16 accounting policies above.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Leases (continued)

(a) Accounting by lessee (continued)

Accounting policies on lessee accounting applied until 31 December 2018 (continued)

Finance leases

Until 31 December 2018, leases of property, plant and equipment where the Group and the Company have substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. 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. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term if there is no reasonable certainty that the Company will obtain ownership at the end of the lease term.

Initial direct costs incurred by the Group and the Company in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease expense.

Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on the straight-line basis over the lease period.

Initial direct costs incurred by the Group and the Company in negotiating and arranging operating leases are recognised in profit or loss when incurred.

(b) Accounting by lessor

As a lessor, the Group and the Company determine at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group and the Company make 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 and the Company consider certain indicators such as whether the lease is for the major part of the economic life of the asset.

Finance leases

The Group and the Company classify 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 and the Company derecognise 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. In addition, the Group and the Company review 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 and the Company revise the lease income allocation if there is a reduction in the estimated unguaranteed residual value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Leases (continued)

(b) Accounting by lessor (continued)

Operating leases

The Group and the Company classify 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 and the Company recognise lease payments received under operating lease as lease income on a straight-line basis over the lease term.

When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the asset. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of underlying asset and recognised as an expense over the lease term on the same basis as lease income.

Sublease classification

Until the financial year ended 31 December 2018, when the Group and the Company were an intermediate lessor, the subleases were classified as finance or operating leases by reference to the underlying assets.

From 1 January 2019, when the Group and the Company are 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 and the Company apply the exemption described above, then it classifies the sublease as an operating lease.

Separating lease and non-lease components

If an arrangement contains lease and non-lease components, the Group and the Company allocate 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 15.2.23.

2.24 Discontinued operation

A component of the Group is classified as a “discontinued operation” when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated major line of business or geographical area of operations. A component is deemed to be held for sale if its carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Upon classification as held for sale, non-current assets and disposal groups are not depreciated and are measured at the lower of carrying amount and fair value less costs to sell. Any differences are recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Revenue recognition

The Group's and the Company's revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer.

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 and the Company 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 estimates 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. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

The Group's revenue from contracts with customers is generated from the following business segments:

(a) Palm oil
(b) Intrapreneur ventures
(c) Oil and Gas support services

Performance obligations from the business sectors above are as follows:

(a) Palm Oil

In the plantation operations, the Group sells agricultural produce such as crude palm oil ("CPO"), fresh fruit bunches ("FFB"), and palm kernel ("PK").

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.

Some contracts include multiple or bundled deliverables, such as the delivery of the goods 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Revenue recognition (continued)

Performance obligations from the business sectors above are as follows: (continued)

(b) Intrapreneur ventures

In the intrapreneur ventures operations, revenue from retail selling of agriculture, fertilisers, mechanical buffalo, fertilisers and computer hardware are recognised at a 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.

Some contracts include multiple or bundled deliverables, such as the delivery of the goods 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.

(c) Oil and Gas support services

Revenue from providing non-destructive testing services and performing electrical engineering works.

Revenue is recognised at a point in time based on the certification by customer.

<u>Revenue from other sources</u>

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

((i) Vessel charter hire income

Most vessel charter hire income is recognised on straight-line basis over the lease term determined at the inception of the lease.

Certain charter hire income is recognised when services are rendered and are computed at the contracted daily rate.

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

(ii) Dividend income

Dividends are received from financial assets measured at FVTPL and at FVOCI.

Dividend income from financial assets at FVTPL is recognised as part of net gains or net losses on these financial instruments. Dividend income from financial assets at FVOCI are recognised in profit or loss when the right to receive payment is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Revenue recognition (continued)

Revenue from other sources (continued)

(iii) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(iv) Interest income

Interest 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).

2.26 Income taxes

(a) Current tax

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

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

(b) Deferred tax

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

Deferred tax liabilities are recognised for all temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Income taxes (continued)

(b) Deferred tax (continued)

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority 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 investment tax allowance and reinvestment allowance is recognised when the tax credit is utilised.

2.27 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective chief operating decision maker responsible for the performance of the respective segments under their charge. The chief operating decision maker of the Group is the Group Executive Committee who regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 39, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.28 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group. Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

2.29 Derivative 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 at the end of each reporting period.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives that do not qualify for hedge accounting are classified as held for trading and accounted for at fair value through profit or loss. Changes in the fair value are recognised immediately in profit or loss and are included in other income/(expenses).

Derivatives that qualify for hedge accounting are designated as either:

(a) Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
(b) Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
(c) Hedges of a net investment in a foreign operation (net investment hedge).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Derivative and hedging activities (continued)

The Group documents at the inception of the hedge relationship, the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 21. Movements on the hedging reserve in shareholders' equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the 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. Trading derivatives are classified as a current asset or liability.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The Group applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in profit or loss within finance cost. The gain or loss relating to the ineffective portion is recognised in profit or loss within other income/(expenses). Changes in the fair value of the hedge fixed rate borrowings attributable to interest rate risk are recognised in profit or loss within finance cost.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

(b) 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 and accumulated in reserves within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income/(expenses)

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within other income at the same time as the interest expense on the hedged borrowings.

When the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or property, plant and equipment), the gains or losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of property, plant and equipment.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, the accounting of any cumulative deferred gain or loss and deferred cost of hedging included in equity depends on the nature of the underlying hedged transaction. For cash flow hedge which resulted in the recognition of a non-financial asset, the cumulative amount in equity shall be included in the initial cost of the asset. For other cash flow hedges, the cumulative amount in equity is reclassified to profit or loss in the same period that the hedged cash flows affect profit or loss. When hedged future cash flows or forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred cost of hedging that was reported in equity is immediately reclassified to profit or loss within other income/(expenses).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Derivative and hedging activities (continued)

(c) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income/(expenses).

Gains and losses accumulated in equity are reclassified to profit or loss when the foreign operation is disposed or partially disposed of.

Cost of hedging requirements: Time value of options

When option contracts are used to hedge forecast transactions, the Group designates only the intrinsic value of the options as the hedging instruments.

Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognised in other comprehensive income and accumulated in cash flow hedge reserve within equity. The changes in the time value of the options that relate to the hedged item ('aligned time value') are recognised in other comprehensive income and accumulated in costs of hedging reserve within equity.

Both the deferred hedging gains and losses and the deferred time value of the option contracts are included within the initial cost of the asset when the hedged item subsequently results in the recognition of a non-financial asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss (for example through depreciation of the property, plant and equipment).

Costs of hedging requirements: Forward element of forward contracts

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument.

Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in other comprehensive income and accumulated in cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ('aligned forward element') is recognised in other comprehensive income and accumulated in costs of hedging reserve within equity.

Both the deferred hedging gains and losses and the deferred forward points, if any, are included within the initial cost of the asset when the hedged item subsequently results in the recognition of a non-financial asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss (for example through cost of sales of inventory).

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 at the end of each reporting period.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Reclassify the associated gains and losses that were recognised directly in other comprehensive income to profit or loss when the asset acquired or liability assumed affects profit or loss (e.g. when depreciation or cost of sales is recognised). However, if an entity expects that all or a portion of a loss recognised directly in other comprehensive income will not be recovered in one or more periods, it should reclassify into profit or loss the amount that is not expected to be recovered

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.30 Fair value measurement

Fair value is 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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(a) In the principal market for the asset or liability; or
(b) In the absence of a principal market, in the most advantageous market for the asset or liability.

Valuation techniques that are appropriate in the circumstances and for which sufficient data are available, are used to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

3.1 Judgements in applying accounting policies

In the process of applying the Group's accounting policies, management has not made any judgements which have significant effects on the amounts recognised in the financial statements.

3.2 Key sources of estimation uncertainty

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

(a) Impairment on non-current assets

Estimating the recoverable amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The recoverable amounts of the CGUs were determined based on the higher of fair value less cost to sell or value in use calculations.

Further details of the use of estimates and the key assumptions applied in the impairment assessment of non-current assets are disclosed in Notes 10, 11, 13, 14 and 15.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 Key sources of estimation uncertainty (continued)

(b) Measurement of ECL allowance

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group and the Company use judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's and the Company's past history, existing market conditions as well as forward looking estimates at the end of reporting period. Details of the key assumptions and inputs used are disclosed in Note 20.

(c) Provision for litigation

As a result of past events, the Group is subject to obligating events as disclosed in Note 34. The Directors have made the necessary provision based on best estimates and assumptions that are supported with reliable information based on an external experts.

(d) Transfer pricing

The Group and the Company makes sales and other types of transactions to its related companies based on prices and terms that are mutually agreed which takes into account internal business arrangements and business models for industries operating in a similar manner. The pricing is reviewed periodically and changes may be made based on the Directors' judgement. The Directors' are of the opinion that the pricing is in accordance with all applicable transfer pricing regulations in Malaysia.

(e) Valuation of biological assets

Fair value is determined based on the present value of expected output method and the estimated market price of the biological assets, which requires judgement. The valuation forms the basis for the carrying amount in the financial statements as disclosed in Note 19.

(f) Recoverable amount of investment in a joint venture

As a result of unfavourable exploration activities and lower future prospects, the investment in a joint venture, PT Rizki Bukit Barisan Energi ("PT RBBE") was assessed for impairment.

The fair value calculation is based on the assumption of long term gas price of USD5/MMBTU, long term oil price of USD56/barrel, total capital expenditure requirements of USD590.7million, discount rate of 14%, production for gas and oil to commence on 2021 and 2023 respectively with reserves for oil and gas of 46MMBOE and 207BCF respectively and an additional discount of 20% for lack of control.

Arising thereon, an impairment of RM42.98 million was recorded in share of results of associate and joint venture, net impairment in the financial year end 31 December 2019. An 1% increase in the discount rate would result in an in increase in the impairment of RM5 million.

The fair value hierarchy was Level 3 and was calculated on a discounted cash flow basis. A key assumption in this fair value assessment is the ability to find an investor to fund the commercialisation of this project.

4 REVENUE

Revenue comprises the following:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue from contracts with customers				
Plantation:				
-Fresh fruit bunches	5,041	22,821	100,588	117,250
-Crude palm oil	730,021	678,815	-	-
-Palm kernel	99,549	142,047	-	-
	834,611	843,683	100,588	117,250
Intrapreneur ventures	37,628	47,932	-	-
Oil and gas support services	40,126	191,610	-	-
Agrofood	18,378	15,258	14,593	10,011
Others	5,779	7,169	381	1,181
	936,522	1,105,652	115,562	128,442
Revenue from other sources				
Vessel charter hire	267,390	278,308	-	-
Dividend income	3,520	3,677	37,500	32,241
Rental of investment properties	1,404	715	899	269
	1,208,836	1,388,352	153,961	160,952

4 REVENUE (CONTINUED)

Disaggregation of the Group's and the Company's revenue from contracts with customers:

Group 2019	Palm oil RM'000	Intrapreneur RM'000	Oil and Gas support services RM'000	Others RM'000	Total RM'000
Major goods and services:					
Goods sold	834,611	37,628	-	18,378	890,617
Oil and gas support services	-	-	40,126	-	40,126
Others	-	-	-	5,779	5,779
	834,611	37,628	40,126	24,157	936,522
Geographical market:					
Malaysia	834,611	37,628	40,126	22,495	934,860
Indonesia	-	-	-	1,662	1,662
	834,611	37,628	40,126	24,157	936,522
Timing of revenue recognition:					
At a point in time	834,611	37,628	40,126	24,157	936,522
Overtime	-	-	-	-	-
	834,611	37,628	40,126	24,157	936,522

4 REVENUE (CONTINUED)

Disaggregation of the Group's and the Company's revenue from contracts with customers: (continued)

Group 2018	Palm oil RM'000	Intrapreneur RM'000	Oil and Gas support services RM'000	Others RM'000	Total RM'000
Major goods and services:					
Goods sold	843,683	47,932	-	15,258	906,873
Oil and gas support services	-	-	191,610	-	191,610
Others	-	-	-	7,169	7,169
	843,683	47,932	191,610	22,427	1,105,652
Geographical market:					
Malaysia	843,683	47,932	191,610	20,765	1,103,990
Indonesia	-	-	-	1,662	1,662
	843,683	47,932	191,610	22,427	1,105,652
Timing of revenue recognition:					
At a point in time	843,683	47,932	50,918	22,427	964,960
Overtime	-	-	140,692	-	140,692
	843,683	47,932	191,610	22,427	1,105,652

4 REVENUE (CONTINUED)

Disaggregation of the Group's and the Company's revenue from contracts with customers: (continued)

Company 2019	Palm Oil RM'000	Others RM'000	Total RM'000
Major goods and services:			
Goods sold	**100,588**	**14,974**	**115,562**
Geographical market:			
Malaysia	**100,588**	**14,974**	**115,562**
Timing of revenue recognition:			
At a point in time	**100,588**	**14,974**	**115,562**
2018			
Major goods and services:			
Goods sold	117,250	11,192	128,442
Geographical market:			
Malaysia	117,250	11,192	128,442
Timing of revenue recognition:			
At a point in time	117,250	11,192	128,442

Revenue expected to be recognised in the future relating to performance obligations that are unsatisfied as at the reporting date, are as follows:

	Group	
	2019 RM'000	2018 RM'000
Palm oil	**45,449**	2,743
Oil and Gas support services	**22,300**	-
	67,749	2,743

5 INTEREST INCOME

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deposits with licensed banks	**5,685**	4,725	**2,335**	3,046
Amount due from holding corporation	**14,401**	2,935	**14,337**	2,935
Amount due from related companies	**71**	68	**-**	-
Amount due from subsidiaries	**-**	-	**3,269**	2,747
	20,157	7,728	**19,941**	8,728

6 FINANCE COSTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest expense on:				
Term loans	**52,881**	70,756	**31,499**	33,088
Revolving credits	**42,367**	19,500	**20,357**	9,858
Bank overdraft	**539**	451	**-**	-
Lease liabilities	**2,042**	-	**175**	-
Intercompanies interest	**2,682**	1,426	**11,006**	3,049
	100,511	92,133	**63,037**	45,995

7 LOSS BEFORE TAX

The following items have been included in arriving at (loss)/profit before tax:

	Group		Company	
	2019	**2018 Restated**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cost of sales:				
- Plantation				
- Cost of produce	**443,333**	435,675	**65,907**	69,295
- General charges	**27,800**	23,076	**16,446**	7,592
- Intrapreneur ventures	**23,484**	30,828	**-**	-
- Oil and gas support services				
- Cost of services	**142,850**	172,441	**-**	-
- EPCIC contract costs	**-**	69,930	**-**	-
- Agrofood	**16,579**	13,455	**11,722**	8,421
- Others	**16,529**	22,665	**1,420**	1,877
Net provision for impairment losses on:				
- Receivables	**16,750**	7,898	**151,546**	-
- Property, plant and equipment	**7,138**	2,128	**-**	-
- Goodwill	**18,791**	-	**-**	-
- Intangible assets	**1,285**	800	**-**	-
- Associate	**-**	-	**6,439**	-
- Investment in subsidiaries	**-**	-	**23,138**	2,100
Amortisation and depreciation of:				
- Property, plant and equipment	**177,179**	180,415	**16,079**	19,974
- Right of use assets	**33,267**	-	**4,052**	-
Auditors remuneration	**1,421**	1,430	**237**	208
Other services				
- PricewaterhouseCoopers PLT	**282**	175	**38**	150
- Other auditors	**80**	-	**22**	235
Loss/(Gain) on:				
- Disposal of subsidiaries	**-**	-	**-**	97,291
- Disposal of property, plant and equipment	**(3,028)**	1,026	**37**	283
Share of net results, net of impairment				
- associate	**3,727**	(564)	**-**	-
- joint venture	**44,033**	13,228	**-**	-

7 LOSS BEFORE TAX (continued)

The following items have been included in arriving at (loss)/profit before tax: (continued)

	Group		Company	
	2019 RM'000	2018 Restated RM'000	2019 RM'000	2018 RM'000
Foreign exchange loss/(gain):				
- Realised	(13)	14	(1)	(14)
- Unrealised	(2,732)	11,739	(9,968)	12,237
Write down of inventories	-	140	-	-
Write offs of property, plant and equipment	465	7,873	248	256
Short term rental of vessels	7,268	21,031	144	230
Short term rental of land and building paid to:				
- Holding corporation	91	123	-	629
- Others	560	993	-	-
Employee benefits (Including Executive Director remuneration):				
- Salaries, wages, allowances and bonuses	247,490	248,486	61,107	58,494
- Defined contribution plan	19,979	23,025	5,675	6,952
- Other employee benefits	12,101	6,720	3,734	3,095
Fair value changes on:				
- Financial assets at fair value through profit and loss	139	-	89	6,041
- Derivatives	1,774	(236)	1,372	(204)
- Biological assets	(1,339)	15,631	3,554	4,383
- Investment properties	(1,311)	(3,539)	(1,500)	(2,249)
Insurance recoveries	(5,268)	(3,702)	-	-
Rental yield guarantee	3,620	7,000	3,620	7,000
Reversal of contingent consideration	(30,011)	-	-	-
Compulsory land acquisition income	(5,922)	-	-	-
Low value leases	553	-	-	-
Provision for litigation	45,904	-	-	-

8 KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel comprise of Directors and top management of the Group, having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly.

