Kulim (Malaysia) Berhad (23370–V)

RESOURCEFUL. RECIPROCAL.

INTEGRATED ANNUAL REPORT 2015

KULIM'S INTEGRATED ANNUAL REPORT 2015

WHAT'S INSIDE

COVER RATIONALE

Leveraging on the vast experience and expertise of the Group, we at Kulim will continue to place great emphasis on our resources as it is an integral part of our development and growth. Over the years we have built a strong portfolio of diversified businesses, and our most valuable asset that has brought us to where we are today are our people. Made up of a diverse workforce, their focus and professionalism are driving us towards achieving our goals. As a responsible corporate entity, the Group looks after the best interests of its stakeholders, shareholders and communities; it is imperative that we reciprocate by giving back as much as we take, thus creating value for all.

Being resourceful and reciprocal,
we at Kulim are positioning ourselves to surge ahead.

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ABOUT THIS REPORT

REPORT APPROACH

This Integrated Annual Report covers the activities of Kulim (Malaysia) Berhad for the financial year ended 31 December 2015 up to 31 March 2016, 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.

SCOPE AND BOUNDARY

The Group's businesses operate mainly in Malaysia and Indonesia.

The Integrated Annual Report has been compiled while considering to adopt some principles and concepts of the International Integrated Reporting Councils ("IIRC") Integrated Reporting Framework ("IRF"), consistent with an integrated thinking approach and compilation of key information.

The printed section of the Integrated Annual Report includes audited financial statements from page 202 to 331. The financial statements comply with all applicable Financial Reporting Standards in Malaysia.

APPROVALS

Our independent auditors, Messrs. Ernst & Young, issued an audit opinion on the consolidated annual financial statements. The unqualified audit opinion on the Group's consolidated annual financial statements is incorporated in the consolidated annual financial statements and can be found on page 209 to 210 of this Integrated Annual Report.

References to future financial performance in the Integrated Annual Report have not been reviewed or reported on by our auditors.

How to Read Our Integrated Annual Report

This icon indicates where readers can find related information on a particular topic in our printed section of the Integrated Annual Report.

This icon indicates where readers can find additional information on the Group's website **www.kulim.com.my**

Where Readers Can Find Information

Message from the Chairman
Resourceful. Reciprocal.
Deploying our resources effectively for sustainable growth

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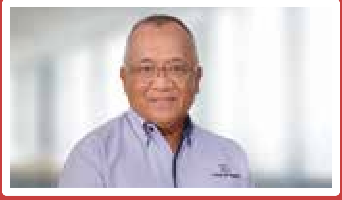

Managing Director's Review of Operations
A Tenacity for Improvements
Making headway towards achieving our strategic targets

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Chief Financial Officer's Report
Performance & Value
Strong financial results underscore our balance sheet strength

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We welcome feedback on our Integrated Annual Report.
Please contact us at
info@kulim.com.my
+607 226 7692
+607 219 5077

Find This Report Online

Kulim's 2015 Integrated Annual Report is available on Kulim's website as downloadable documents.

HOW DID WE PERFORM DURING THE YEAR 2015

Revenue

RM1.47 billion

34%

FY2014:
RM1.09 billion

Shareholders' Fund

RM4.76 billion

18%

FY2014:
RM4.02 billion

Dividend Per Share

37.65 sen

296%

FY2014:
9.5 sen

PBT

RM162.51 million

70%

FY2014: RM95.53 million

Operating Profits

RM164.59 million

FY2014:
RM138.56 million

19%

Closing Share Price

Highest
RM 3.93

Lowest
RM 2.41

FY2014, Highest: RM3.62

FY2014, Lowest: RM2.97

CORPORATE DEVELOPMENT HIGHLIGHTS

- Kulim concluded the disposal of 48.97% equity interest in New Britain Palm Oil Limited ("NBPOL") to Sime Darby Plantation Sdn Bhd for total consideration of approximately RM2.75 billion.

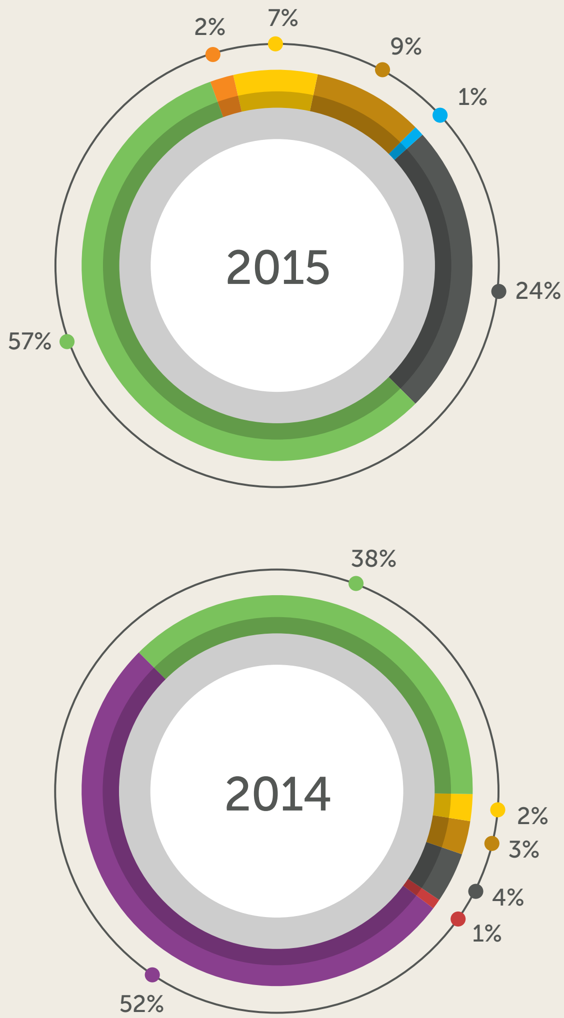
- Kulim 54.21%–owned subsidiary, Asia Economic Development Fund Limited ("AEDFL") entered into a Share Sale Agreement ("SSA") for the proposed acquisition of 30% equity interest in Asia Logistics Council Sdn Bhd ("ALC").