The key management personnel compensations are as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Executive Director:				
- Salaries, allowances and bonuses	**806**	791	**806**	791
- Estimated money value of benefits-in-kind	**79**	35	**79**	35
- Defined contribution plan	**96**	98	**96**	98
	981	924	**981**	924
Non-executive Directors:				
- Fees	**-**	120	**-**	-
- Salaries, allowances and bonuses	**836**	956	**836**	956
- Estimated money value of benefits-in-kind	**49**	49	**49**	49
- Defined contribution plan	**-**	49	**-**	49
- Other emoluments	**79**	39	**79**	39
	964	1,213	**964**	1,093
Independent Non-executive Director:				
- Fees	**16**	16	**16**	16
Other key management personnel:				
- Fees	**263**	246	**263**	246
- Salaries, allowances and bonuses	**3,784**	3,454	**3,784**	3,454
- Defined contribution plan	**511**	471	**511**	471
- Other emoluments	**-**	15	**-**	15
	4,558	4,186	**4,558**	4,186
	6,519	6,339	**6,519**	6,219

9 TAX

	Group		Company	
	2019	**2018 Restated**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current income tax for the financial year:				
- Malaysia	**30,267**	21,613	**-**	2,499
Under/(Over) provision in prior financial years	**26,285**	(5,004)	**13,182**	-
	56,552	16,609	**13,182**	2,499
Deferred tax (Note 27)	**(74,425)**	21,563	**(43,042)**	(7,474)
Total tax	**(17,873)**	38,172	**(29,860)**	(4,975)

Reconciliation of income tax applicable to (loss)/profit before tax at the Malaysian statutory income tax rate at the effective income tax rate of the Group and the Company:

	Group		Company	
	2019	**2018 Restated**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
(Loss)/Profit before tax	**(127,847)**	57,813	**(237,611)**	(158,755)
	(127,847)	57,813	**(237,611)**	(158,755)
Taxation at Malaysian statutory tax rate of 24%	**(30,683)**	13,875	**(57,027)**	(38,101)
Tax recognised at different tax rate	**145**	179	**-**	-
Effect of non-deductible expenses	**22,274**	40,381	**23,546**	44,551
Effect of income exempt from tax	**(26,175)**	(21,351)	**(9,560)**	(11,425)
Under/(Over) provision of income tax in prior financial years	**26,285**	(5,004)	**13,182**	-
Recognition of previously unrecognised deferred tax assets	**(9,719)**	10,092	**-**	-
Total tax	**(17,873)**	38,172	**(29,860)**	(4,975)

10 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Leasehold land RM'000	Land use rights RM'000	Bearer assets RM'000	Immature fields RM'000	Buildings RM'000	Other assets RM'000	Capital work in progress RM'000	Total RM'000
Cost									
At 1 January 2019, as previously stated	1,739,014	1,870,083	43,643	1,158,740	-	229,598	1,556,814	75,953	6,673,845
Effects of MFRS 16	-	(1,870,083)	(43,643)	-	-	-	(571)	-	(1,914,297)
At 1 January 2019, as restated	1,739,014	-	-	1,158,740	-	229,598	1,556,243	75,953	4,759,548
Addition	-	-	-	14,427	53,149	7,438	45,429	81,003	201,446
Disposal	-	-	-	-	-	(95)	(1,926)	(3,084)	(5,105)
Write off	-	-	-	(585)	-	(274)	(5,562)	-	(6,421)
Reclassification	-	-	-	(82,131)	85,884	26,025	7,989	(37,767)	-
Exchange differences	-	-	-	5,736	-	918	157	181	6,992
At 31 December 2019	1,739,014	-	-	1,096,187	139,033	263,610	1,602,330	116,286	4,956,460
Accumulated depreciation									
At 1 January 2019, as previously stated	-	154,695	2,603	406,044	-	122,005	624,781	340	1,310,468
Effects of MFRS 16	-	(154,695)	(2,603)	-	-	-	-	-	(157,298)
At 1 January 2019, as restated	-	-	-	406,044	-	122,005	624,781	340	1,153,170
Charge for the financial year	-	-	-	52,719	-	9,781	114,679	-	177,179
Disposal	-	-	-	-	-	(94)	(1,971)	-	(2,065)
Write off	-	-	-	(585)	-	(242)	(5,129)	-	(5,956)
Reclassification	-	-	-	-	-	(412)	752	(340)	-
Exchange differences	-	-	-	521	-	57	73	-	651
At 31 December 2019	-	-	-	458,699	-	131,095	733,185	-	1,322,979
Accumulated impairment loss									
At 1 January 2019	-	-	-	12,177	-	180	12,580	2,364	27,301
Charge for the financial year	-	-	-	-	-	2	4,981	2,155	7,138
At 31 December 2019	-	-	-	12,177	-	182	17,561	4,519	34,439
Net book value as at 31 December 2019	1,739,014	-	-	625,311	139,033	132,333	851,584	111,767	3,599,042

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Other assets of the Group can be further analysed as follows:

Group	Leasehold improvement and renovation RM'000	Vessels, plant and machinery RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Total RM'000
At 1 January 2019, as previously stated	571	1,462,974	38,299	54,970	1,556,814
Effects of MFRS 16	(571)	-	-	-	(571)
At 1 January 2019, as restated	-	1,462,974	38,299	54,970	1,556,243
Addition	-	36,868	2,328	6,233	45,429
Disposal	-	(778)	(226)	(922)	(1,926)
Write off	-	(3,015)	(1,037)	(1,510)	(5,562)
Reclassification	-	5,444	2,593	(48)	7,989
Exchange differences	-	28	108	21	157
At 31 December 2019	-	1,501,521	42,065	58,744	1,602,330
Accumulated depreciation					
At 1 January 2019, as previously stated	-	557,381	27,159	40,241	624,781
Charge for the financial year	-	102,715	4,669	7,295	114,679
Disposal	-	(752)	(233)	(986)	(1,971)
Write off	-	(2,836)	(1,010)	(1,283)	(5,129)
Reclassification	-	215	1,045	(508)	752
Exchange differences	-	11	43	19	73
At 31 December 2019	-	656,734	31,673	44,778	733,185
Accumulated impairment losses					
At 1 January 2019	-	12,542	28	10	12,580
Charge for the financial year	-	4,946	-	35	4,981
At 31 December 2019	-	17,488	28	45	17,561
Net book value as at 31 December 2019	-	827,299	10,364	13,921	851,584

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land RM'000	Leasehold land RM'000	Land use rights RM'000	Bearer assets RM'000	Buildings RM'000	Other assets RM'000	Capital work in progress RM'000	Total RM'000
Cost								
At 1 January 2018	1,721,556	1,830,326	39,627	1,128,698	211,348	1,517,719	83,454	6,532,728
Addition	-	3,450	-	49,576	26,121	104,564	13,580	197,291
Disposal	-	(624)	(323)	(90)	(172)	(6,290)	-	(7,499)
Disposal of a subsidiary (Note 14(b))	-	-	-	-	(997)	(1,096)	-	(2,093)
Transfer to investment properties (Note 12)	-	-	-	-	(15,591)	-	-	(15,591)
Write off	-	-	-	(12,211)	(2,036)	(12,118)	-	(26,365)
Reclassification	-	-	-	512	11,523	8,641	(20,676)	-
Exchange differences	-	-	4,339	(7,745)	(598)	(217)	(405)	(4,626)
At 31 December 2018	1,721,556	1,833,152	43,643	1,158,740	229,598	1,611,203	75,953	6,673,845
Accumulated depreciation								
At 1 January 2018	-	127,385	-	374,940	115,413	537,520	1	1,155,259
Charge for the financial year	-	20,068	2,603	43,972	8,996	104,436	340	180,415
Disposal	-	(16)	-	(100)	(156)	(3,142)	(1)	(3,415)
Disposal of a subsidiary (Note 14(b))	-	-	-	-	(643)	(924)	-	(1,567)
Transfer to investment properties (Note 12)	-	-	-	-	(1,000)	-	-	(1,000)
Write off	-	-	-	(12,175)	(551)	(5,766)	-	(18,492)
Exchange differences	-	-	-	(593)	(54)	(85)	-	(732)
At 31 December 2018	-	147,437	2,603	406,044	122,005	632,039	340	1,310,468
Accumulated impairment loss								
At 1 January 2018	-	-	-	12,177	180	13,411	236	26,004
Charge for the financial year	-	-	-	-	-	-	2,128	2,128
Disposal	-	-	-	-	-	(831)	-	(831)
At 31 December 2018	-	-	-	12,177	180	12,580	2,364	27,301
Net book value as at 31 December 2018	1,721,556	1,685,715	41,040	740,519	107,413	966,584	73,249	5,336,076

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Other assets of the Group can be further analysed as follows:

Group	Freehold land RM'000	Leasehold land RM'000	Leasehold improvement and renovation RM'000	Vessels, plant and machinery RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Total RM'000
At 1 January 2018	17,458	36,941	571	1,368,598	41,169	52,982	1,517,719
Addition	-	-	-	98,259	2,291	4,014	104,564
Disposal	-	(10)	-	(3,650)	(890)	(1,740)	(6,290)
Disposal of a subsidiary (Note 14 (b))	-	-	-	-	(803)	(293)	(1,096)
Write off	-	-	-	(7,089)	(3,319)	(1,710)	(12,118)
Reclassification	-	-	-	6,883	-	1,758	8,641
Exchange differences	-	-	-	(27)	(149)	(41)	(217)
At 31 December 2018	17,458	36,931	571	1,462,974	38,299	54,970	1,611,203
Accumulated depreciation							
At 1 January 2018	-	6,507	-	466,817	26,430	37,766	537,520
Charge for the financial year	-	751	-	93,724	4,414	5,547	104,436
Disposal	-	-	-	(1,406)	(453)	(1,283)	(3,142)
Disposal of a subsidiary (Note 14 (b))	-	-	-		(631)	(293)	(924)
Write off	-	-	-	(1,740)	(2,563)	(1,463)	(5,766)
Exchange differences	-	-	-	(14)	(38)	(33)	(85)
At 31 December 2018	-	7,258	-	557,381	27,159	40,241	632,039
Accumulated impairment losses							
At 1 January 2018	-	-	-	12,542	859	10	13,411
Disposal	-	-	-	-	(831)	-	(831)
At 31 December 2018	-	-	-	12,542	28	10	12,580
Net book value as at 31 December 2018	17,458	29,673	571	893,051	11,112	14,719	966,584

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Freehold land RM'000	Leasehold land RM'000	Bearer assets RM'000	Immature fields RM'000	Buildings RM'000	Other assets RM'000	Capital work in progress RM'000	Total RM'000
Cost								
At 1 January 2019, as previously stated	801,801	390,444	188,077	-	65,391	113,080	18,613	1,577,406
Effects of MFRS 16	-	(390,444)	-	-	-	(47,678)	-	(438,122)
At 1 January 2019, as restated	801,801	-	188,077	-	65,391	65,402	18,613	1,139,284
Addition	-	-	6,003	12,430	1,004	1,290	461	21,188
Disposal	-	-	-	-	-	(128)	(3,084)	(3,212)
Write off	-	-	(585)	-	-	(883)	-	(1,468)
Reclassification	-	-	(19,300)	19,300	9,592	4,132	(13,724)	-
At 31 December 2019	801,801	-	174,195	31,730	75,987	69,813	2,266	1,155,792
Accumulated depreciation								
At 1 January 2019,	-	26,516	80,120	-	42,344	48,439	-	197,419
Effects of MFRS 16	-	(26,516)	-	-	-	(4,893)	-	(31,409)
At 1 January 2019, as restated	-	-	80,120	-	42,344	43,546	-	166,010
Charge for the financial year	-	-	7,246	-	1,943	6,890	-	16,079
Write off	-	-	(585)	-	-	(635)	-	(1,220)
Disposal	-	-	-	-	-	(79)	-	(79)
Reclassification	-	-	-	-	-	-	-	-
At 31 December 2019	-	-	86,781	-	44,287	49,722	-	180,790
Net book value as at 31 December 2019	801,801	-	87,414	31,730	31,700	20,091	2,266	975,002

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Freehold land RM'000	Leasehold land RM'000	Bearer assets RM'000	Buildings RM'000	Other assets RM'000	Capital work in progress RM'000	Total RM'000
Cost							
At 1 January 2018	801,801	390,444	189,203	64,404	106,286	21,124	1,573,262
Addition	-	-	11,175	1,018	2,357	3,388	17,938
Disposal	-	-	(90)	-	(111)	-	(201)
Write off	-	-	(12,211)	(104)	(1,278)	-	(13,593)
Reclassification	-	-	-	73	5,826	(5,899)	-
At 31 December 2018	801,801	390,444	188,077	65,391	113,080	18,613	1,577,406
Accumulated depreciation							
At 1 January 2018	-	23,447	85,208	40,437	41,834	-	190,926
Charge for the financial year	-	3,069	7,187	2,011	7,707	-	19,974
Disposal	-	-	(100)	-	(42)	-	(142)
Write off	-	-	(12,175)	(104)	(1,060)	-	(13,339)
At 31 December 2018	-	26,516	80,120	42,344	48,439	-	197,419
Net book value as at 31 December 2018	801,801	363,928	107,957	23,047	64,641	18,613	1,379,987

Assets pledged as security for borrowings

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Carrying amount of assets pledged as security for borrowings:				
- freehold lands	**407,346**	-	**-**	-
- bearer assets	**264,112**	-	**12,660**	-
- immature fields	**49,710**	-	**12,511**	-
- long term leasehold lands	**-**	700		
- vessels	**699,671**	765,324	**-**	-
- vessels under construction	**48,518**	18,632	**-**	-
- buildings	**1,058**	3,730	**-**	-
- capital work in progress	**-**	13,156		
	1,470,415	801,542	**25,171**	-

Borrowing costs

Included in property, plant and equipment of the Group is interest capitalised for the financial year amounting to RM13.09 million (2018: RM Nil). Based on a capitalisation rate of 4.22%.

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment of property, plant and equipments

Impairment loss of RM2.91 million (2018: RM2.13 million) represents the write-down of certain vessels to their recoverable amounts. The recoverable amounts are based on the higher of fair value less cost to sell and value in use and are determined at the level of the CGU. In determining the recoverable amounts of these vessels, the Group had engaged an independent firm of valuers to perform valuation on certain vessels. The independent valuers estimated the fair value of each vessel in reference to latest market transaction taking into consideration significant factors such as vessels' classification, age, year built and engine capacity.

Impairment loss of RM4.23 million represents the write down of property, plant and equipment on certain oil and gas property, plant and equipment based on projected future cash flows performed by the Group's management based on historical sector and industry trends, general market and economic conditions, changes in technology and other available information. The recoverable amount was based on value in use.

11 RIGHT-OF-USE ASSETS

Group	Leasehold land RM'000	Building RM'000	Plant and machinery RM'000	Office equiptment RM'000	Total RM'000
Net book value					
At 1 January 2019, as previously stated	-	-	-	-	-
Effects of MFRS 16	1,760,414	1,707	16,646	194	1,778,961
At 1 January 2019, as restated	1,760,414	1,707	16,646	194	1,778,961
Additions	362	487	52,125	-	52,974
Depreciation	(24,676)	(1,104)	(7,419)	(68)	(33,267)
Write off	(7)	-	-	-	(7)
Transfer to investment properties (Note 12)	(16,535)	-	-	-	(16,535)
Exchange differences	1,545	-	-	-	1,545
At 31 December 2019	1,721,103	1,090	61,352	126	1,783,671

Company	Leasehold land RM'000	Leasehold Building RM'000	Office equiptment RM'000	Total RM'000
Net book value				
At 1 January 2019, as previously stated	-	-	-	-
Effects of MFRS 16	409,778	283	29	410,090
At 1January 2019 as restated	409,778	283	29	410,090
Addition	362	98	-	460
Depreciation	(3,890)	(153)	(9)	(4,052)
Transfer to investment in properties (Note 12)	(16,535)	-	-	(16,535)
At 31 December 2019	389,715	228	20	389,963

11 RIGHT-OF-USE ASSETS (CONTINUED)

Approximately 2.98% and 0.12% of the leases for the Group and Company expired in the current financial year. New additions resulted in right-of-use assets of RM52.97 million and RM0.46 million in 2019 for the Group and the Company respectively.

Carrying leasehold land of the Group and Company are pledged as security for borrowings of approximately RM1,206.42 million and RM236.27 million respectively.

		Group	Company
		2019 RM'000	2019 RM'000
(a)	Cash payment for the principle portion of the lease liability	14,587	681
(b)	Short term lease payments and payments for leases of low value assets	919	144
(c)	Cash payments for interest portion of the lease liabilities	2,042	175

12 INVESTMENT PROPERTIES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At 1 January	45,996	28,231	28,880	26,631
Additions	-	275	-	-
Net gain from fair value adjustments recognised in profit or loss	1,311	3,539	1,500	2,249
Net gain from fair value adjustments recognised in other comprehensive income	5,465	-	5,465	-
Transfer from right-of-use assets (Note 11)	16,535	-	16,535	-
Transfer from property, plant and equipment (Note 10)	-	14,591	-	-
Disposal	-	(640)	-	-
At 31 December	69,307	45,996	52,380	28,880

Fair values were arrived at after taking into consideration valuations performed by external professional firms of surveyors and valuers. The fair value is categorised as Level 2 in the fair value hierarchy as the valuation, which was performed using investment and comparable basis, is based on observable valuation inputs.

12 INVESTMENT PROPERTIES (CONTINUED)

Description of valuation techniques used and key inputs to valuation:

Group

Description	Valuation technique	Significant unobservable inputs	Range (weighted average) 2019	2018
Land use right	Comparison method	Market price per square feet	RM7 - RM16 per square feet	RM7 - RM30 per square feet
Commercial land	Comparison method	The higher the value per square feet, the higher the valuation	RM36 - RM238 per square feet	RM36 - RM238 per square feet
Commercial land and building	Comparison method and cost method	The higher the value per square feet, the higher the valuation	RM25 -RM391 per square feet	RM25 - RM391 per square feet

Company

Description	Valuation technique	Significant unobservable inputs	Range (weighted average) 2019	2018
Commercial land	Comparison method	The higher the value per square feet, the higher the valuation	RM36 - RM230 per square feet	RM Nil - RM217 per square feet
Commercial land and building	Comparison method and cost method	The higher the value per square feet, the higher the valuation	RM391 per square feet	RM391 per square feet

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Rental income derived from investment properties	**1,404**	715	**899**	269
Direct operating expenses relating to rental income (included in cost of sales) recognised in profit or loss	**(385)**	(377)	**(36)**	(24)
Profit arising from investment properties carried at fair value	**1,019**	338	**863**	245

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

13 INTANGIBLE ASSETS

Group	Goodwill RM'000	Others RM'000	Total RM'000
Cost			
At 1 January 2018	72,333	9,079	81,412
Additions	-	1,335	1,335
Disposal of subsidiaries	(43,323)	(800)	(44,123)
At 31 December 2018/ At 1 January 2019	29,010	9,614	38,624
Additions	-	184	184
At 31 December 2019	29,010	9,798	38,808
Accumulated amortisation and impairment			
At 1 January 2018	49,151	5,356	54,507
Impairment	-	800	800
Amortisation	-	25	25
Disposal of subsidiaries	(43,323)	(800)	(44,123)
At 31 December 2018/ At 1 January 2019	5,828	5,381	11,209
Impairment	18,791	1,285	20,076
Amortisation	-	25	25
At 31 December 2019	24,619	6,691	31,310
Net carrying amount			
At 31 December 2019	4,391	3,107	7,498
At 31 December 2018	23,182	4,233	27,415

13 INTANGIBLE ASSETS (CONTINUED)

Impairment testing of intangible assets with indefinite useful lives

For the purpose of impairment testing, intangible assets have been allocated to the following cash-generating units ("CGU").

	Goodwill		Research and development		Total	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Group						
Cash generating units						
Sea transportation and related services	**-**	12,560	**-**	-	**-**	12,560
Insurance broking and consultancy	**1,642**	1,642	**-**	-	**1,642**	1,642
Oil and gas support service	**2,232**	8,463	**-**	-	**2,232**	8,463
Others	**517**	517	**3,107**	4,233	**3,624**	4,750
	4,391	23,182	**3,107**	4,233	**7,498**	27,415

Key assumptions used in determining the recoverable amounts

The recoverable amount of the CGUs have been determined based on value-in-use calculations using cash flow projections based on financial budgets approved by the Directors covering a five-year period.

The key assumptions on which management has based its cash flow projections are as follows:

2019 Cash generating units	**Revenue growth rate %**	**EBITDA margin %**	**Discount rate %**	**Terminal growth rate %**
Sea transportation and related services	**7**	**1 to 17**	**10**	**3**
Insurance brokering and consultancy	**14**	**10 to 19**	**10**	**3**
Oil and gas support service	**1**	**(8) to 7**	**10**	**3**
2018 Cash generating units				
Sea transportation and related services	3	20 to 23	10	3
Insurance brokering and consultancy	12	18 to 28	9	3
Oil and gas support service	14	14 to 29	10	3

The Directors have determined the revenue and EBITDA margins are based on expectations of market development over the next 5 years. The discount rates used are based on selected market comparable companies and adjusted for projection risk. The terminal growth rate is the growth rate of the business in a stabilised state into perpetuity.

Goodwill relating to the construction of oil and gas equipment and intangible assets relating to research and development amounting to RM18.79 million (recorded in other expenses) (2018: RM Nil) and RM1.29 million (2018: RM Nil) respectively was partially impaired during the financial year due to negative market outlook for orders in hand and continued poor performance respectively.

14 INVESTMENT IN SUBSIDIARIES

	Company 2019 RM'000	Company 2018 RM'000
Amounts due from subsidiaries	**635,707**	269,526
Quoted shares in Malaysia	**6,837**	6,837
Unquoted shares in Malaysia	**626,561**	626,482
Unquoted shares outside Malaysia	**58,754**	58,754
Less: Impairment losses	**(210,217)**	(58,771)
	1,117,642	902,828

During the financial year, the Company has recorded RM23.14 million (recorded in other expenses) (2018: RM2.10 million) in impairment losses for certain subsidiaries based on value in use calculations. The significant impairment of subsidiaries amounting to RM11.83 million, RM5.21 million and RM3.88 million relating to Danamin (M) Sdn Bhd, Kulim Topplant Sdn Bhd and Kulim Nursery Sdn Bhd respectively were due to continued poor performance and negative market outlook, which were recorded in "other expenses" in the statement of comprehensive income.

Recoverable amounts were determined based on value in use as at 31 December 2019. The key assumptions used are based on estimates and judgement with respect to key assumptions such as revenue growth, ability to secure future contracts and a pre-tax discount rate of 10%-20%. As the Company projected that there are no foreseeable returns on investments in certain subsidiaries, the costs of investment in these subsidiaries were fully or partially impaired during the financial year.

The amounts due from subsidiaries were assessed for expected credit losses as follows:

Details of the subsidiaries are as follows:

Company internal credit rating	Expected credit loss rate	Basis for recognition of expected credit loss provision	Estimated gross carrying amount at default	Loss allowance	Carrying amount (net of impairment provision)
31 December 2019	**%**		**RM**	**RM**	**RM**
Performing	26	12 Month ECL	272,948	(3,438)	269,510
Underperforming	34.42	Life time ECL	362,759	(124,870)	237,889
Non performing	0	Life time ECL	-	-	-
Write-off	0	Asset written Off to profit or loss	-	-	-
			635,707	(128,308)	507,399

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The loss allowance for amount due from subsidiaries as at 31 December 2019 reconciles to the opening loss allowance for that provision as follows:

Company	2019 RM'000	2018 RM'000
At 1 January	-	-
Increase in loss allowance recognised in profit or loss during the financial year (recorded in other expenses)	**128,308**	-
At 31 December	**128,308**	-

The increase was primarily due to a deterioration in the credit risk of certain subsidiaries in the oil and gas sector. The significant expected credit loss for the amount due from a subsidiary in the current year amounted to RM87 million, which was determined based on expected future monetization of a joint venture. The key assumptions are as disclosed in Note 3 (b).

Certain amounts due from subsidiaries are unsecured, with interest charged at 4.93% per annum and repayable on demand.

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Ownership interest held by the Group		Ownership interest held by non-controlling interests*	
			2019 %	2018 %	2019 %	2018 %
Held by the Company:						
Mahamurni Plantations Sdn. Bhd.	Malaysia	Production of palm oil and palm kernels	**100.00**	100.00	-	-
Selai Sdn. Bhd.	Malaysia	Oil palm plantation and livestock farming	**100.00**	100.00	-	-
Ulu Tiram Manufacturing Company (Malaysia) Sdn. Bhd.	Malaysia	Oil palm plantation	**100.00**	100.00	-	-
Kumpulan Bertam Plantations Berhad	Malaysia	Oil palm plantation	**95.57**	95.57	**4.43**	4.43
EPA Management Sdn. Bhd.	Malaysia	Investment holding	**100.00**	100.00	-	-
##+Skellerup Industries (Malaysia) Sdn. Bhd.	Malaysia	Investment holding	**100.00**	100.00	-	-

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (continued)

Name of subsidiaries	Country of incorporation	Principal activities	Ownership interest held by the Group		Ownership interest held by non-controlling interests*	
			2019 %	2018 %	2019 %	2018 %
Held by the Company: (continued)						
Kulim Topplant Sdn. Bhd.	Malaysia	Production of oil palm clones	**100.00**	100.00	**-**	-
+JTP Trading Sdn. Bhd.	Malaysia	Trading and distribution of tropical fruits	**100.00**	100.00	**-**	-
+Kulim Energy Sdn. Bhd.	Malaysia	Dormant	**80.00**	80.00	**20.00**	20.00
##+Pristine Bay Sdn. Bhd.	Malaysia	Investment holding	**100.00**	100.00	**-**	-
Kulim Plantations (Malaysia) Sdn. Bhd.	Malaysia	Production of palm oil and palm kernels	**100.00**	100.00	**-**	-
Sindora Berhad	Malaysia	Investment holding, operations of oil palm plantations and palm oil milling	**100.00**	100.00	**-**	-
+Cita Tani Sdn. Bhd.	Malaysia	Dormant	**100.00**	100.00	**-**	-
##+Renown Value Sdn. Bhd.	Malaysia	Cultivation of pineapples and other agricultural produce	**100.00**	75.00	**-**	25.00
Kulim Nursery Sdn. Bhd.	Malaysia	Oil palm nursery and other related services	**100.00**	100.00	**-**	-
+SG Lifestyle Sdn Bhd	Malaysia	Dormant	**100.00**	100.00	**-**	-
Danamin (M) Sdn. Bhd.	Malaysia	Providing non-destructive testing services and performing electrical engineering works	**75.00**	75.00	**25.00**	25.00
+PT Wisesa Inspirasi Nusantara	Indonesia	Investment holding	**74.00**	74.00	**26.00**	26.00

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (continued)

Name of subsidiaries	Country of incorporation	Principal activities	Ownership interest held by the Group		Ownership interest held by non-controlling interests*	
			2019 %	2018 %	2019 %	2018 %
Held by the Company: (continued)						
Kulim Energy Nusantara Sdn. Bhd.	Malaysia	Investment holding	**100.00**	100.00	**-**	-
Kulim Smart Technologies Sdn. Bhd.	Malaysia	Researching and developing cutting-edge solutions for oil and gas, healthcare and industrial automation	**100.00**	100.00	**-**	-
+#E.A. Technique (M) Berhad	Malaysia	Provision of sea transportation and related services	**53.16**	53.16	**46.84**	46.84
+Kulim Green Energy Ventures Sdn. Bhd. (Formerly known as Sindora Marketing Sdn. Bhd.)	Malaysia	Renewable energy	**100.00**	-	**-**	-
Held through Mahamurni Plantations Sdn. Bhd.:						
##+Pembangunan Mahamurni Sdn. Bhd.	Malaysia	Investment holding	**100.00**	100.00	**-**	-
United Malayan Agricultural Corporation Berhad	Malaysia	Oil palm plantation	**100.00**	100.00	**-**	-
Held through Ulu Tiram Manufacturing Company (Malaysia) Sdn. Bhd.:						
+EPA Futures Sdn. Bhd.	Malaysia	Dormant	**51.00**	51.00	**49.00**	49.00

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (continued)

Name of subsidiaries	Country of incorporation	Principal activities	Ownership interest held by the Group		Ownership interest held by non-controlling interests*	
			2019 %	2018 %	2019 %	2018 %
Held through EPA Management Sdn. Bhd.:						
**Akli Resources Sdn. Bhd.	Malaysia	Dormant	-	100.00	-	-
Edaran Badang Sdn. Bhd.	Malaysia	Dealer in agricultural machinery and parts	**100.00**	100.00	-	-
##+Kulim Civilworks Sdn. Bhd.	Malaysia	Investment holding, facility maintenance, construction services, FFB transportation, trading electrical Items, air conditioner spare parts and sealant	**100.00**	100.00	-	-
**Panquest Ventures Limited	British Virgin Island	Dormant	-	100.00	-	-
Kulim Livestock Sdn. Bhd.	Malaysia	Breeding and sale of cattle	**100.00**	100.00	-	-
+Special Appearance Sdn. Bhd.	Malaysia	Replanting of oil palm and other related services	**99.56**	99.56	**0.44**	0.44
Extreme Edge Sdn. Bhd.	Malaysia	Supply of information technology (IT) hardware and provision of IT maintenance and development services	**75.00**	75.00	**75.00**	25.00
Kulim Safely Training & Services Sdn. Bhd.	Malaysia	Provision of training services and any other services related to occupational safety, health, environmental and security systems	**75.00**	75.00	**25.00**	25.00
+PT Kulim Agro Persada	Indonesia	Management services	**100.00**	100.00	-	-

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (continued)

Name of subsidiaries	Country of incorporation	Principal activities	Ownership interest held by the Group 2019 %	Ownership interest held by the Group 2018 %	Ownership interest held by non-controlling interests* 2019 %	Ownership interest held by non-controlling interests* 2018 %
Held through EPA Management Sdn. Bhd.: (continued)						
Perfect Synergy Trading Sdn. Bhd.	Malaysia	Trading and supplying of fertilizer and chemicals	**75.00**	75.00	**25.00**	25.00
##+Optimum Status Sdn. Bhd.	Malaysia	Provision of mechanical and electrical services	**-**	75.00	**-**	25.00
Held through Kulim Livestock Sdn. Bhd.:						
+Exquisite Livestock Sdn. Bhd.	Malaysia	Dormant	**100.00**	100.00	**-**	-
Held through Kulim Civilworks Sdn. Bhd.:						
+KCW Hardware Sdn. Bhd.	Malaysia	Dormant	**100.00**	100.00	**-**	-
+KCW Kulim Marine Services Sdn. Bhd.	Malaysia	Dormant	**100.00**	100.00	**-**	-
+KCW Electrical Sdn. Bhd.	Malaysia	Dormant	**100.00**	100.00	**-**	-
+Kulim Technology Ideas Sdn. Bhd (Formely known as KCW Roadworks Sdn. Bhd.)	Malaysia	Dormant	**100.00**	100.00	**-**	-
Held through Kulim Safely Training & Services Sdn. Bhd.:						
##+Optimum Status Sdn. Bhd.	Malaysia	Provision of mechanical and electrical services	**75.00**	-	**25.00**	-

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (continued)

Name of subsidiaries	Country of incorporation	Principal activities	Ownership interest held by the Group		Ownership interest held by non-controlling interests*	
			2019 %	2018 %	2019 %	2018 %
Held through Skellerup Industries (Malaysia) Sdn. Bhd.:						
**Skellerup Foam Products (Malaysia) Sdn. Bhd.	Malaysia	Dormant	-	100.00	-	-
**Skellerup Latex Products (M) Sdn. Bhd.	Malaysia	Dormant	-	100.00	-	-
+SIM Manufacturing Sdn. Bhd.	Malaysia	Dormant	**90.00**	90.00	**10.00**	10.00
Held through Extreme Edge Sdn. Bhd.						
Sovereign Multimedia Resources Sdn. Bhd.	Malaysia	Software development, technical services, and support related to software design and hardware related to software implementation and other related ICT business	**75.00**	75.00	**25.00**	25.00
Pinnacle Platform Sdn. Bhd.	Malaysia	Development and maintenance of information technology application system	**75.00**	75.00	**25.00**	25.00
Held through JTP Trading Sdn. Bhd.:						
**JTP Montel Sdn. Bhd.	Malaysia	Dormant	-	100.00	-	-
Held through Sindora Berhad:						
+Sindora Wood Products Sdn. Bhd.	Malaysia	Dormant	**100.00**	100.00	-	-

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (continued)

Name of subsidiaries	Country of incorporation	Principal activities	Ownership interest held by the Group		Ownership interest held by non-controlling interests*	
			2019 %	2018 %	2019 %	2018 %
Held through Sindora Berhad: (continued)						
+Sindora Timber Products Sdn. Bhd.	Malaysia	Dormant	**100.00**	100.00	**-**	-
+Sindora Trading Sdn. Bhd.	Malaysia	Dormant	**100.00**	100.00	**-**	-
+Sindora Development Sdn. Bhd.	Malaysia	Dormant	**100.00**	100.00	**-**	-
+Sindora Timber Sdn. Bhd.	Malaysia	Dormant	**100.00**	82.03	**-**	17.97
+Epasa Shipping Agency Sdn. Bhd.	Malaysia	Shipping and forwarding agent	**100.00**	100.00	**-**	-
+#E.A. Technique (M) Berhad	Malaysia	Provision of sea transportation and related services	**53.16**	53.16	**46.84**	46.84
+Microwell Bio Solutions Sdn. Bhd.	Malaysia	Ceased operations in September 2018	**60.00**	60.00	**40.00**	40.00
MIT Insurance Brokers Sdn. Bhd.	Malaysia	Insurance broking and consultancy	**100.00**	75.00	**-**	25.00
+Kulim Green Energy Ventures Sdn. Bhd. (Formerly known as Sindora Marketing Sdn. Bhd.)	Malaysia	Renewable energy	**-**	100.00	**-**	-
Held through Sindora Timber Sdn. Bhd.:						
**Tiram Fresh Sdn. Bhd.	Malaysia	Dormant	**-**	82.03	**-**	17.97
**Jejak Juara Sdn. Bhd.	Malaysia	Dormant	**-**	82.03	**-**	17.97

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (continued)

Name of subsidiaries	Country of incorporation	Principal activities	Ownership interest held by the Group		Ownership interest held by non-controlling interests*	
			2019 %	2018 %	2019 %	2018 %
Held through E.A. Technique (M) Berhad:						
+Johor Shipyard & Engineering Sdn. Bhd.	Malaysia	Shipbuilding, fabrication of steel structures, engineering services and consultancy	**53.16**	53.16	**46.84**	46.84
+Libra Prefex Precision Sdn Bhd	Malaysia	Hiring and chartering of marine Vessels	**53.16**	53.16	**46.84**	46.84
Held through Microwell Bio Solutions Sdn. Bhd.:						
+##Microwell Trading Sdn. Bhd.	Malaysia	Dormant	**60.00**	60.00	**40.00**	40.00
Held through MIT Insurance Broker Sdn Bhd:						
MIT Captive Ltd	Malaysia	Licensed to carry Labuan captive takaful business	**100.00**	75.00	**-**	25.00
Held through Danamin (M) Sdn. Bhd.:						
+DQ-IN Sdn. Bhd.	Malaysia	Business of engineering and fabrication	**75.00**	75.00	**25.00**	25.00
+##Xcot Tech Sdn. Bhd.	Malaysia	Dormant	**75.00**	75.00	**25.00**	25.00

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (continued)

Name of subsidiaries	Country of incorporation	Principal activities	Ownership interest held by the Group		Ownership interest held by non-controlling interests*	
			2019 %	2018 %	2019 %	2018 %
Held through PT Wisesa Inspirasi Nusantara:						
+PT Tempirai Palm Resources	Indonesia	Oil palm plantation	**74.00**	74.00	**26.00**	26.00
+PT Rambang Agro Jaya	Indonesia	Oil palm plantation	**74.00**	74.00	**26.00**	26.00

\# Listed on Main Board of Bursa Malaysia Securities Berhad
\## Representing dormant entity
* Equals to the proportion of voting rights held
** Disposed during the financial year
*** Disposed in the previous financial year
\+ Audited by firms other than PricewaterhouseCoopers PLT

(a) Increase in investment in subsidiaries in 2019

During the financial year, the Group acquired an additional 25.00% equity interest in Renown Value Sdn Bhd, 17.97% equity interest in Sindora Timber Sdn Bhd and 25.00% equity interest in MIT Insurance Brokers Sdn Bhd for a total consideration of RM0.08 million, RM1 and RM2.27 million respectively. The additional acquisitions did not have any significant effect on the financial position and results of the Group except for the increase in non-controlling interest amounting to RM3.83 million.