- Kulim entered into a Shares Sale and Shares Subscription Agreement ("SSSSA") for 51% equity interest in Classruum Technologies Sdn Bhd ("CRTSB").

- Kulim embarked on a privatisation exercise via Selective Capital Reduction and Repayment ("SCR") pursuant to the request letter by its major shareholder, Johor Corporation.

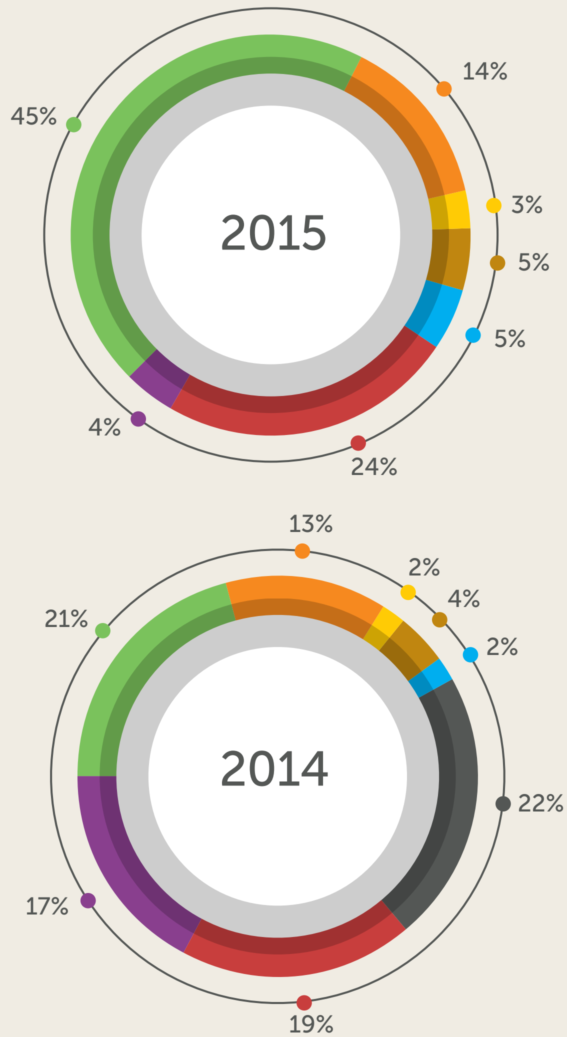
SIMPLIFIED GROUP STATEMENT OF FINANCIAL POSITION

Total Assets

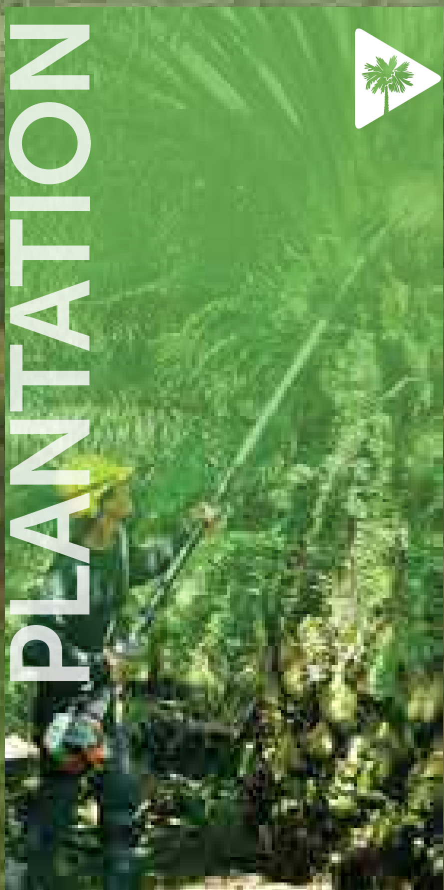


- Property, plant and equipment
- Intangible assets
- Investments
- Receivables
- Inventories
- Cash
- Associates
- Assets held for sale

Total Liabilities and Shareholders' Equity



- Retained profits
- Borrowings
- Deferred tax liabilities
- Share capital
- Payables
- Liabilities held for sale
- Other reserves
- Non-controlling interest



Kulim is recognised as one of the leading palm oil groups with operations currently span 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.