(b) Disposal of subsidiaries in 2019 and adjustment to contingent consideration

During the financial year, the Group entered into share sale agreements with third parties in relation to the proposed disposal of Akli Resources Sdn Bhd, Jejak Juara Sdn Bhd, JTP Montel Sdn Bhd, Tiram Fresh Sdn Bhd, Skellerup Foam Products Sdn Bhd and Skellerup Latex Products Sdn Bhd for a purchase consideration of RM1 for each subsidiary. The decision is in line with Group's intention to streamline business activities and assets base by focusing on Group's strength and expertise in palm oil and its related business. The disposal was completed on 24 July 2019. Accordingly, all the subsidiaries mentioned above ceased to be subsidiaries of the Group. Panquest Ventures Limited was struck off on 26 February 2019.

The disposal did not have any significant effect on the financial position and results of the Group.

During the financial year, the Group reversed the contingent consideration relating to the acquisitions in 2016 of PT. Rambang Agro Jaya and PT. Tempirai Palm Resources amounting to RM30 million as the Group no longer has any obligations arising.

(c) Increase in investment in subsidiaries in 2018

In the previous financial year, the Group acquired an additional 49.00% equity interest in Pristine Bay Sdn Bhd and 5.00% equity interest in Pinnacle Platform Sdn Bhd for a total consideration of RM4.94 million and RM0.06 million respectively. The additional acquisitions did not have any significant effect on the financial position and results of the Group except for the decrease in non-controlling interest amounting to RM13.13 million.

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(d) Disposal of a subsidiary in 2018

In the previous financial year, the Group entered into an agreement for the disposal of a subsidiary, Asia Economic Development Fund Limited ("AEDFL"), which is involved in business of E-commerce for a purchase consideration of HKD1 (approximately RM0.53) to a fellow subsidiary, Johor Logistics Sdn Bhd. The decision is in line with Group's intention to streamline business activities and assets base by focusing on Group's strength and expertise in palm oil and its related business.

The disposal was completed on 20 December 2018 and the effects of the disposal are as follows:

	AEDFL Total
	RM'000
Property, plant and equipment	526
Trade and other receivables	2,113
Cash and cash equivalents	532
Convertible notes	(46,895)
Trade and other payables	(14,405)
Non-controlling interest	(35,448)
Exchange reserve	13,781
Net liabilities attributable to the Group	(79,796)
Cash proceeds from disposal	-*
Gain on disposal to the Group, recorded in other reserve in equity	(79,796)
Cash inflow arising on disposals:	
Cash consideration	-*
Cash and cash equivalents of subsidiary disposed	(532)
Net cash outflow on disposal	(532)

*HKD1.00 (approximately RM0.53)

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(d) Disposal of a subsidiary in 2018 (continued)

	AEDFL Total
	RM'000
Operating income	109
Impairment of intangible asset	(800)
Administrative expenses	(490)
Loss for the financial year	(1,181)
Other comprehensive expense	
Net loss on fair value through other comprehensive income	(173,446)
Total comprehensive expense for the financial year	(174,627)

The gain on the disposal was recorded in other reserve as it was deemed as a common control transaction.

(e) Summarised financial information of subsidiaries which have non-controlling interests that are material to the Group

Proportion of equity interest held by non-controlling interests:

	2019 %	2018 %
E.A. Technique (M) Berhad ("EAT") Group	**46.84**	46.84
PT Wisesa Inspirasi Nusantara ("PT WIN") Group	**26.00**	26.00

Summarised statements of financial position before intra-group eliminations:

	EAT Group RM'000	PT WIN Group RM'000	Total RM'000
At 31 December 2019			
Current assets	**79,165**	**10,905**	**90,070**
Non-current assets	**834,040**	**268,199**	**1,102,239**
Current liabilities	**(475,719)**	**(282,695)**	**(758,414)**
Non-current liabilities	**(219,780)**	**(831)**	**(220,611)**
Total equity	**217,706**	**(4,422)**	**213,284**
Attributable to:			
- Equity holders of the Company	**115,733**	**(3,272)**	**112,461**
- Non-controlling interest	**101,973**	**(1,150)**	**100,823**
	217,706	**(4,422)**	**213,284**

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(e) Summarised financial information of subsidiaries which have non-controlling interests that are material to the Group (continued)

Summarised statements of financial position before intra-group eliminations: (continued)

	EAT Group RM'000	PT WIN Group RM'000	Total RM'000
At 31 December 2018			
Current assets	63,441	9,998	73,439
Non-current assets	795,968	228,097	1,024,065
Current liabilities	(352,308)	(259,009)	(611,317)
Non-current liabilities	(280,216)	(6,270)	(286,486)
Total equity	226,885	(27,184)	199,701
Attributable to:			
- Equity holders of the Company	120,612	(20,116)	100,496
- Non-controlling interest	106,273	(7,068)	99,205
	226,885	(27,184)	199,701

Summarised statements of comprehensive income before intra-group elimination:

	EAT Group RM'000	PT WIN Group RM'000	Total RM'000
At 31 December 2019			
Revenue	**271,872**	**3,214**	**275,086**
Cost of sales	**(194,933)**	**(14,266)**	**(209,199)**
Other income	**10,303**	**154**	**10,457**
Administrative and other expenses	**(77,546)**	**(2,846)**	**(80,392)**
Finance costs	**(22,300)**	**-**	**(22,300)**
Loss before tax	**(12,604)**	**(13,744)**	**(26,348)**
Tax	**3,716**	**1,352**	**5,068**
Loss after tax	**(8,888)**	**(12,392)**	**(21,280)**
Attributable to non-controlling interests	**(4,163)**	**(3,222)**	**(7,385)**

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(e) Summarised financial information of subsidiaries which have non-controlling interests that are material to the Group (continued)

Summarised statements of comprehensive income before intra-group elimination: (continued)

	EAT Group RM'000	PT WIN Group RM'000	Total RM'000
At 31 December 2018			
Revenue	419,000	1,662	420,662
Cost of sales	(283,171)	(17,509)	(300,680)
Other income	4,924	1,598	6,522
Administrative and other expenses	(27,953)	(3,668)	(31,621)
Finance costs	(22,439)	-	(22,439)
Profit/(loss) before tax	90,361	(17,917)	72,444
Tax	(16,129)	1,999	(14,130)
Profit/(loss) after tax	74,232	(15,918)	58,314
Attributable to non-controlling interests	34,770	(4,139)	30,631

Summarised cash flows before intra-group elimination:

	EAT Group RM'000	PT WIN Group RM'000	Total RM'000
At 31 December 2019			
Operating	**143,369**	**(5,729)**	**137,640**
Investing	**(60,222)**	**(40,738)**	**(100,960)**
Financing	**(74,814)**	**45,213**	**(29,601)**
Net decrease in cash and cash equivalents	**8,333**	**(1,254)**	**7,079**
At 31 December 2018			
Operating	90,291	(15,053)	75,238
Investing	(64,629)	(19,838)	(84,467)
Financing	(32,682)	32,094	(588)
Net decrease in cash and cash equivalents	(7,020)	(2,797)	(9,817)

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Group		Company	
	2019 RM'000	2018 Restated RM'000	2019 RM'000	2018 RM'000
Unquoted shares in Malaysia	**4,739**	4,739	**3,939**	3,939
Investment in a joint venture outside Malaysia (Note 38)	**306,808**	259,552	**-**	-
Share of post-acquisition reserves	**(40,962)**	(40,123)	**-**	-
	270,585	224,168	**3,939**	3,939
Amount due from associate	**2,500**	-	**2,500**	-
Accumulated impairment losses	**(46,921)**	-	**(6,439)**	-
	226,164	224,168	**-**	3,939

Details are as follows:

Name	Country of incorporation/ principal place of business	Principal activities	Nature of relationship	% of ownership interest held by the Group* 2019	2018
				%	%
Held by Company					
Intrapreneur Value Creation Sdn Bhd ("IVC")	Malaysia	To provide financing to companies within Johor Corporation Group based on Shariah principles	Associate	**29.91**	29.91
Held through Sindora Berhad					
Tepak Marketing Sdn Bhd ("Tepak")	Malaysia	Tea blending and packaging	Associate	**20.00**	20.00
Held through Kulim Energy Nusantara Sdn Bhd					
PT Rizki Bukit Barisan Energi ("RBB")*	Indonesia	Operator of a Production Sharing Contract in South West Bukit Barisan	Joint Venture	**60.00**	60.00

* By virtue of the agreements as disclosed in Note 33(a), the Group considers that is has joint control over the operations of RBB.

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

Summarised financial information on investment accounted for using the equity method

Summarised financial information is set out below. The summarised financial information represents the amounts in the financial statements and not the Group's share of those amounts.

(i) Summarised statement of financial position

	RBB RM'000	IVC RM'000	Tepak RM'000	Total RM'000
At 31 December 2019				
Current assets	**30,732**	**7,644**	**23,764**	**62,140**
Non-current assets	**236,471**	**7,684**	**1,942**	**246,097**
Current liabilities	**(6,000)**	**(848)**	**(6,469)**	**(13,317)**
Non-current liabilities	**(282,524)**	**(2,500)**	**(149)**	**(285,173)**
Goodwill	**219,000**	**-**	**-**	**219,000**
Equity	**197,679**	**11,980**	**19,088**	**228,747**
Proportion of Group's ownership	**60.00%**	**29.91%**	**20.00%**	
Equity attributable to the Group, net off impairment losses, representing carrying amount of the investment	**219,846**	**2,500**	**3,818**	**226,164**
At 31 December 2018				
Current assets	19,424	16,808	19,246	55,478
Non-current assets	197,735	-	3,607	201,342
Current liabilities	(2,333)	(969)	(4,768)	(8,070)
Non-current liabilities	(231,940)	(2,500)	(309)	(234,749)
Goodwill	219,000	-	-	219,000
Equity	201,886	13,339	17,776	233,001
Proportion of Group's ownership	60.00%	29.91%	20.00%	
Equity attributable to the Group, net off impairment losses, representing carrying amount of the investment	216,623	3,990	3,555	229,642

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

Summarised financial information on investment accounted for using the equity method (continued)

(ii) Summarised statement of comprehensive income

	RBB RM'000	IVC RM'000	Tepak RM'000	Total RM'000
At 31 December 2019				
Revenue	**-**	**105**	**41,420**	**41,525**
Cost of sales	**-**	**(106)**	**(33,201)**	**(33,307)**
Administration expenses	**(7,854)**	**(1,317)**	**(3,693)**	**(12,864)**
Other income	**6,102**	**273**	**45**	**6,420**
Profit for the financial year	**(1,752)**	**(1,045)**	**4,571**	**1,774**
Total comprehensive (loss)/income for the financial year	**(1,752)**	**(1,045)**	**4,571**	**1,774**
At 31 December 2018				
Revenue	-	124	40,583	40,707
Cost of sales	-	(106)	(34,457)	(34,563)
Administration expenses	(22,047)	(27)	(3,111)	(25,185)
Other income	-	145	152	297
Profit for the financial year	(22,047)	136	3,167	(18,744)
Total comprehensive income for the financial year	(22,047)	136	3,167	(18,744)
Dividend paid	**-**	-	460	460

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

Summarised financial information on investment accounted for using the equity method (continued)

(ii) Summarised statement of comprehensive income (continued)

Reconciliation of carrying amount:

	Group	
	2019 RM'000	**2018 RM'000**
At 1 January, as previously stated	**7,545**	3,042
Effective of prior year adjustment (Note 38)	**216,623**	203,430
At 1 January, as restated	**224,168**	206,472
Share of profit/(losses) for the financial year	**(839)**	(12,664)
Impairment losses	**(46,921)**	-
	(47,760)	(12,664)
Additions:	**47,256**	26,421
Transfer from financial assets at fair value through profit or loss	**-**	3,939
Transfer from other receivables	**2,500**	-
As at 31 December	**226,164**	224,168

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Shares in Malaysia		
	Unquoted RM'000	Quoted RM'000	Total RM'000
Group			
Non-current			
31 December 2019			
Financial assets at fair value through other comprehensive income	**12,325**	**36,808**	**49,133**
31 December 2018			
Financial assets at fair value through other comprehensive income	14,722	29,594	44,316

	Shares in Malaysia		
	Unquoted RM'000	Quoted RM'000	Total RM'000
Company			
Non-current			
31 December 2019			
Financial assets at fair value through other comprehensive income	**9,241**	**23,866**	**33,107**
31 December 2018			
Financial assets at fair value through other comprehensive income	11,741	22,820	34,561

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group	Shares in Malaysia Quoted RM'000	Outside Malaysia Unquoted* Restated RM'000	Warrants in Malaysia Quoted RM'000	Total RM'000
Non-current				
31 December 2019				
Financial assets at fair value through profit or loss	**22,159**	**-**	**1,209**	**23,368**
Non-current				
31 December 2018				
Financial assets at fair value through profit or loss	19,421	-	879	20,300

Company	Shares in Malaysia Quoted RM'000	Warrants in Malaysia Quoted RM'000	Total RM'000
Non-current			
31 December 2019			
Financial assets at fair value through profit or loss	**21,919**	**382**	**22,301**
Non-current			
31 December 2018			
Financial assets at fair value through profit or loss	19,183	278	19,461

* Refer to Note 38 for effects of the prior year adjustments.

18 INVENTORIES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Agricultural produce	**5,387**	2,889	**-**	-
Raw materials and consumables	**6,664**	8,985	**1,741**	2,405
Finished goods	**7,626**	45,353	**207**	299
Completed properties held for sale	**88,511**	78,005	**88,511**	78,005
Land held for development	**2,938**	2,938	**2,938**	2,938
	111,126	138,170	**93,397**	83,647

19 BIOLOGICAL ASSETS

Group	Fresh fruit bunches RM'000	Pineapple RM'000	Livestock RM'000	Total RM'000
At 1 January 2019	**745**	**5,665**	**16,860**	**23,270**
Addition	**-**	**3,244**	**2,301**	**5,545**
Changes in fair value	**5,146**	**(4,729)**	**922**	**1,339**
Disposal	**-**	**-**	**(3,713)**	**(3,713)**
At 31 December 2019	**5,891**	**4,180**	**16,370**	**26,441**
At 1 January 2018	7,280	4,430	19,346	31,056
Addition	-	4,458	3,387	7,845
Changes in fair value	(6,535)	(3,223)	(5,873)	(15,631)
At 31 December 2018	745	5,665	16,860	23,270

Company	Fresh fruit bunches RM'000	Pineapple RM'000	Total RM'000
At 1 January 2019	**173**	**5,665**	**5,838**
Addition	**-**	**3,244**	**3,244**
Changes in fair value	**1,195**	**(4,729)**	**(3,534)**
At 31 December 2019	**1,368**	**4,180**	**5,548**
At 1 January 2018	1,333	4,430	5,763
Addition	-	4,458	4,458
Changes in fair value	(1,160)	(3,223)	(4,383)
At 31 December 2018	173	5,665	5,838

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current				
Due no later than one year	**26,441**	23,270	**5,548**	5,838

19 BIOLOGICAL ASSETS (CONTINUED)

During the financial year, the Group produced approximately 907,172 metric tonnes ("MT") (2018: 919,844 MT) of fresh fruit bunches ("FFB"), 1,954 MT (2018: 3,208 MT) pineapples and 1,105 heads (2018: 1,172 heads) of cattles. The Company produced approximately 225,015 MT metric tonnes (MT) (2018: 240,125 MT) of fresh fruit bunches (FFB) and 1,954 MT (2018: 3,208 MT) of pineapples.

As at 31 December 2019, the Group's unharvested FFB, pineapples and unsold cattle used in the fair value were 31,654 MT (2018: 35,084 MT), 6,396 MT (2018: 1,954 MT) and 6,069 heads (2018: 6,479 heads) respectively. The Company's unharvested FFB and pineapples used in the fair value were 8,145 MT (2018: 9,513 MT) fresh fruit bunches ("FFB") and 6,396 MT (2018: 1,954 MT) of pineaples.

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 2 weeks prior to harvest, FFB more than 2 weeks before harvesting are excluded from the valuation as their fair values are considered negligible. The fair value of FFB is calculated based on the income approach which considers the net present value of all directly attributable net cashflows including imputed contributory asset charges and the range of FFB prices as at financial year end of RM405 to RM594 (2018: RM380 to RM407) per MT.

Pineapple — Growing pineapples represent the standing pineapples prior to harvest. The fair value of growing pineaples depends on the age, sucrose content and condition and is calculated based on expected selling prices as at financial year end of RM2.60/kg (2018: RM2.22/kg).

Livestock — Fair values of the livestock are based on the Group's assessment of the age and market values of the livestock, which range from RM2,995 to RM5,833 (31.12.2018: RM2,800 to RM5,800) per cattle.

FV hierarchy — The fair value measurement of the Group's biological assets are categorised within Level 2 of the fair value hierarchy. If the selling price of the FFB, pineapples and livestock changed by 5%, the profit or loss of the Group would have increased or decreased by approximately RM0.94 million (2018: RM0.70 million) RM0.21 million (2018: RM0.28 million) and RM1.24 million (2018: RM1.73 million), respectively.

If the selling price of the FFB and pineapples changed by 5%, the profit or loss of the Company would have increased or decreased by approximately RM0.25 million (2018: RM0.18 million) and RM0.21 million (2018: RM0.28 million) respectively.

20 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-current				
Other receivables:				
Third parties	**58,488**	1,313	**56,386**	-
Holding corporation	**188,848**	19,140	**188,848**	19,140
Related companies	**1,567**	-	**1,567**	-
Subsidiaries	**-**	-	**3,681**	-
	248,903	20,453	**250,482**	19,140
Less: Allowance for impairment losses:				
Third parties	**(16,137)**	-	**(16,084)**	-
Holding corporation	**(1,421)**	-	**(1,421)**	-
Subsidiaries	**-**	-	**(2,038)**	-
	(17,558)	-	**(19,543)**	-
Total non-current	**231,345**	20,453	**230,939**	19,140
Current				
Trade receivables:				
Third parties	**121,343**	151,787	**2,348**	1,592
Less: Allowance for impairment losses:				
Third parties	**(11,741)**	(15,104)	**(1,252)**	(1,252)
	109,602	136,683	**1,096**	340
Other receivables:				
Third parties	**61,521**	111,780	**54,440**	84,864
Less: Allowance for impairment losses:				
Third parties	**(17,767)**	(13,619)	**(11,548)**	(13,451)
	43,754	98,161	**42,892**	71,413

20 TRADE AND OTHER RECEIVABLES (CONTINUED)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current				
Amount due from:				
Subsidiaries	**-**	-	**65,203**	312,363
Holding corporation	**209,781**	28,477	**199,443**	22,779
Related companies	**5,645**	4,916	**2,752**	6,420
	215,426	33,393	**267,398**	341,562
Less: Allowance for impairment losses:				
Subsidiaries	**-**	-	**(39,526)**	(31,262)
Holding corporation	**(2,464)**	(3,580)	**(3,005)**	(2,779)
Related companies	**(2,648)**	(3,125)	**-**	(2,893)
	(5,112)	(6,705)	**(42,531)**	(36,934)
Amount due from, net	**210,314**	26,688	**224,867**	304,628
Other current assets:				
Deposit	**2,860**	2,978	**-**	262
Prepayments	**15,429**	17,381	**2,503**	6,525
	18,289	20,359	**2,503**	6,787
Total current	**381,959**	281,891	**271,358**	383,168
Total trade and other receivables	**613,304**	302,344	**502,297**	402,308

20 TRADE AND OTHER RECEIVABLES (CONTINUED)

(i) Included in other receivables for the Group and the Company are amounts due from PT Graha Sumber Barkah and its' related companies amounting to RM58.49 million and RM56.38 million respectively, RM56.38 million is secured by 11% of PT Citra Sarana Energi's shares pledged as collateral. During the financial year, the repayment date was extended to 31 December 2020.

(ii) The amount due from the holding corporation amounting to RM396.17 million (2018: RM44.03 million) is unsecured, with interest charged at 4.93% - 5.84% (2018: 4.93%) per annum, RM200.00 million is repayable in 2020, while the balance is repayable from the year 2021 or at such other date to be mutually agreed by both parties.

(iii) Certain amounts due from subsidiaries amounting to RM27.32 million (2018: RM281.10 million) is unsecured, with interest charged at 4.93% - 6.85% (2018: 4.93% 6.85%) per annum.

(a) Reconciliation of loss allowance

(i) Trade receivables

The loss allowance for trade receivables as at 31 December 2019 reconciles to the opening loss allowance for that provision as follows:

Group	2019 RM'000	2018 RM'000
At 1 January	**15,104**	11,145
Increase in loss allowance recognised in profit or loss during the financial year	**737**	4,675
Reversal of provision	**(4,100)**	(716)
At 31 December	**11,741**	15,104
Company		
At 1 January/ 31 December	**1,252**	1,252

20 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Reconciliation of loss allowance (continued)

(ii) Other receivables

The loss allowance for other receivables as at 31 December 2019 reconciles to the opening loss allowance for that provision as follows:

Group	2019 RM'000	2018 RM'000
At 1 January	**13,619**	20,088
Increase in loss allowance recognised in profit or loss during the financial year	**20,676**	824
Reversal of provision	**(391)**	(7,293)
At 31 December	**33,904**	13,619
Company		
At 1 January	**13,451**	15,791
Increase in loss allowance recognised in profit or loss during the financial year	**14,181**	-
Reversal of provision	**-**	(2,340)
At 31 December	**27,632**	13,451

(iii) Holding corporation and related companies

The loss allowance for amount due from holding corporation and related companies as at 31 December 2019 reconciles to the opening loss allowance for that provision as follows:

Group	2019 RM'000	2018 RM'000
At 1 January	**6,705**	3,865
Increase in loss allowance recognised in profit or loss during the financial year	**2,361**	2,912
Reversal of provision	**(2,533)**	(72)
At 31 December	**6,533**	6,705
Company		
At 1 January	**36,934**	31,498
Increase in loss allowance recognised in profit or loss during the financial year	**9,056**	5,938
Reversal of provision	**-**	(502)
At 31 December	**45,990**	36,934

20 TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Maximum exposure to credit risk

(i) Trade receivables using simplified approach.

The Group and Company applies the MFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables 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 unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 24 months before 31 December 2019 or 31 December 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forwardlooking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has adjusted the historical loss rates based on expected changes in these factors.

Group	Current RM'000	More than 30 days past due RM'000	More than 60 days past due RM'000	More than 90 days past due RM'000	Total RM'000
31 December 2019					
Expected loss rate	1%	1%	1%	54%	
Gross carrying amount - trade receivables	53,406	27,842	18,828	21,267	121,343
Loss allowance	(51)	(82)	(62)	(11,546)	(11,741)
Carrying amount (net of loss allowance)	53,355	27,760	18,766	9,721	109,602
31 December 2018					
Expected loss rate	0%	0%	4%	43%	
Gross carrying amount - trade receivables	54,267	48,508	15,466	33,546	151,787
Loss allowance	-	-	(606)	(14,498)	(15,104)
Carrying amount (net of loss allowance)	54,267	48,508	14,860	19,048	136,683

20 TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Maximum exposure to credit risk (continued)

(i) Trade receivables using simplified approach. (continued)

Company	Current RM'000	More than 30 days past due RM'000	More than 60 days past due RM'000	More than 90 days past due RM'000	Total RM'000
31 December 2019					
Expected loss rate	**0%**	**0%**	**0%**	**59%**	
Gross carrying amount - trade receivables	**156**	**151**	**119**	**1,922**	**2,348**
Loss allowance	**-**	**-**	**-**	**(1,252)**	**(1,252)**
Carrying amount (net of loss allowance)	**156**	**151**	**119**	**670**	**1,096**
31 December 2018					
Expected loss rate	0%	0%	0%	80%	
Gross carrying amount - trade receivables	29	-	-	1,563	1,592
Loss allowance	-	-	-	(1,252)	(1,252)
Carrying amount (net of loss allowance)	29	-	-	311	340

20 TRADE AND OTHER RECEIVABLES (CONTINUED)

A summary of the assumptions underpinning the Group's and Company's expected credit loss model under the 3 stage approach is as follows:

Category of Internal credit rating	Definition of category	Basis for recognition of expected credit losses
Performing	Includes financial instruments that have not had a significant increase in credit risk since initial recognition or that (at the option of the entity) have low credit risk at the reporting date. 12-month ECL are the ECL that result from default events that are possible within 12 months after the reporting date.	For these assets, 12-month expected credit losses ('ECL') are recognised and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset, weighted by the probability that the loss will occur in the next 12 months.
Underperforming	Includes financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date and this option is taken by the entity) but that do not have objective evidence of impairment. ECL are the weighted average credit losses, with the respective risks of a default occurring as the weights.	For these assets, lifetime ECL are recognised, but interest revenue is still calculated on the gross carrying amount of the asset. Lifetime ECL are the ECL that result from all possible default events over the maximum contractual period during which the entity is exposed to credit risk.
Non-performing	Includes financial assets that have objective evidence of impairment at the reporting date.	For these assets, lifetime ECL are recognised and interest revenue is calculated on the net carrying amount (that is, net of credit allowance).
Write-off	Interest and/or principal repayments are 120 days past due and there is no reasonable expectation of recovery.	Asset is written off.

20 TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Maximum exposure to credit risk (continued)

(ii) Other receivables, holding corporation and intercompanies using general 3 stage approach.

Group internal credit rating	Expected credit loss rate	Basis for recognition of expected credit loss provision	Estimated gross carrying amount at default	Loss allowance	Carrying amount (net of impairment provision)
31 December 2019	%		RM	RM	RM
Performing	5%	12 Month ECL	467,362	(24,301)	443,061
Underperforming	28%	12 Month ECL	58,488	(16,136)	42,352
Non performing	Nil	Life time ECL	-	-	-
Write-off	100%	Asset written off to profit or loss	-	-	-
			525,850	(40,437)	485,413
31 December 2018					
Performing	Nil	12 Month ECL	4,941	-	4,941
Underperforming	44%	12 Month ECL	2,256	(997)	1,259
Non performing	12%	Life time ECL	158,429	(19,327)	139,102
Write-off	100%	Asset written off to profit or loss	-	-	-
			165,626	(20,324)	145,302

20 TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Maximum exposure to credit risk (continued)

(ii) Other receivables, holding corporation and intercompanies using general 3 stage approach. (continued)

Company internal credit rating	Expected credit loss rate	Basis for recognition of expected credit loss provision	Estimated gross carrying amount at default	Loss allowance	Carrying amount (net of impairment provision)
31 December 2019	%		RM	RM	RM
Performing	2%	12 Month ECL	444,677	(9,108)	435,569
Underperforming	28%	Life time ECL	88,234	(25,105)	63,129
Non performing	100%	Life time ECL	39,409	(39,409)	-
Write-off	100%	Asset written off to profit or loss	-	-	-
			572,320	(73,622)	498,698
31 December 2018					
Performing	0%	12 Month ECL	342,136	-	342,136
Underperforming	7%	Life time ECL	56,047	(3,671)	52,376
Non performing	99%	Life time ECL	47,383	(46,714)	669
Write-off	100%	Asset written off to profit or loss	-	-	-
			445,566	(50,385)	395,181

21 DERIVATIVES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Contractual nominal value				
Interest rate swap	**400,000**	400,000	**300,000**	300,000
Fair value				
Current liabilities				
Interest rate swap	**3,470**	1,696	**2,644**	1,272

The Group and the Company have entered into interest rate swap contracts with a notional amount of RM400.00 million (2018: RM400.00 million) and RM300.00 million (2018: RM300.00 million) respectively that is designed to convert its floating rate liabilities to fixed rate liabilities to reduce the Group's and Company's exposure to adverse fluctuations in interest rate on its borrowings.

Under the interest rate swap contract, the Group and the Company pay a fixed rate of interest of 3.89% (2018: 3.89%) and 3.89% (2018: 3.89%) per annum respectively and receive a variable rate based on one month KLIBOR on the amortised notional amount.

The above interest rate swaps are not designated as a cash flow or fair value hedge and is entered into for a period consistent with the transaction exposure, which is up to the financial year ending 2021.

22 CASH AND BANK BALANCES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and bank balances	**121,139**	72,438	**81,920**	25,841
Deposits placed with licensed banks	**47,235**	81,394	**22,237**	75,254
Short-term money market funds	**1,558**	98,622	**25**	2,725
	169,932	252,454	**104,182**	103,820

Included in deposits placed with licensed banks of the Group and of the Company are amounts of RM37.39 million (2018: RM10.62 million) and RM14.07 million (2018: RM0.35 million) respectively, pledged for bank facilities granted to the Group and the Company.

The weighted average interest rate of the fixed deposits of the Group and of the Company at the reporting date are 3.23% (2018: 2.95%) per annum and 2.87% (2018: 2.34%) per annum respectively.

The weighted average maturities of the fixed deposits of the Group and of the Company at the reporting date are 122 days (2018: 85 days) and 53 days (2018: 93 days) respectively.

22 CASH AND BANK BALANCES (CONTINUED)

Short-term money market funds of the Group and of the Company are highly liquid fund investments which can be realised within 2 days (2018: 2 days) and 7 days (2018: 7 days) respectively. They bear interest at rates of 3.39% (2018: 0.71%) per annum and 3.02% (2018: 2.55%) per annum respectively.

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and bank balances	**169,932**	252,454	**104,182**	103,820
Less:				
Deposits pledged	**(37,391)**	(10,628)	**(14,074)**	(350)
Bank overdrafts (Note 26)	**(6,918)**	(8,265)	**-**	-
Deposits placed with licensed banks with maturities exceeding 90 days	**(27)**	(14,454)	**-**	-
Cash and cash equivalents	**125,596**	219,107	**90,108**	103,470

23 CONTRACT LIABILITIES

	Group	
	2019 RM'000	2018 RM'000
At 1 January	**-**	131,594
Reversal	**-**	(131,982)
Effect of foreign exchange differences	**-**	388
Progress billings	**15,610**	-
At 31 December	**15,610**	-

24 TRADE AND OTHER PAYABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current				
Trade:				
Third parties	174,489	154,948	10,970	11,743
Accruals	136,003	110,236	-	-
	310,492	265,184	10,970	11,743
Non-trade:				
Third parties	105,211	123,265	23,438	16,204
	105,211	123,265	23,438	16,204
Amount due to:				
Subsidiaries	-	-	221,807	102,644
Holding corporation	1,245	-	-	-
Related companies	3,384	1,546	-	832
	4,629	1,546	221,807	103,476
Non-current				
Amount due to:				
Subsidiary	-	-	288,576	-
	-	-	288,576	-
Total trade and other payables	420,332	389,995	544,791	131,423

(a) Trade payables

Trade payables are unsecured and non-interest bearing. Credit terms range from payment in advance to 90 days.

(b) Non-trade payables

Non-trade payables are unsecured and non-interest bearing except for an amount due to non-controlling interest of a subsidiary of RM11.55 million (2018: RM6.81 million) that bears 6.85% - 9.00% interest rate per annum.

(c) Amounts due to subsidiaries and related companies (non-trade)

These amounts which arose mainly from advances and payments on behalf are unsecured, with RM510.38 million (2018: RM102.64 million) interest-bearing at a rate of 4.93% - 6.85% (2018: 6.85%) per annum. The amounts are repayable between 2020 to 2024.

(d) Accruals

Included in accruals are provisions for litigation (Note 34(a) and (b) amounting to RM129.87 million (2018: RM82.96 million).

24 TRADE AND OTHER PAYABLES (CONTINUED)

	Group	
	2019 RM'000	2018 RM'000
At 1 January	**82,961**	82,961
Additional provision for litigation	**45,904**	-
At 31 December	**128,865**	82,961

25 LEASE LIABILITIES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Amount due for settlement within 12 months	**35,084**	-	**713**	-
Amount due for settlement after 12 months	**24,834**	-	**2,525**	-
	59,918	-	**3,238**	-
Maturity analysis:				
Not more than 1 year	**35,084**	-	**713**	-
Later than 1 year and not later than 5 years	**22,771**	-	**2,525**	-
Later than 5 years	**2,063**	-	**-**	-
	59,918	-	**3,238**	-

25 LEASE LIABILITIES (CONTINUED)

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the financial year:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
At 1 January 2019, previously stated	-	-	-	-
Effects of MFRS 16 (Note 38)	22,395	-	3,459	-
At 1 January 2019, as restated	22,395	-	3,459	-
Addition	52,974	-	460	-
Accreation of interest	2,042	-	175	-
Payments	(16,629)	-	(856)	-
Exchange differences	(864)	-	-	-
As 31 December 2019	59,918	-	3,238	-

The Group and the Company do not face a significant liquidity risk with regard to its liabilities.

26 BORROWINGS

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Current				
Secured:				
Term loans	136,331	113,332	11,712	49,000
Revolving credits	11,988	12,300	-	290,000
Hire purchase	2,956	3,363	-	-
Bank overdrafts	6,918	2,357	-	-
Bankers' acceptances	8,511	4,864	-	-
	166,704	136,216	11,712	339,000
Unsecured:				
Term loans	145,843	48,999	145,843	-
Revolving credits	19,000	608,899	-	-
Bank overdrafts	-	5,908	-	-
	164,843	663,806	145,843	-
Current borrowings	331,547	800,022	157,555	339,000

26 BORROWINGS (CONTINUED)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-current				
Secured:				
Term loans	2,034,947	209,073	1,022,261	-
Hire purchase	2,492	4,705	-	-
	2,037,439	213,778	1,022,261	-
Unsecured:				
Term loans	12,900	867,593	13,952	504,319
Non-current borrowings	2,050,339	1,081,371	1,036,213	504,319
Total borrowings	2,381,886	1,881,393	1,193,768	843,319
Total borrowings:				
Term loans	2,330,021	1,238,997	1,193,768	553,319
Revolving credits	30,988	621,199	-	290,000
Hire purchase	5,448	8,068	-	-
Bank overdrafts (Note 22)	6,918	8,265	-	-
Bankers' acceptances	8,511	4,864	-	-
	2,381,886	1,881,393	1,193,768	843,319

During the financial year, the Group and Company capitalised directly attributable transaction costs relating to certain term loans amounting to RM11.82 million (2018: RM19.92 million) and RM8.68 million (2018: RM19.92 million) respectively.