Established as one of Kulim's principal growth thrust, Intrapreneur Ventures ("IV") Division is involved in a diverse range of businesses including support operations for plantations, biofertilizer, agricultural machinery, oil palm nursery and mills maintenance, as well as IT-related and insurance broking services. These companies will be developed and nurtured, with the aim to subsequently transform into strategic business divisions of the Group.

Driven by its Balanced Business Strategy, Kulim is uncovering opportunities in a new business dimension - Oil and Gas ("O&G") sector in the quest for business growth and 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 as new space is being created. This enables us to tap into strategic investment opportunities that will broaden our earnings base and generate sustainable growth.

KEY STRATEGIC FOCUS AND SUSTAINABLE VALUE CREATION

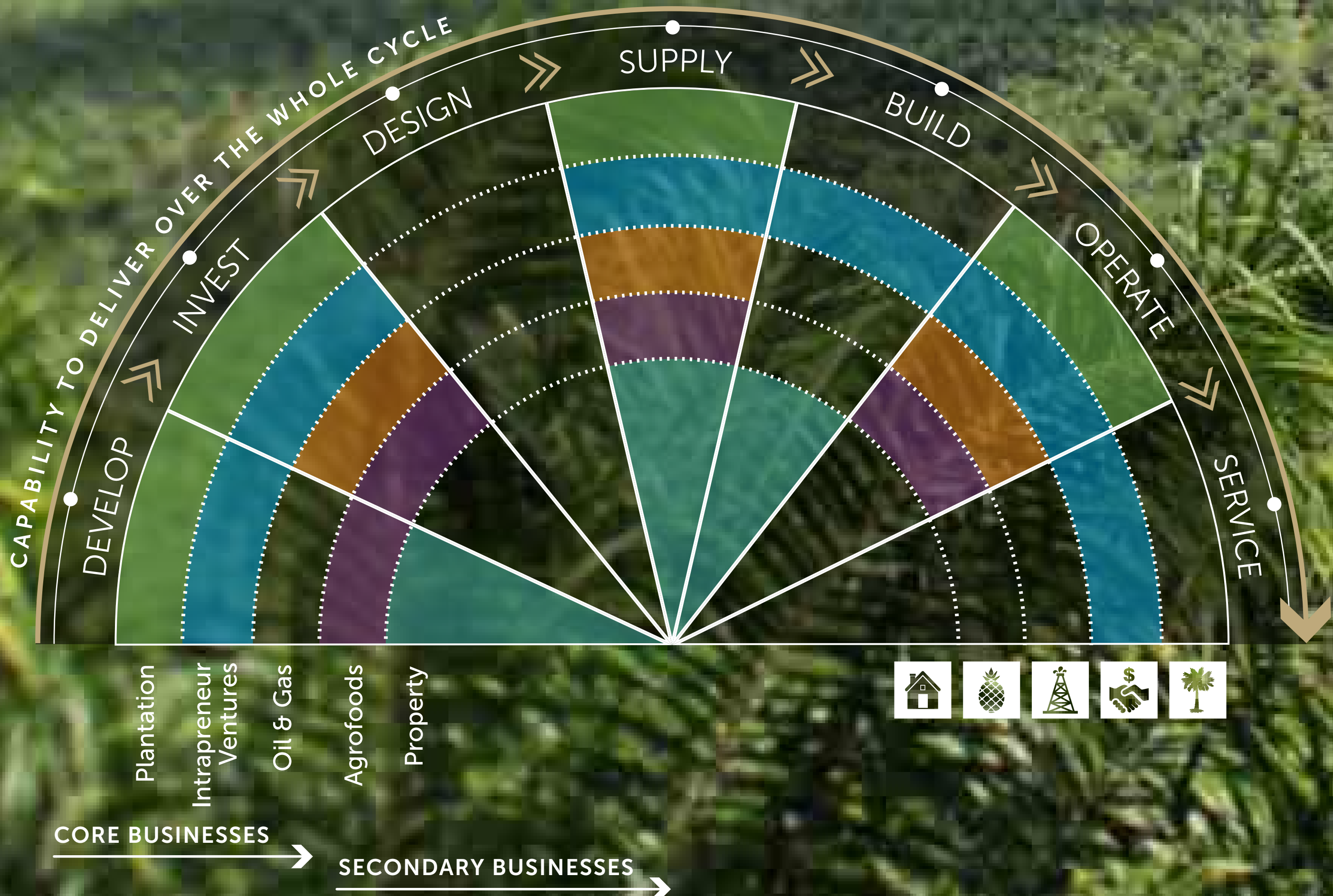
BUSINESS STRATEGY

Our business portfolio is a progressive development from our traditional business of palm oil, pursued in line with our aim to sustain value creation for all our stakeholders via the adoption of an evolving and balanced business mix.