26 BORROWINGS (CONTINUED)

Details of the Group's term loans are as follows:

Group	Year of maturity	Carrying amount	Under 1 year	1 - 2 years	3 - 5 years	Over 5 years
			<----Repayment			---->
		RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2019						
Islamic financing facilities	**2020-2031**	**2,051,911**	**97,387**	**124,566**	**375,053**	**1,454,905**
Conventional financing facilities	**2020-2029**	**278,110**	**184,787**	**36,511**	**56,673**	**139**
		2,330,021	**282,174**	**161,077**	**431,726**	**1,455,044**
31 December 2018						
Islamic financing facilities	2021-2026	1,036,366	118,299	124,804	304,723	488,540
Conventional financing facilities	2019-2030	202,631	44,032	54,060	98,436	6,103
		1,238,997	162,331	178,864	403,159	494,643

Company	Year of maturity	Carrying amount	Under 1 year	1 - 2 years	3 - 5 years	Over 5 years
			<----Repayment			---->
		RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2019						
Islamic financing facilities	**2026-2031**	**1,047,768**	**11,555**	**48,067**	**184,357**	**803,789**
Conventional financing facilities	**2020**	**146,000**	**146,000**	**-**	**-**	**-**
		1,193,768	**157,555**	**48,067**	**184,357**	**803,789**
31 December 2018						
Islamic financing facilities	2026	553,319	49,000	60,650	240,550	203,119

26 BORROWINGS (CONTINUED)

Hire purchase commitments

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group	
	2019 RM'000	2018 RM'000
Minimum hire purchase payments		
Not later than 1 year	**3,746**	3,461
Later than 1 year but not later than 5 years	**2,453**	4,661
Later than 5 years	**59**	-
Total minimum hire purchase payments	**6,258**	8,122
Less: Amounts representing finance charges	**(810)**	(54)
Present value of minimum hire purchase payments	**5,448**	8,068
Present value of payments		
Not later than 1 year	**2,956**	3,363
Later than 1 year but not later than 5 years	**2,444**	4,705
Later than 5 years	**48**	-
Present value of minimum hire purchase payments	**5,448**	8,068
Less: Amounts due within 12 months	**(2,956)**	(3,363)
Amount due after 12 months	**2,492**	4,705

Security

The borrowings are secured by the following:

(a) Charges over certain property, plant and equipment and right-of-use assets of the Group and Company as disclosed in Note 10 and Note 11;

(b) Charges over certain fixed deposits of the Group as disclosed in Note 22;

(c) Corporate guarantee from the Company;

(d) Joint and several guarantees by certain directors and shareholders of a subsidiary;

(e) Duly executed and enforceable Memorandum of Deposit and letter of set-off for the placement of fixed deposits totalling RM1,512,405 (2018: RM1,512,405) in form of Al Mudharabah General Investment Account (GIA) throughout the financing period respectively;

26 BORROWINGS (CONTINUED)

Security (continued)

The borrowings are secured by the following: (continued)

(f) Assignment of the relevant insurance coverage over the vessels indicating the Bank as loss payee (beneficiary), namely:

(i) Hull and machinery;
(ii) Mortgage interest; and
(iii) Protection and Indemnity Club (P&I) acceptable to the Bank.

The amount to be covered by insurance shall not be less than the outstanding amount of the facilities;

(g) Duly executed and enforceable Deed of Mortgage and Covenant over the vessels and vessels under construction to be financed by the Banks; and

(h) Legal Assignment of the contract proceeds throughout the financing period to be duly acknowledged by Charterer.

Significant financial covenants

In connection with significant term loan facilities, the Group and the Company have agreed on the following significant financial covenants with the lenders:

(a) Plantation segment:

(i) The Group shall ensure that commencing from the financial year ended 2020 and thereafter throughout the tenure of facility, Kulim Malaysian Plantation Division's FPCR (including cash balance) is not less than one point two (1.2) times.

(ii) Shall ensure that the Gearing Ratio on a consolidated basis shall not throughout the tenure of the Facility at any time exceed one (1) time.

(iii) Shall ensure that the Minimum Security Cover of at lease one point three (1.30) times for Syndicated Term Financing-I of up to RM1.50 billion and at least zero point five (0.5) times for Term Financing-I up to RM500.00 million is to be maintained throughout the tenure of the Facility

(b) Oil and gas support services:

(i) E.A Technique (M) Berhad total financing to tangible net worth ("Gearing ratio") will not exceed 3.00 times as per the following formula:

$$\frac{\text{Total Financing}}{\text{Tangible Networth + Subordination of Shareholders and Directors Advances}}$$

(ii) E.A Technique (M) Berhad debt to equity ratio will not exceed 10.00 times.

26 BORROWINGS (CONTINUED)

The borrowings of the Group and Company bear interest at the following rates:

	Group		Company	
	2019 % per annum	2018 % per annum	2019 % per annum	2018 % per annum
Weighted average effective interest rates at the end of reporting period:				
- Term loans	**5.30**	5.23	**4.99**	5.57
- Revolving credits and bankers' acceptances	**5.18**	4.98	**4.39**	4.38
- Lease liabilities	**3.34**	3.38	**-**	-
- Bank overdrafts	**6.79**	7.71	**-**	-

27 DEFERRED TAX (ASSETS) AND LIABILITIES

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 deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

The movements during the financial year relating to deferred assets and liabilities (prior to offsetting within the same tax jurisdiction) during the financial year are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At 1 January	**424,584**	403,213	**85,348**	92,822
Impact of adoption of MFRS 16 (Note 38)	**(9,005)**	-	**-**	-
(Credited)/charged to profit or loss (Note 9)				
- Property, plant and equipment	**(76,711)**	15,637	**(49,608)**	(2,900)
- Investment properties	**(1,891)**	197	**903**	-
- Right of use assets	**10,565**	-	**69,688**	-
- Biological assets	**(71)**	(1,591)	**287**	-
- Payables	**53,243**	29,998	**(21,998)**	(1,197)
- Tax losses	**(2,619)**	10,735	**1,345**	(1,691)
- Receivables	**(40,561)**	(33,413)	**(44,436)**	(1,686)
- Lease liabilities	**(7,375)**	-	**777**	-
	(74,425)	21,563	**(43,042)**	(7,474)

27 DEFERRED TAX (ASSETS) AND LIABILITIES (CONTINUED)

The movements during the financial year relating to deferred assets and liabilities (prior to offsetting within the same tax jurisdiction) during the financial year are as follows: (continued)

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
(Charged)/credited to equity				
- Exchange differences	**-**	(192)	**-**	-
	-	(192)	**-**	-
At 31 December	**350,159**	424,584	**42,306**	85,348
Deferred tax assets (before offsetting)				
Payables	**9,593**	62,836	**21,998**	-
Tax losses	**20,208**	17,589	**-**	1,345
Receivables	**43,316**	8,502	**44,714**	278
Lease liabilities	**14,380**	-	**-**	-
	87,497	88,927	**66,712**	1,623
Offsetting	**(85,484)**	(87,027)	**(66,712)**	(1,623)
Deferred tax assets (after offsetting)	**2,013**	1,900	**-**	**-**
Deferred tax liabilities (before offsetting)				
Property, plant and equipment	**135,930**	503,238	**37,363**	86,971
Right of use assets	**299,162**	-	**69,688**	-
Investment properties	**1,808**	3,699	**903**	-
Biological assets	**756**	827	**287**	-
Receivables	**-**	5,747	**-**	-
Lease liabilities	**-**	-	**777**	-
	437,656	513,511	**109,018**	86,971
Offsetting	**(85,484)**	(87,027)	**(66,712)**	(1,623)
Deferred tax liabilities (after offsetting)	**352,172**	426,484	**42,306**	85,348

27 DEFERRED TAX (ASSETS) AND LIABILITIES (CONTINUED)

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Deferred tax liabilities (before offsetting)				
Unutilised tax losses	**136,945**	96,449	**49,766**	1,958
Unabsorbed capital allowances	**4,974**	3,230	**-**	-
Other deductible temporary differences	**41,472**	36,536	**-**	-
	183,391	136,215	**49,766**	1,958

Certain amount of the unabsorbed tax losses will expire in year 2025 and 2026 under the current tax legislation. Deferred tax assets have not been recognised by certain subsidiaries in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

The unutilised capital allowances and other deductible temporary differences can be carried forward to be deducted from the adjusted income of the subsequent years of assessment indefinitely until it is fully utilised.

28 SHARE CAPITAL

	Group and Company	
	2019 RM'000	**2018 RM'000**
Issued and fully paid share capital		
4,000,000 ordinary shares with no par value	**1,000**	1,000

29 RESERVES

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Reserves					
Translation reserve	**(a)**	**(3,539)**	(14,770)	**-**	-
Fair value reserve	**(b)**	**(14,693)**	(27,469)	**(5,778)**	(6,824)
Equity transaction reserve	**(c)**	**(6,023)**	182	**-**	-
Other reserves	**(d)**	**(2,140)**	(7,605)	**9,630**	4,165
		(26,395)	(49,662)	**3,852**	(2,659)

The movements of each category of the reserves during the financial year are disclosed in the statements of changes in equity.

The nature and purpose of each category of reserves are as follows:

(a) Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations where functional currencies are different from that of the Group's presentation currency.

(b) Fair value reserve

The fair value reserve comprises the cumulative net loss on financial assets at fair value through other comprehensive income until the investments are derecognised or impaired.

(c) Equity transaction reserve

The equity transaction reserve comprises the differences between the share of non-controlling interests in subsidiaries acquired/disposed and the consideration paid/received.

(d) Other reserves

Other reserves consist mainly of reserves arising from the scheme of reconstruction, amalgamation, liquidation and merger of certain subsidiaries and fair value gain on investment properties as a result of transfer from owner occupied property

30 RETAINED EARNINGS

The entire retained earnings of the Company as at 31 December 2019 may be distributed in full as dividends under the single tier system.

31 RELATED PARTY TRANSACTIONS

(a) Sale and purchase of goods and services

For the purposes of the financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

All entities within the Johor Corporation Group are considered related companies/parties.

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Transaction value for the financial year ended 31 December	
Group	**2019 RM'000**	2018 RM'000
Holding corporation		
Johor Corporation		
- Agency fees received	**993**	861
- Purchase and sales commission received	**51**	26
- Planting advisory and agronomy fees received	**954**	861
- Computer charges received	**-**	1,824
- Sales of goods	**1,179**	1,135
- Construction work and maintenance fees received	**-**	5
- Event management fees and replanting services received	**-**	1,494
- Sales of oil palm seedling and bio compost fertilizer	**-**	18
- Rental payable	**(840)**	(856)
- Purchase of oil palm fresh fruit bunches	**(30,814)**	(28,001)
- Insurance charges	**35**	74
- Secretarial and share registration fees paid	**(502)**	(401)
- Dividend	**(192,140)**	(144,105)
- Interest income on advances	**14,401**	-
Other related companies		
Johor Franchise Development Sdn. Bhd.		
- Agency fees received	**936**	826
- Purchase and sales commission received	**49**	28
- Purchase of oil palm fresh fruit bunches	**(47,924)**	(47,040)
- Planting advisory and agronomy fees received	**900**	826
- Computer charges received	**3**	14
- Sales of goods	**672**	369
- Event management fees, replanting fees and booth rental received	**-**	159
- Sales of oil palm seedling and bio compost fertilizer	**81**	17

31 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Sale and purchase of goods and services (continued)

	Transaction value for the financial year ended 31 December	
Group (continued)	**2019 RM'000**	2018 RM'000
Other related companies (continued)		
Damansara Assets Sdn. Bhd.		
- Computer charges received	**23**	18
Johor Land Berhad		
- Purchase of oil palm fresh fruit bunches	**(2,496)**	(3,169)
- Management fees received	**562**	528
- Rendering of services	**931**	1,361
- Insurance charges	**220**	214
- Rental payable	**-**	(12)
Tanjung Langsat Port Sdn. Bhd.		
- Computer charges received	**-**	1
KARA Holdings Sdn. Bhd.		
- Computer charges received	**334**	445
JCorp Hotels and Resorts Sdn. Bhd.		
- Deposit paid for acquisition of land	**-**	(1,725)
JCorp Capital Solution Sdn. Bhd.		
- Dividend	**(7,340)**	(5,505)
Shareholders of subsidiary company, E.A Technique (M) Berhad		
Dato' Ir. Abdul Hak bin Md Amin		
- Shareholder's advances	**9,300**	250
- Interest charged	**670**	318
Datin Hamidah binti Omar		
- Shareholder's advances	**2,000**	-
- Interest charged	**223**	137

31 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Sale and purchase of goods and services (continued)

	Transaction value for the financial year ended 31 December	
Company	**2019 RM'000**	2018 RM'000
Holding corporation		
Johor Corporation		
- Rental payable	**(629)**	(629)
- Secretarial fee payable	**(43)**	(40)
- Dividend	**(192,140)**	(144,105)
- Interest income	**14,337**	2,935
Other related companies		
Johor Land Berhad		
- Purchase of oil palm fresh fruit bunches	**(2,496)**	(3,112)
- Management fees received	**562**	608
- Purchasing and sales commission received	**-**	78
JCorp Capital Solution Sdn. Bhd.		
- Dividend	**(7,340)**	(5,505)
Subsidiaries		
Mahamurni Plantations Sdn. Bhd.		
- Sales of oil palm fresh fruit bunches	**61,481**	73,536
- Interest income	**127**	31
- Corporate guarantee fees	**651**	376
Kulim Plantations (Malaysia) Sdn. Bhd.		
- Sales of oil palm fresh fruit bunches	**27,599**	29,374
- Dividend income	**20,000**	15,000

31 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Sale and purchase of goods and services (continued)

	Transaction value for the financial year ended 31 December	
Company (continued)	**2019 RM'000**	2018 RM'000
Subsidiaries (continued)		
Selai Sdn. Bhd.		
- Dividend income	**2,000**	-
Ulu Tiram Manufacturing Company (Malaysia) Sdn. Bhd.		
- Dividend income	**-**	2,310
Kumpulan Bertam Plantations Berhad		
- Dividend income	**1,996**	10,713
Sindora Berhad		
- Sales of oil palm fresh fruit bunches	**11,508**	14,342
- Dividend income	**-**	1,000
- Interest income	**21**	276
- Interest expense	**(174)**	(127)
Danamin (M) Sdn Bhd		
- Interest income	**1,769**	1,736
Kulim Nursery Sdn. Bhd.		
- Purchase of oil palm seedlings and bio compost fertilizers	**(2,260)**	(2,669)
Edaran Badang Sdn. Bhd.		
- Purchase of goods	**(1,415)**	(1,493)
Perfect Synergy Sdn. Bhd.		
- Purchase of chemicals	**(1,393)**	(1,815)

31 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Sale and purchase of goods and services (continued)

	Transaction value for the financial year ended 31 December	
Company (continued)	**2019 RM'000**	2018 RM'000
Subsidiaries (continued)		
Extreme Edge Sdn. Bhd.		
- Purchase of computer hardware and software supplies	**(130)**	(492)
- Services performed for conversion of IT software	**(282)**	(277)
- Maintenance of equipments charged	**(2,218)**	(2,839)
- IT hardware and maintenance services	**(5,401)**	(2,828)
Kulim Civilworks Sdn. Bhd.		
- Repair and maintenance fees charged	**-**	(152)
Pinnacle Platform Sdn. Bhd.		
- Services performed on maintenance of IT application systems	**(2,027)**	(1,990)
- Purchase of IT application systems and software	**(136)**	(106)
Special Appearance Sdn. Bhd.		
- Replanting cost expenses	**-**	(365)
EPA Management Sdn Bhd		
- Interest expense	**(2,352)**	(1,870)
Kulim Livestock Sdn Bhd		
- Interest income	**316**	291

(b) Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel comprises all the Directors and those ranked General Manager and above of the Company and their compensation are disclosed in Note 8.

32 CAPITAL COMMITMENTS

Capital commitments

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Authorised capital expenditure in respect of property, plant and equipment not provided for in the financial statements at the end of the financial year:				
- Contracted for	**59,559**	52,568	**1,424**	1,539
- Not contracted for	**47,240**	37,164	**664**	626
	106,799	89,732	**2,088**	2,165
Authorised capital expenditure in respect of investment in				
PT Rizki Bukit Barisan Energi				
- Contracted for	**13,682**	60,336	**-**	-

33 SIGNIFICANT EVENTS DURING AND SUBSEQUENT TO YEAR END

(a) Investment in Indonesia Oil and Gas

On 24 October 2014, the Group via Kulim Energy Nusantara Sdn Bhd ("KENSB") signed a Joint Operating Agreement ("JOA") for oil and gas project at contract area of South West Bukit Barisan Block ("SWBB PSC"), Central Sumatera, Indonesia with PT Rizki Bukit Barisan Energi ("PT RBBE" or formerly known as PT Radiant Bukit Barisan E&P) and PT Graha Sumber Berkah ("PT GSB"). The JOA establishes the structure, rights, responsibilities and obligations and the terms and conditions of the intended cooperation between RBBE as Operator, KENSB and PT GSB as Co-operators in relation to the SWBB PSC project.