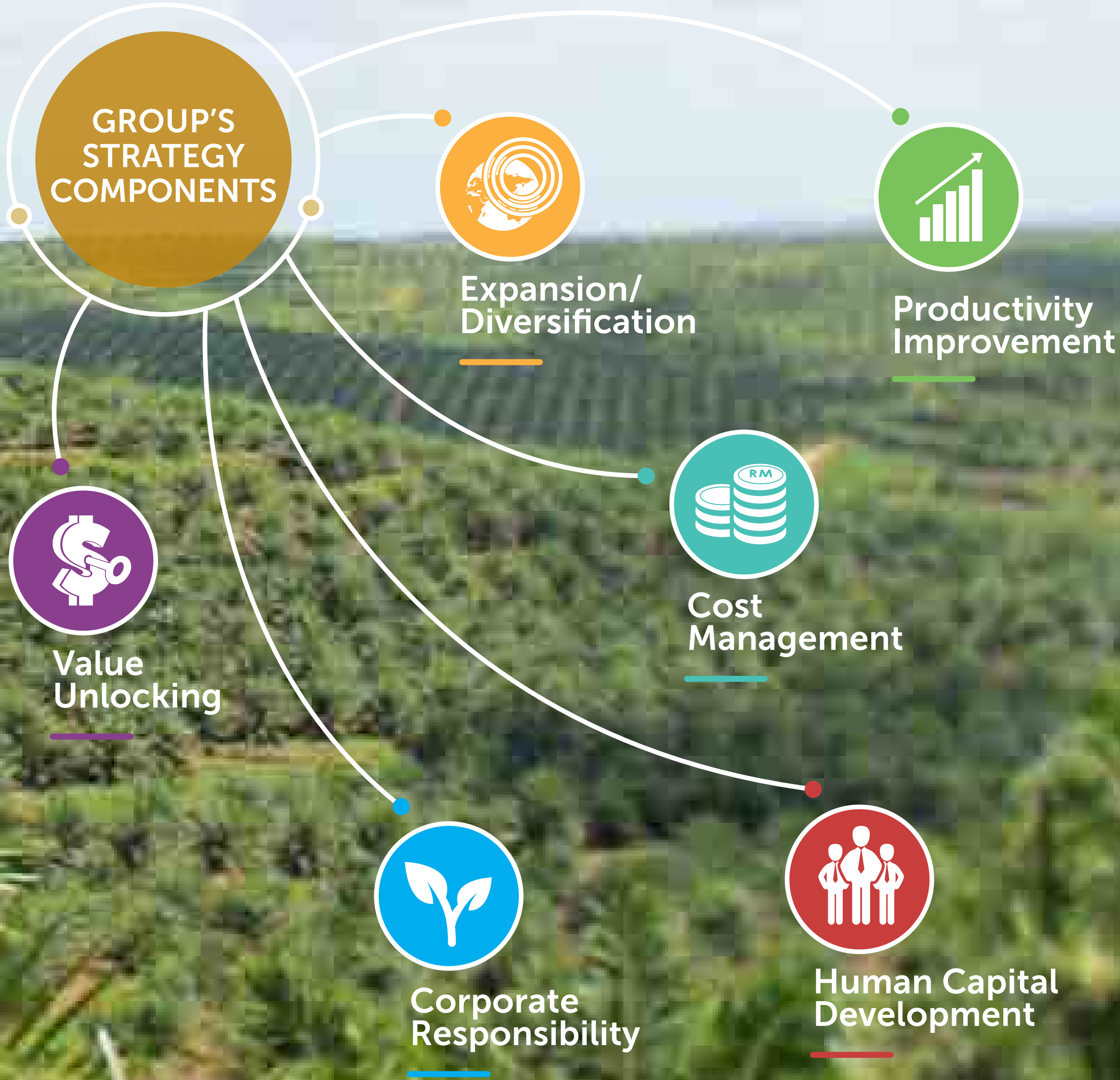
While plantation and agriculture will dominate our business profile, we will continue to explore, identify and invest in businesses that offer superior long-term potential for growth and profitability, with the aim to minimise earning fluctuations so as to enable the Group to provide attractive returns 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 value and growth is firmly underpinned by our commitment to embrace sustainability and strong corporate governance as the overriding philosophy.