On 10 December 2014, KENSB entered into a Conditional Subscription and Share Purchase Agreement ("CSSPA") with PT Citra Sarana Energi ("PT CSE") and its existing shareholders, namely PT Wisesa Inspirasi Sumatera ("PT WIS") and PT Inti Energi Sejahtera ("PT IES"), to acquire a 60% equity interest in PT CSE to participate in the exploration and development of SWBB PSC for a total cash consideration of approximately USD133.55 million (approximately RM534.86 million).

On 7 February 2016, KENSB entered into a Supplemental Agreement of CSSPA ("SA CSSPA") to revise the total cash consideration from USD133.55 million (approximately RM534.86 million) to USD80 million (approximately RM318.41 million).

On 6 December 2017, KENSB, PT WIS and PT CSE (collectively referred to as the "Parties") have agreed that the SA CSSPA dated 7 February 2016 be varied and amended which affected the mode of payment of the balance purchase price for the Sale Shares of USD11.32 million (approximately RM47.00 million), among others. PT WIS plans to sell its shares in PT CSE to potential investors (hereinafter referred to "PT CSE Divestment"). The Parties agreed that the balance purchase price for the Sale Shares amounting to USD11.32 million (approximately RM47.00 million) shall be paid by KENSB to PT WIS by way of set off from KENSB's entitlement to the proceeds of the PT CSE Divestment.

33 SIGNIFICANT EVENTS DURING AND SUBSEQUENT TO YEAR END (CONTINUED)

(a) Investment in Indonesia Oil and Gas (continued)

On 22 June 2018, Indonesian Government has approved the first Plan of Development ("POD") for Sinamar area of SWBB PSC, with a projected gross revenue of USD938.00 million (approximately RM3.89 billion). Following the POD approval, PT RBBE shall comply with the provisions regulated by the Indonesian Government and Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi ("SKK MIGAS") to;

(i) Complete development work at Sinamar area; and
(ii) Continue exploration program at SWBB PSC.

As at 31 December 2019, KENSB has paid a total of USD76.68 million (approximately RM304.69 million) representing:

(i) USD12.83 million (approximately RM46.76 million) as deposit for acquisition of shares;
(ii) USD40.85 million (approximately RM162.33 million) as prepayment for subscription of shares;
(iii) USD15.00 million (approximately RM62.23 million) as further investment in accordance with the CSSPA and SA CSSPA; and
(iv) USD8.00 million (approximately RM33.37 million) as advances in accordance with the JOA.

The completion date of the CSSPA and SA CSSPA have been further extended to 31 December 2020 due to the pending approval by the Indonesian Government and SKK MIGAS in respect of the Change of Control ("COC") of the SWBB PSC.

The Directors are currently evaluating several proposals in relation to this investment and have approved for the full divestment.

(b) Proposed disposal of land in Mukim Tebrau ("Tanah Ladang UTE")

The Company had on 2 January 2018 entered into a Sale and Purchase Agreement ("SPA") with Crescendo Development Sdn Bhd ("Crescendo") for the disposal of certain lands lands for a total cash consideration of RM13.70 million ("Tanah Ladang UTE") and has received a deposit of RM2.70 million in accordance with the SPA.

As at the date of the financial statements, the Group is in the midst of completing the various conditions precedent as defined in the SPA.

(c) Proposed private placement, debt capitalisation and free warrants issue

A subsidiary, E.A Technique (M) Berhad had obtained the approval from its shareholders at the last Extraordinary General Meeting ("EGM") convened on 25 September 2019, authorising the Directors to allot and issue:

(i) 106,355,800 Placement Shares in respect of the Proposed Private Placement;
(ii) 121,622,400 Settlement Shares in respect of the Proposed Debt Capitalisation; and
(iii) 365,989,100 warrants in respect of the Proposed Free Warrants Issue.

Bursa Securities had, vide its letter dated 20 August 2019, approved the following:

(i) listing of up to 106,355,800 Placement Shares on the Main Market;
(ii) listing of 121,622,400 Settlement Shares on the Main Market;
(iii) admission to the Official List of Bursa Securities and the listing and quotation of up to 365,989,100 Warrants; and
(iv) listing of up to 365,989,100 new Shares to be issued from the exercise of the Warrants on the Main Market.

Management had obtained written consent from the subsidiary's lenders/financiers in respect of the change in capital structure. All approvals have been obtained which the last approval was obtained on 24 December 2019.

33 SIGNIFICANT EVENTS DURING AND SUBSEQUENT TO YEAR END (CONTINUED)

(c) Proposed private placement, debt capitalisation and free warrants issue (continued)

As at 31 December 2019, the proposed private placement, debt capitalisation and free warrants issue have yet to be implemented due to unfavourable share price.

As of date of this report, the management has received the mandate from the subsidiary board of directors to implement the proposed private placement, debt capitalisation and free warrants issue when the share price is at 35 cent.

The management has also applied to Bursa Malaysia for extension of time on the Corporate Exercise implementation.

On 27 February 2020, the subsidiary has made an additional listing announcement, which involves private placement of new ordinary shares in the subsidiary, The private placement proposal will be the first tranche of the approved number of placement shares which the approval has been obtained from the shareholders during Extraordinary General Meeting ("EGM") on 25 September 2019. The private placement will be representing approximately 21.10% of the subsidiary's total number of issued shares. The total number of shares to be issued is 26,500,000 units, with 11,500,000 units at the price of RM0.47 per share and remaining 15,000,000 units at the price of RM0.35 per share. 11,500,000 units of shares is in relation to the private placement of 1,000,000 new shares to Dato' Hak Bin Md. Amin and 10,500,000 new shares to Sindora Berhad. The remaining 15,000,000 units of shares is in relation to placement made to independent third party investors.

The successful implementation of the Proposed Private Placement, Proposed Debt Capitalisation and Proposed Free Warrants Issue will substantially contribute additional funds that will enable the subsidiary to address its short term cash flow obligations.

34 MATERIAL LITIGATION AND CONTINGENT LIABILITIES

(a) E.A. Technique (M) Berhad ("EAT")

Adjudication Proceeding 1

In prior financial year, Malaysia Marine and Heavy Engineering Holdings Berhad ("MMHE") served EAT with a Notice of Adjudication under the Construction Industry Payment and Adjudication Act 2012 ("CIPAA") claiming USD30,221,301 for invoices issued to EAT relating to the EPCIC project after taking into consideration the amounts paid on behalf by HESS Exploration and Production Malaysia B.V. ("HESS") and the deletion of some additional work order ("AWO") scope.

On 27 May 2019, the Adjudicator decision has awarded in favor of MMHE. EAT was required to proceed with payments to MMHE a total sum of USD21,607,206 including 6% of GST, interest at the rate of 1.5% per month on the sum from the date of payment claim (5 October 2018) until the full and final settlement of the sum of USD4,816,335 and costs of adjudication of USD75,260.

On 4 June 2019, EAT filed an application to set aside the Adjudication decision. Subsequently, MMHE had served their application for Enforcement of Adjudication Decision on 5 July 2019. On 16 July 2019, EAT had filed an application for a stay of the Adjudication Decision.

The Judge has fixed 18 March 2020 as the date for the decision on EAT's setting aside application.

34 MATERIAL LITIGATION AND CONTINGENT LIABILITIES (CONTINUED)

(a) E.A. Technique (M) Berhad ("EAT") (continued)

Adjudication Proceeding 2

On 29 May 2019, MMHE served EAT with a Notice of Adjudication under CIPAA claiming USD6,096,792 for invoices issued to EAT and tank treatment claim relating to the EPCIC project.

On 4 December 2019 the Adjudicator decision was awarded in favour of MMHE. EAT was ordered to pay MMHE a total of adjudicated sum of USD6,136,793, interest at the rate of 5% per annum on the Adjudicated Sum from 4 December 2019 until the full and final settlement of the adjudicated sum of USD22,550 and costs of adjudication of USD49,803.

On 31 December 2019, EAT has filed an application to set aside and a stay of the Adjudication decision.

The judge has fixed 10 April 2020 as the date for the decision on EAT's setting aside application.

Arbitration Proceedings

On 27 September 2018, EAT filed a Notice of Arbitration to the Asian International Arbitration Centre ("AAI") to claim from Malaysia Marine and MMHE amounts paid on behalf by HESS, deletion of MMHE's AWO scope as well as back charges with a total aggregate amount of USD21,656,198.

On 15 February 2019, EAT served its Statement of Claim to MMHE amounting to USD21,656,198. MMHE filed a counterclaim against EAT in the AIAC Arbitration amounting to USD49,095,094.

On 10 January 2020, EAT and MMHE have filed their respective written submission. Subsequently, EAT and MMHE has replied the counter part written submission on 10 February 2020. The date for clarification hearing will be on 31 March 2020.

The Directors believe that the Group has provided sufficient amounts (Note 24) in relation to the abovementioned litigation cases.

(b) PT Rambang Agro Jaya ("PT RAJ")

A civil lawsuit was filed by the Ministry of Environment and Foresty in the Central of Jakarta, Indonesia relating to fires that occurred on the subsidiary's land amounting to IDR199.568 million (RM58.37 million).

At present, the trial process is still in the First Level Court and is still in the verification stage by the plaintiff.

The Directors are of the opinion, based on legal advice, that the full claim will not succeed and have only provided for an amount of IDR2.0 billion (RM0.62 million) (Note 24), being their current assessment of the expected outcome.

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the management team. The audit committee provides independent oversight over the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from receivables. For other financial assets (including investments, cash and bank balances and derivatives), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group seeks to invest cash assets safely and profitably. The Group has in place, for significant operating subsidiaries, policies to ensure that sales of products and services are made to customers with an appropriate credit history and sets limits on the amount of credit exposure to any customers.

The Company's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Company trades only with recognised and creditworthy third parties.

<u>Exposure to credit risk</u>

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the statements of financial position;
- Corporate guarantees provided by the Company to banks for credit facilities granted to subsidiaries. The amount outstanding on such facilities was RM22.55 million (2018: RM288.90 million) as at the reporting date.

Analysis of the credit risk exposure of financial instruments for which on an ECL allowances is recognised is disclosed in Note 20. The gross carrying amount of the financial assets represents maximum exposure of credit risk.

<u>Credit risk concentration profile</u>

Other than the amounts due from the holding company and subsidiaries to the Company, the Company is not exposed to any significant concentration of credit risk in the form of receivables due from a single debtor or from groups of debtors.

Concentration of credit risk with respect to trade receivables are limited due to the Group's diverse customer base. The Group controls its credit risk by ensuring its customers have solid financial standing and credit history.

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of financial assets and liabilities as disclosed in Note 2. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities, which had unutilised balances of RM485.28 million (2018: RM223.90 million).

Analysis of financial instruments by remaining contractual maturities

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

Group	On demand or within one year	One to five years	Over five years	Total
	RM'000	RM'000	RM'000	RM'000
At 31 December 2019				
Financial liabilities:				
Trade and other payables	**420,332**	**-**	**-**	**420,332**
Borrowings	**347,892**	**624,643**	**1,455,043**	**2,427,578**
Lease liabilities	**35,084**	**22,771**	**2,063**	**59,918**
Total undiscounted financial liabilities	**803,308**	**647,414**	**1,457,106**	**2,907,828**
At 31 December 2018				
Financial liabilities:				
Trade and other payables	389,995	-	-	389,995
Borrowings	839,463	615,654	519,029	1,974,146
Total undiscounted financial liabilities	1,229,458	615,654	519,029	2,364,141

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

Company	On demand or within one year	One to five years	Over five years	Total
	RM'000	RM'000	RM'000	RM'000
At 31 December 2019				
Financial liabilities:				
Trade and other payables	**256,215**	**288,576**	**-**	**544,791**
Financial guarantees*	**22,552**	**-**	**-**	**22,552**
Borrowings	**165,322**	**247,156**	**840,142**	**1,252,620**
Lease liabilities	**713**	**2,525**	**-**	**3,238**
Total undiscounted financial liabilities	**444,802**	**538,257**	**840,142**	**1,823,201**
At 31 December 2018				
Financial liabilities:				
Trade and other payables	131,423	-	-	131,423
Financial guarantees*	288,899	-	-	288,899
Borrowings	335,713	316,049	213,222	884,984
Total undiscounted financial liabilities	776,035	316,049	213,222	1,305,306

* Based on maximum amount that can be called for under financial guarantee contracts provided to certain subsidiaries.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Interest rate risk (continued)

The Group's and the Company's exposure to interest rate risk arises primarily from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk whereas those issued at fixed rates expose the Group to fair value interest rate risk. The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings as disclosed below:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fixed rate instruments				
Financial assets	48,793	180,016	22,262	77,979
Financial liabilities	277,767	345,884	-	-
Floating rate instruments				
Financial liabilities	2,111,554	1,527,455	1,202,452	849,649

Sensitivity analysis for interest rate risk

(i) Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(ii) Cash flow sensitivity analysis for the floating rate instruments

A change of 50 basis points ("bp") in interest rates at the end of the reporting period would result in equity and post-tax profit increased/(decreased) by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
50 bp increase in interest rates	(8,024)	(5,804)	(4,569)	(3,229)
50 bp decrease in interest rates	8,024	5,804	4,569	3,229

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group operates internationally and is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group entities. The currency giving rise to this risk is primarily the United States Dollar ("USD").

The Group's exposure to USD foreign currency risk, based on carrying amounts as at the end of the reporting period was:

Group	**2019 RM'000**	**2018 RM'000**
Trade and other receivables	**18,892**	25,432
Cash and bank	**15,332**	48,428
Trade and other payables	**(19,430)**	(59,660)
Borrowings	**(83,707)**	(277,615)
Lease liabilities	**(44,224)**	-
Net exposure	**(113,137)**	(263,415)

The Company is exposed to significant foreign currency risk that are denominated in a currency other than the functional currency of the Company. The currency giving rise to this risk is primarily the United States Dollar ("USD") and Indonesian Rupiah ("IDR").

The Company exposure to USD and IDR foreign currency risk based on carrying amounts as at the end of the reporting period was:

Company	**2019 RM'000**	**2018 RM'000**
USD/RM		
Cash and bank	**14,654**	47,404
IDR/RM		
Amount due from subsidiaries	**272,948**	224,795

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Foreign currency risk (continued)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of to a reasonably possible change in the USD exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

	Profit net of tax	
	2019 RM'000	**2018 RM'000**
USD/RM		
- strengthening of USD 5%	**(4,299)**	(10,010)
- weakening of USD by 5%	**4,299**	10,010

The following table demonstrates the sensitivity of the Company's profit net of tax to a reasonably possible change in the USD and IDR exchange rates against the respective functional currencies of the Company, with all other variables held constant.

	Profit net of tax	
	2019 RM'000	**2018 RM'000**
USD/RM		
- strengthening of USD by 5%	**557**	1,840
- weakening of USD by 5%	**(557)**	(1,840)
IDR/RM		
- strengthening of IDR by 5%	**10,372**	8,442
- weakening of IDR by 5%	**(10,372)**	(8,442)

(e) Market price risk

Market 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 interest or exchange rates).

The Group and Company are exposed to equity price risk arising from its investments in financial instruments.

Sensitivity analysis for market price risk

At the reporting date, a 5% strengthening in the respective shares would have increased the Group's pre-tax profit and other comprehensive income by RM0.88 million (2018: RM0.77 million) and RM2.46 million (2018: RM2.22 million) respectively. A 5% weakening would have an equal but opposite effect on the Group's pre-tax profit and other comprehensive income.

At the reporting date, a 5% strengthening in the respective shares would have increased the Company's pre-tax profit and other comprehensive income by RM1.12 million (2018: RM0.97 million) and RM1.66 million (2018: RM1.73 million) respectively. A 5% weakening would have an equal but opposite effect on the Company's pre-tax profit and other comprehensive income.

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(f) Fair value

Fair value hierarchy

The following table provides the fair value measurement hierarchy of the Group's and Company's assets and liabilities:

Group	Fair value measurement using: Quoted prices in active market (Level 1) RM'000	Significant observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000	Total RM'000
Assets measured at fair value				
At 31 December 2019				
Financial assets at fair value through other comprehensive income	**36,808**	**-**	**12,325**	**49,133**
Financial assets at fair value through profit and loss	**23,368**	**-**	**-**	**23,368**
Investment properties	**-**	**-**	**69,307**	**69,307**
Biological assets	**-**	**26,441**	**-**	**26,441**
Liabilities measured at fair value				
At 31 December 2019				
Derivatives	**-**	**(3,470)**	**-**	**(3,470)**
Assets measured at fair value				
At 31 December 2018				
Financial assets at fair value through other comprehensive income	29,594	-	14,722	44,316
Financial assets at fair value through profit and loss	20,300	-	-	20,300
Investment properties	-	-	45,996	45,996
Biological assets	-	23,270	-	23,270
Liabilities measured at fair value				
At 31 December 2018				
Derivatives	-	(1,696)	-	(1,696)

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(f) Fair value (continued)

Fair value hierarchy (continued)

The following table provides the fair value measurement hierarchy of the Group's and Company's assets and liabilities: (continued)

Company	<--- Fair value measurement using ---> Quoted prices in active market (Level 1) RM'000	Significant observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000	Total RM'000
Assets measured at fair value				
At 31 December 2019				
Financial assets at fair value through other comprehensive income	**23,866**	**-**	**9,241**	**33,107**
Financial assets at fair value through profit and loss	**22,301**	**-**	**-**	**22,301**
Investment properties	**-**	**-**	**52,380**	**52,380**
Biological assets	**-**	**-**	**5,548**	**5,548**
Assets measured at fair value				
At 31 December 2018				
Financial assets at fair value through other comprehensive income	22,820	-	11,741	34,561
Financial assets at fair value through profit and loss	19,183	-	278	19,461
Investment properties	-	-	28,880	28,880
Biological assets	-	-	5,838	5,838
Liabilities measured at fair value				
At 31 December 2019				
Derivatives	**-**	**(2,644)**	**-**	**(2,644)**
Liabilities measured at fair value				
At 31 December 2018				
Derivatives	-	(1,272)	-	(1,272)

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(f) Fair value (continued)

Fair value hierarchy (continued)

The following table provides the fair value measurement hierarchy of the Group's and Company's assets and liabilities: (continued)

(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 financial assets at fair value through other comprehensive income and financial assets at fair value through profit and loss.

(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. 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

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs).

36 MFRS 9 FINANCIAL INSTRUMENTS

The financial instruments of the Group and the Company as at 31 December are categorised into the following classes:

Group		Note	2019 RM'000	2018 RM'000
(a)	Financial assets measured at amortised cost			
	Trade and other receivables	20	**613,304**	302,344
	Cash and bank balances	22	**169,932**	252,454
			783,236	554,798
(b)	Financial assets/(liabilities) measured at fair value			
	Financial assets at fair value through other comprehensive income	16	**49,133**	44,316
	Financial assets at fair value through profit or loss	17	**23,368**	20,300
	Derivatives	21	**(3,470)**	(1,696)
			69,031	62,920
(c)	Financial liabilities measured at amortised cost			
	Trade and other payables	24	**420,332**	389,995
	Borrowings	26	**2,381,886**	1,881,393
	Lease liabilities	25	**59,918**	-
			2,862,136	2,271,388

36 MFRS 9 FINANCIAL INSTRUMENTS (CONTINUED)

The financial instruments of the Group and the Company as at 31 December are categorised into the following classes: (continued)

Company		Note	2019 RM'000	2018 RM'000
(a)	Financial assets measured at amortised cost			
	Trade and other receivables	20	**502,297**	402,308
	Cash and bank balances	22	**104,182**	103,820
			606,479	506,128
(b)	Financial assets (liabilities) measured at fair value			
	Financial assets at fair value through other comprehensive income	16	**33,107**	34,561
	Financial assets at fair value through profit or loss	17	**22,301**	19,461
	Derivatives	21	**(2,644)**	(1,272)
			52,764	52,750
(c)	Financial liabilities measured at amortised cost			
	Trade and other payables	24	**544,791**	131,423
	Borrowings	26	**1,193,768**	843,319
	Lease liabilities	25	**3,238**	-
			1,741,797	974,742

37 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong capital base and healthy capital ratios in order to support its business and maximise shareholder value.

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.

The Group monitors capital using a gearing ratio, which is total bank financings and borrowed funds (including hire purchase) of the group divided by shareholders' funds (less intangibles). The gearing ratios at 31 December 2019 and at 31 December 2018 were as follows:

	Group	
	2019 RM'000	**2018 RM'000**
Total borrowings (Note 26)	**2,381,886**	1,881,393
Lease liabilities (Note 25)	**59,918**	-
	2,441,804	1,881,393
Total equity	**3,459,130**	3,748,439
Less: Total intangible assets (Note 13)	**(7,498)**	(27,415)
	3,451,632	3,721,024
Gearing ratio (times)	**0.71**	0.51

The Group and Company have met its externally imposed financial covenants as described in Note 26 during the financial year.

38 FIRST-TIME ADOPTION OF MFRS 16 'LEASES' AND PRIOR YEAR ADJUSTMENTS

The Group and the Company have adopted MFRS 16, using modified retrospective method from 1 January 2019, and have not restated its comparatives for the 2018 reporting period, as permitted under the specific transactional provisions in the standard.

(a) Adjustments recognised on adoption of MFRS 16

On adoption of MFRS 16, the Group and the Company recognised lease liabilities in relation to leases which was previously been classified as 'operating leases' under the principles of MFRS 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6.34% for the Group and 4.93% for the Company.

For leases previously classified as finance leases, the Group and the Company recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of MFRS 16 are only applied after that date. The re-measurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

(b) Practical expedients applied

In applying MFRS 16 for the first time, the Group and the Company have used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessment on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determine the lease term where the contract contains options to extend or terminate the lease.

The Group and the Company have also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group and the Company relied on its assessment made applying MFRS 117.

38 FIRST-TIME ADOPTION OF MFRS 16 'LEASES' AND PRIOR YEAR ADJUSTMENTS (CONTINUED)

(c) Impact on MFRS 16

(i) Group as a lessor

The Group has entered into operating leases on its vessels. These leases have terms of between 1 and 7 years. Rental income recognised by the Group during the year is RM267 million (2018: RM278 million).

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	Group
	2019 RM'000
Within one year	291,286
After one year but not more than five years	393,906
More than five years	45,702
	730,894

(ii) Group as a lessee – Increase in right-of-use assets as at 1 January 2019

	Group	Company
	2019 RM'000	2019 RM'000
Leasehold land	1,760,414	409,778
Building	1,707	283
Plant and machinery	16,646	-
Office equipment	194	29
	1,778,961	410,090

The reclassifications and adjustments arising from new leasing rules are therefore recognised in the opening statement of financial position on 1 January 2019. No additional statement of financial position as at beginning of the earliest comparative period will be presented.

(d) Measurement of lease liabilities on 1 January 2019

	Group	Company
	2019	2019
The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 per annum	6.34%	4.93%

38 FIRST-TIME ADOPTION OF MFRS 16 'LEASES' AND PRIOR YEAR ADJUSTMENTS (CONTINUED)

(d) Measurement of lease liabilities on 1 January 2019 (continued)

The reconciliation between the operating lease commitments disclosed applying MFRS 117 at 31 December 2018 to the lease liabilities recognised at 1 January 2019 is as follow:

	Group	Company
	2019 RM'000	2019 RM'000
Operating lease commitments disclosed as at 31 December 2018	32,956	3,636
Discounted using the lessee's incremental borrowing rate at the date of initial application	(2,089)	(177)
Less:		
Short-term leases recognised on a straight-line basis as expense	(7,919)	-
Low-value leases recognised on a straight-line basis an expense	(553)	-
	22,395	3,459
Lease liability recognised as at 1 January 2019:		
- Current lease liabilities	8,759	603
- Non-current lease liabilities	13,636	2,856

The associated right-of-use assets were measured on a modified retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The future cash outflows relating to short term and low value leases that have not yet commenced are below:

	Group
	RM'000
Within 1 year	303
After 1 year but not more than 5 years	175
	478

38 FIRST-TIME ADOPTION OF MFRS 16 'LEASES' AND PRIOR YEAR ADJUSTMENTS (CONTINUED)

(e) Prior year adjustment

During the current financial year, the Group reassessed their rights and obligations in relation to the agreements entered into as disclosed in Note 33(a). Arising thereon, the substance of the investment was deemed to be an investment in a joint venture, with the prior year adjustments disclosed below:

(i) Impact on Group's statements of financial position:

	As at 1 January 2018		
	As previously reported RM'000	Prior year adjustment RM'000	As restated RM'000
Investments accounted for using the equity method	3,042	203,430	206,472
Trade and other receivables (current)	532,345	(233,131)	299,214
Retained earnings	3,902,227	(29,701)	3,872,526

	As at 31 December 2018		
	As previously reported RM'000	Prior year adjustment RM'000	As restated RM'000
Investments accounted for using the equity method	7,545	216,623	224,168
Financial assets fair value through profit or loss (current)	259,552	(259,552)	-
Retained earnings	3,726,262	(42,929)	3,683,333

(ii) Impact on Group's statements of comprehensive income:

	Financial year ended 31 December 2018		
	As previously reported RM'000	Prior year adjustment RM'000	As restated RM'000
Share of results of associates and joint ventures, net of impairment	564	(13,228)	(12,664)
Profit before tax	71,041	(13,228)	57,813
Profit after tax	32,869	(13,228)	19,641

38 FIRST-TIME ADOPTION OF MFRS 16 'LEASES' AND PRIOR YEAR ADJUSTMENTS (CONTINUED)

(e) Prior year adjustment (continued)

(iii) Impact on Group's statements of cash flows:

	Financial year ended 31 December 2018		
	As previously reported RM'000	Prior year adjustment RM'000	As restated RM'000
Profit before tax	71,041	(13,228)	57,813
Additions to investment in a joint venture	-	26,421	26,421
Additions to investment carried at fair value through profit and loss	27,096	(26,421)	675

39 SEGMENT INFORMATION

For management purposes, the Group is organised into strategic business units based on their products and services, and has five reportable segments. The strategic business units offer different products and services, and are managed separately because it require different technology and marketing strategies. The Group Executive Director ("Group ED") reviews internal management reports for each of the strategic business units on a monthly basis. The operations of each of the Group's reportable segments are summarised below:

- Plantation operations — Oil palm planting, crude palm oil processing and plantation management services and consultancy in Malaysia.
- Oil & gas ("O&G") support services — Sea transportation and oil & gas equipment support service.
- Intrapreneur ventures — Information and communication technology business, insurance broking and consultancy, trading and supplying of fertilizer and chemicals and dealer in agricultural machinery and parts.
- Agrofood — Commercial cattle farming and trading and distribution of tropical fruits.
- Property investment — Rental of investment properties

Other operations of the Group mainly comprise plantation operations in Indonesia, investment holding, tourism, training, and other miscellaneous activities which are not of sufficient size to be reported separately and consolidation adjustments.

Performance is measured based on segment profit before tax and interest as included in the internal management reports that are reviewed by the Group ED. Management believes that segment profits are the most relevant measure by which it can assess the results of the segments against those of other entities operating in the same industries.

39 SEGMENT INFORMATION (CONTINUED)

31 December 2019	Plantations RM'000	O & G support services RM'000	Intrapreneur Ventures RM'000	Agrofood RM'000	Other operations RM'000	Property Investment RM'000	Consolidated total RM'000
Segment revenue	834,611	307,516	37,628	18,378	9,299	1,404	1,208,836
Results							
Interest income	19,153	-	101	-	903	-	20,157
Finance costs	31,800	18,871	49	-	49,791	-	100,511
Depreciation of property, plant and equipment	79,413	83,600	2,937	861	10,368	-	177,179
Depreciation of right-of-use assets	21,692	7,841	664	23	3,047	-	33,267
Amortisation of intangible assets	-	-	-	-	25	-	25
Share of result of associate	-	(44,033)	-	-	(3,727)	-	(47,760)
Segment profit/(loss)	57,594	(29,608)	199	(2,275)	(26,662)	1,019	267
Profit/(loss) before tax	44,947	(92,512)	251	(2,275)	(79,277)	1,019	(127,847)
Earnings before interest, tax, depreciation and amortisation	177,852	17,800	3,901	(1,391)	(16,071)	1,019	183,110
Assets							
Investments in associates	-	219,846	-	-	6,318	-	226,164
Intangible assets	-	2,232	1,642	-	3,624	-	7,498
Additions to non-current assets	93,920	63,614	2,322	193	41,397	-	201,446
Segment assets	4,971,629	1,231,765	62,379	14,683	363,722	52,380	6,696,558
Segment liabilities	2,515,237	655,739	39,227	21,909	5,316	-	3,237,428

39 SEGMENT INFORMATION (CONTINUED)

31 December 2018 (Restated)	Plantations RM'000	O & G support services RM'000	Intrapreneur Ventures RM'000	Agrofood RM'000	Other operations RM'000	Property Investment RM'000	Consolidated total RM'000
Segment revenue	843,683	469,918	47,932	15,258	10,846	715	1,388,352
Results							
Interest income	6,288	248	78	-	1,114	-	7,728
Finance costs	38,176	23,593	57	3	30,304	-	92,133
Depreciation of property, plant and equipment	90,392	77,875	2,491	3,223	6,434	-	180,415
Amortisation of intangible assets	-	-	-	-	25	-	25
Share of result of associate	-	(13,228)	-	-	564	-	(12,664)
Segment profit/(loss)	81,858	110,483	1,217	(1,321)	(38,070)	715	154,882
Profit/(loss) before tax	49,970	73,910	1,238	(1,324)	(66,696)	715	57,813
Earnings before interest, tax, depreciation and amortisation	178,538	175,378	3,786	1,902	(29,958)	715	330,361
Assets							
Investments in associates	-	216,623	-	-	7,545	-	224,168
Intangible assets	-	21,484	1,642	-	4,289	-	27,415
Additions to non-current assets	75,585	87,409	1,452	4,407	28,438	-	197,291
Segment assets	5,483,114	786,985	37,273	14,276	77,784	45,996	6,445,428
Segment liabilities	1,983,475	602,023	39,188	18,731	58,746	-	2,702,163

Geographical information

Revenue and total assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Total Assets	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 Restated RM'000
Malaysia	**1,205,622**	1,386,690	**6,417,454**	6,207,333
Indonesia	**3,214**	1,662	**279,104**	238,095
Total	**1,208,836**	1,388,352	**6,696,558**	6,445,428

40 DIVIDEND

	2019 RM'000	2018 RM'000
In respect of the financial year ended 31 December:		
Dividend of RM50.00 per share (2018: RM37.50 per share), declared on 31 March 2019 and 27 May 2019 and was fully paid in tranches on 27 May 2019, 11 June 2019, 30 August 2019, 4 September 2019 and 23 December 2019. (2018: declared on 1 December 2018 and paid on 24 December 2018)	**200,000**	150,000

41 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Group	1 January 2019 RM'000	Adoption of MFRS 16 RM'000	Additional lease liabilities RM'000	Proceeds from borrowings, net of transaction fees RM'000	Repayment of borrowings RM'000	Foreign exchange RM'000	31 December 2019 RM'000
Islamic financing facilities	**1,036,366**	-	-	**1,449,539**	**(431,557)**	**(2,437)**	**2,051,911**
Conventional financing facilities	**202,631**	-	-	**126,093**	**(50,614)**	-	**278,110**
Revolving credit	**621,199**	-	-	**562,384**	**(1,152,595)**	-	**30,988**
Lease liabilities	-	**24,437**	**52,974**	-	**(16,629)**	**(864)**	**59,918**
Others	**21,197**	-	-	**11,881**	**(12,201)**	-	**20,877**
Total liabilities from financing activities	**1,881,393**	**24,437**	**52,974**	**2,149,897**	**(1,663,596)**	**(3,301)**	**2,441,804**

Group	1 January 2018 RM'000	Adoption of MFRS 16 RM'000	Proceeds from borrowings, net of transaction fees RM'000	Repayment of borrowings RM'000	Foreign exchange RM'000	31 December 2018 RM'000
Islamic financing facilities	1,261,159	-	39,647	(272,365)	7,925	1,036,366
Conventional financing facilities	180,119	-	33,395	(10,883)	-	202,631
Revolving credit	298,366	-	328,511	(8,971)	3,293	621,199
Others	20,504	-	3,209	(2,516)	-	21,197
Total liabilities from financing activities	1,760,148	-	404,762	(294,735)	11,218	1,881,393

41 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

Company	1 January 2019 RM'000	Adoption of MFRS 16 RM'000	Additional lease liabilities RM'000	Proceeds from borrowings, net of transaction fees RM'000	Repayment of borrowings RM'000	31 December 2019 RM'000
Revolving credit	290,000	-	-	-	(290,000)	-
Term loan	553,319	-	-	1,244,449	(604,000)	1,193,768
Lease liabilities	-	3,634	460	-	(856)	3,238
Amounts due to subsidiaries (non-trade)	-	-	-	288,576	-	288,576
Total liabilities from financing activities	843,319	3,634	460	1,533,025	(894,856)	1,485,582

Company	1 January 2019 RM'000	Adoption of MFRS 16 RM'000	Proceeds from borrowings, net of transaction fees RM'000	Repayment of borrowings RM'000	31 December 2019 RM'000
Revolving credit	110,000	-	180,000	-	290,000
Term loan	633,005	-	60,000	(139,686)	553,319
Total liabilities from financing activities	743,005	-	240,000	(139,686)	843,319

42 AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 12 March 2020.

STATEMENT BY DIRECTORS

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

We, Zulkifly bin Zakariah and Wan Su binti Ali, being two of the Directors of Kulim (Malaysia) Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 199 to 333 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of its financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 12 March 2020.

ZULKIFLY BIN ZAKARIAH
DIRECTOR

WAN SU BINTI ALI
DIRECTOR

STATUTORY DECLARATION

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

I, Shahrom bin Mohd Saad, the Officer primarily responsible for the financial management of Kulim (Malaysia) Berhad, do solemnly and sincerely declare that the financial statements set out on pages 199 to 333 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

SHAHROM BIN MOHD SAAD

Subscribed and solemnly declared by the above named
Shahrom bin Mohd Saad at Johor Bahru, Johor Darul Takzim in Malaysia
on 12 March 2020 before me.

COMMISSIONER FOR OATHS

PESURUHJAYA SUMPAH
No. J253
HJ ZAMANI BIN HJ AHMAD
01/01/19-30/09/20
MALAYSIA

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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KULIM (MALAYSIA) BERHAD
(Incorporated in Malaysia)
(Company No. 197501001832 (23370-V))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Kulim (Malaysia) 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 2019, 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 2019 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 199 to 333.

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' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information other than the financial statements and auditors' report thereon

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

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

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

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

Responsibilities of the Directors for the financial statements

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

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters 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 disclosures made by the Directors.

(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 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 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.

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 14 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

MANOHAR BENJAMIN JOHNSON
03301/05/2021 J
Chartered Accountant

Johor Bahru
12 March 2020

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