THE GROUP'S STRATEGY IS TO ACCESS THE FULL INFRASTRUCTURE LIFECYCLE



THE GROUP'S BUSINESS STRATEGIES

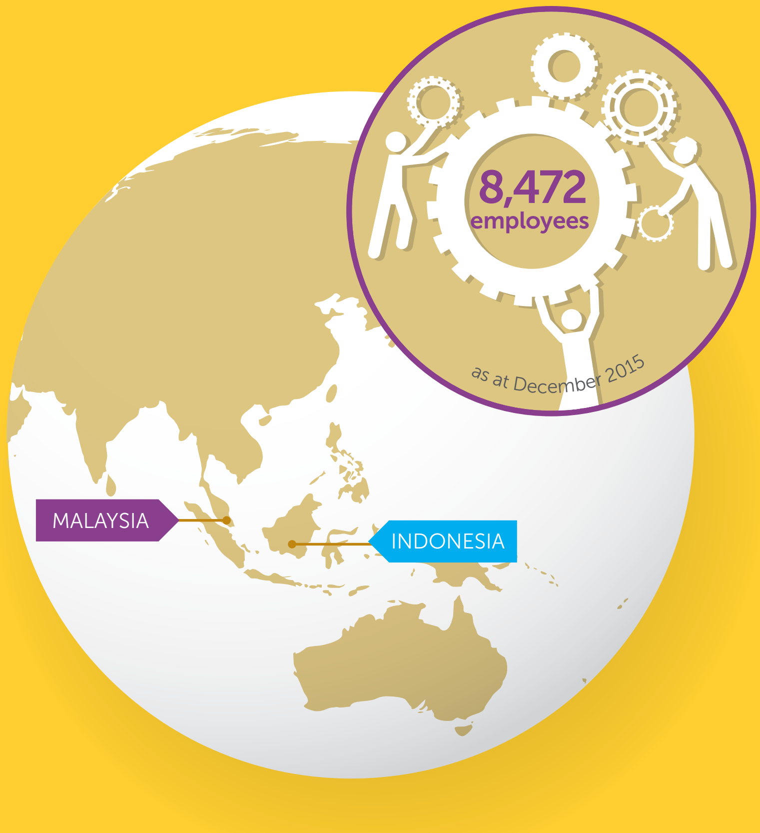


CORPORATE PROFILE

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 limited 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 became the major shareholder of Kulim.

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 ventures. 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. With the completion of this strategic acquisition, as at the time of writing, the Kulim Group's direct and indirect landholding stands at approximately 92,000 hectares 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.



OUR VISION

DELIVERING VALUE

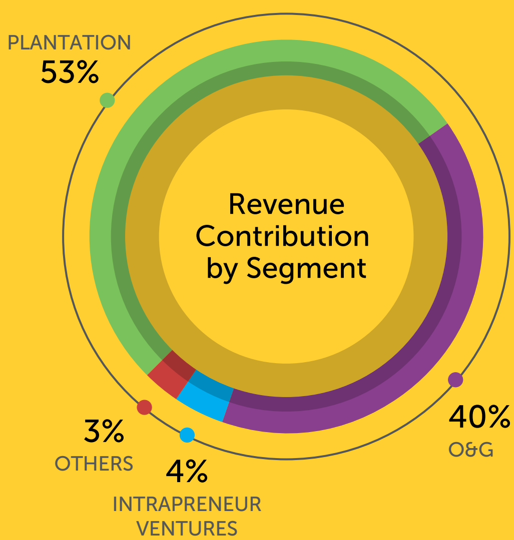
To excel in delivering value to all our stakeholders through high performance teams who are committed to the highest standards of ethics, integrity and professionalism.

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 a 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



BUSINESS POLICY

Our operation is currently focused on Palm Oils, Intrapreneur Ventures, O&G and Agrofoods businesses – 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.

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.

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.

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

We **C**OMPETITIVE **A**CTION **R**ESPONSIBLE **E**THICAL

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**.

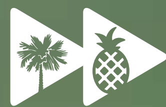
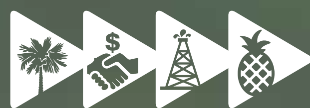
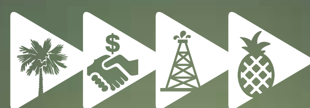
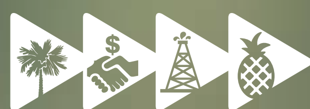
We CARE... so we ensure our shareholders are rewarded with superior returns.

We CARE... so we teach and nurture the same spirit among our employees.

We CARE... so we contribute and enrich the lives of our community and society.

We CARE... so we treat the earth with respect for it has given us our reason for being.

We CARE... so we share.

CORPORATE STRATEGIES	KEY PROGRAMMES	SEGMENTS
Productivity Improvement	- Progressive replanting - optimise FFB production, towards ideal age profile - R&D/continuous study on clonal palms and potential commercialisation/tissue culture - Application of Good Agriculture/Manufacturing Practices and RSPO practices - New technologies and innovative mechanisation	
Cost Management	- Mill working hours/optimum throughput - Value-added ventures - Mills downstream, biogas plant, biofertiliser - Centralised bulk purchasing practice and longer-term partnership	
Value Unlocking	- Disposal of rightly priced assets - Listing of potential businesses/companies - Share buy-backs - Transforming estates into property	
Human Capital Development	- Ensure adequate pool of talents - Succession planning and career development - Promote sense of belonging/loyalty - Periodical employees climate survey	
Corporate Responsibility	- Enhanced stakeholders' engagement - internal and external - Continuous compliance with RSPO Principles and Criteria - Sustainable Palm Oil ("SPO") programme and realisation of benefits	
Expansion/ Diversification	- Increase landbank - local and abroad - Large scale cattle rearing, expand trading and feedlot activities - Upstream activities of O&G business - Increase hectarage of pineapple planting - Downstream pineapple products	

VALUE CREATED

- 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 unit

- Cost savings resulted from systematic work procedure
- Additional revenue generated from by-products of mill processing

- Optimisation of resources
- Realisation of higher asset value
- Returns to shareholders via dividend

- Optimisation of recources
- Lower staff turnover/sustainable manpower/talent retention

- More effective management of stakeholders
- Reduce cost of damage control
- More efficient in doing business as a result of good relationship with stakeholders
- Preserved environment and save the earth

- Increased company value
- Diversified earnings base to reduce over-dependence on palm oil activities
- Embrace national food security programme

STRATEGIC THRUSTS

- Plantation
- Intrapreneur Ventures
- Oil & Gas
- Agrofoods
- Property

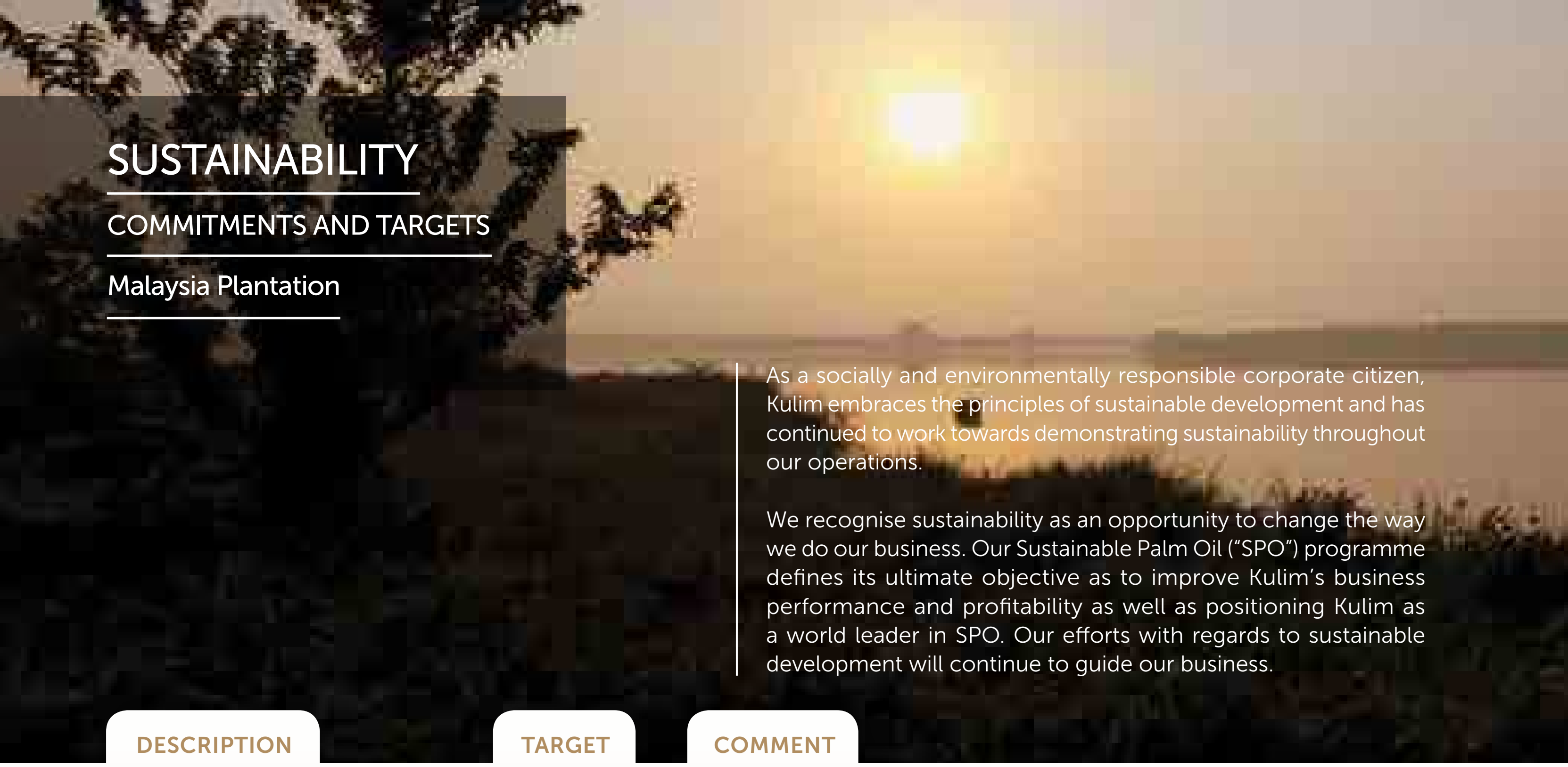
STAKEHOLDERS' ENGAGEMENT

STAKEHOLDER GROUPS

EMPLOYEES | BUSINESS PARTNERS | INVESTORS/ SHAREHOLDERS | MEDIA | SUPPLIERS

Stakeholder Groups	Types of Engagement	Topics Discussed & The Group's Response
EMPLOYEES	• Dialogues, surveys, employee training programmes, and sponsorship programmes	• Following climate survey, we conducted benchmark and review of salaries, initiated career and succession • Initiated online Peers and Reverse Performance Feedback ("PARFEED"), performance appraisal and assess competency training needs
BUSINESS PARTNERS	• Dialogues and relationship investments	• Ethics, values and governance, advocating and embedding sustainability
INVESTORS/ SHAREHOLDERS	• Group/one-on-one meetings • Analyst briefing sessions, operational site visits, annual/ quarterly reports • Press releases, regulatory announcements, shareholders' circulars, fact sheets • Updates on website • Active correspondence with the investment community via conference calls on ad-hocs issues	• Growth opportunities across Divisions, mergers & acquisitions, divestments, capital allocation, dividend payout, corporate governance • Volatility in CPO prices, demand-supply dynamics, enhancement of operational efficiency, strenghtening leadership position • RSPO certification, labour policies and human rights, grievance mechanism, sustainability risk and opportunity, socially-responsible landbank expansion • Operational developments, risk/opportunities across Divisions
MEDIA	• Press releases, regulatory announcements, shareholders' circulars, fact sheets	• Operational developments at Group and Division levels • Sustainability and Corporate Responsibility developments
WORKERS	• Annual Social Impact Assessments ("SIA") • Promote possession of skills and income generation among housewives by Woman OnWards ("WOW")	• 82 units of staff's new housing for five (5) estates • Training and facilities provided to WOW project at Operating Units ("OUs") and help them to market the product during company event and festive season • Awareness on economic and social achievement and challanges of women in future. • Encourage business entrepreneur among workers' dependents/housewives • Recognition for *"Anugerah Kecemerlangan Pekerja Wanita"* to appreciate women's contribution to the organisation and community.

Stakeholder Group	Types of Engagement	Topics Discussed & The Group's Response
SUPPLIERS	• Contract suppliers • Interview, negotiation	• Tender procedure/negotiation
COMMUNITIES & OUTGROWERS	• Disaster relief efforts • Community outreach and development programmes • Humanitarian assistance	• Response to communities affected by environmental disasters as well as the needs of vulnerable community groups through programme such as "*Assalamualaikum Dunia 1436*" • Meeting and engagement for certification with FFB suppliers/small holders
CUSTOMERS	• Joint ventures and ad-hoc meeting • RSPO and ISCC briefing	• Our Certified Sustainable Palm Oil ("CSPO") is sold to buyers via Identity Preserved ("IP"), Mass Balance and Green Palm Book and Claim traceability mechanism - ISCC Oil EU and ISCC Plus • *Halal* certification of our products • ISO 9001:2008 certification on quality of mill • ISO 14001:2004 certification on environment
GOVERNMENTS & REGULATORS	• Regular engagement and communication • Corporate Responsibility initiatives • Sports and recreation activities	• Sustainability, social issues, local communities and sectorial development • Attending discussion/meeting with local state government to discuss issues on Biodiversity/Sustainability. • Participants outputs in "*Rakan Alam Sekitar*". • Support of nation-building efforts and national agendas
NGOs	• Consistent dialogue and engagement • Charitable contributions	• Support of social and environmental policies and Corporate Responsibility programmes • Implementation of responsible business practices, compliance to local and international laws
UNIONS	• Conference	• Terms and conditions of plantation staff and workers through Collective Agreement



SUSTAINABILITY

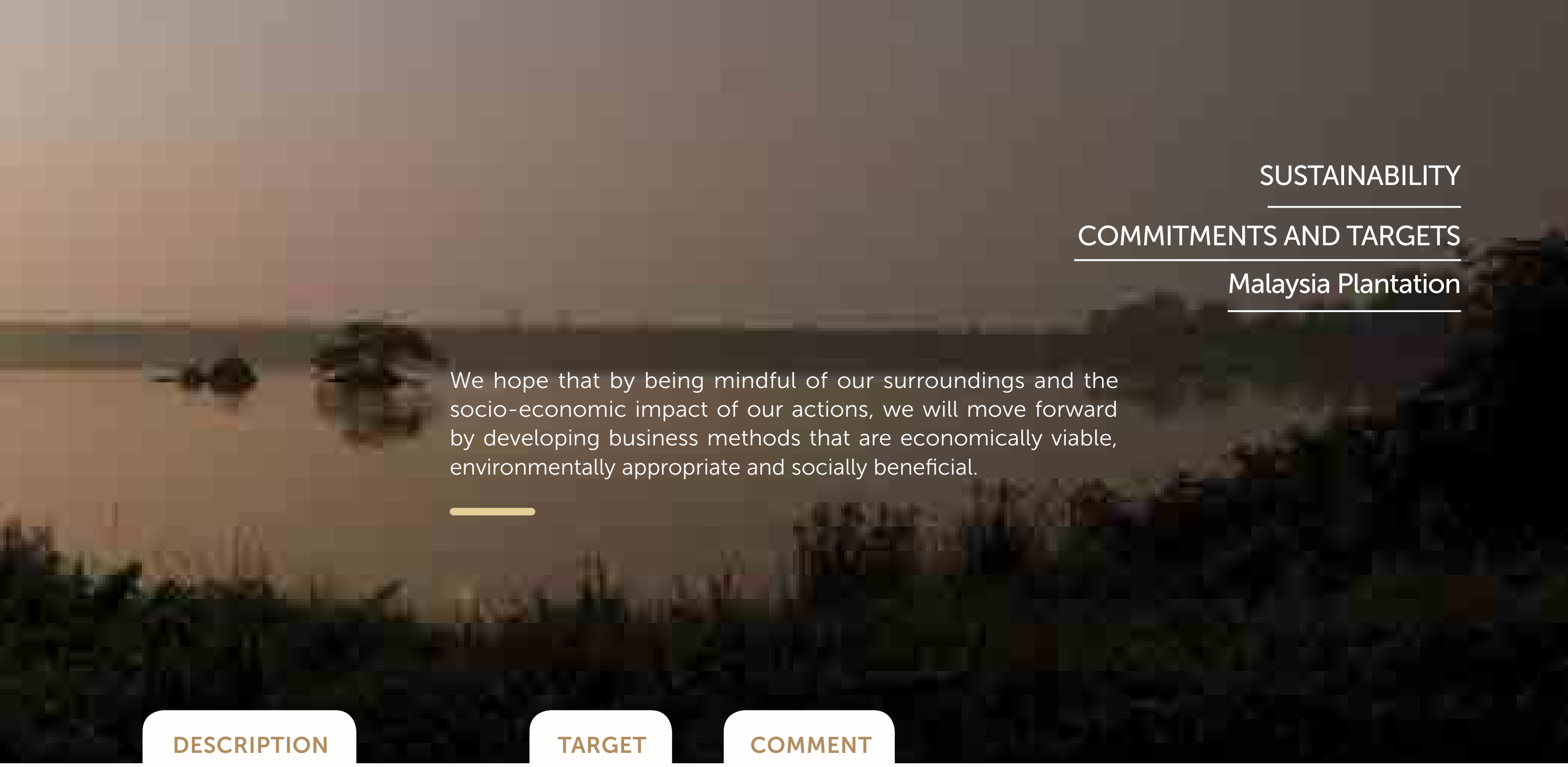
COMMITMENTS AND TARGETS

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.

DESCRIPTION	TARGET	COMMENT
Lost Time Accident ("LTA") rate below 10	On-going Commitment	2015 – Achieved at 6.82 Reduction from 2014 to 2015 was due to consistent training and strict supervision by the OUs in the aspects of occupational safety and health.
To reduce severity rate to below 3.5	On-going Commitment	2015 – Achieved at 2.39
Zero fatalities	On-going Commitment	Zero fatalities achieved in 2015 due to the consistent training and strict supervision by the OUs in the aspects of safety and health at work.
No increase in peat development	On-going Commitment	None
No development on land containing one or more high conservation values	On-going Commitment	None
No fine for environment-related incidents	On-going Commitment	One (1) case of Empty Fruit Bunch ("EFB") burning in Pasir Panjang Palm Oil Mill ("POM"). Accidental EFB burning is due to heat built-up on large pile of EFB that was not evacuated to field during construction of biocompost plant. Currently, there is no large stock pile in mill since evacuation to field is running smoothly.
Biennial carbon report of Kulim plantation	2015	Published in 2015. This report received an award in the category of 'Asia's' Best Carbon Disclosure'.
Halal Certification of palm products	2015	Four (4) mills namely Palong POM, Tereh POM, Sedenak POM and Sindora POM were certified with HALAL MALAYSIA Certification by Jabatan Kemajuan Islam Malaysia ("JAKIM") effective from 1 May 2015 –30 April 2017 – two (2) years with annual surveillance by auditor. Certification programme for Pasir Panjang POM has been charted out for 2016.



We hope that by being mindful of our surroundings 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
2% reduction in usage of glyphosate on one (1) year old palms	2020	On-going effort is being implemented for continuous plastic mulching application in part of replanting areas. The monthly glyphosate consumption of one (1) year after planting was proposed to be recorded in Blackboard Database commenced in January 2016.
5% reduction in paraquat out of total herbicide usage	2020	Achieved – No new purchase of paraquat effective 1 March 2015
Reduce water usage to 1.2 m^3 per tonne of FFB	1.2 m^3 per tonne of FFB	2015 – Achieved at 0.98 m^3 per tonne FFB The reduction in water consumption is mainly due to the recycling of sterilizer condensate into mill operation.
ISCC in three (3) mills	2017	Three (3) POM have been certified since 2013. Certification for Pasir Panjang POM planned in 2016.
CO_2 equivalents reduction by 90%	2017	Biogas plant in Pasir Panjang POM is under commissioning stage starting September 2015. Biogas plant in Sindora POM is expected to be completed by June 2016, and commissioning by September 2016. There is an on-going negotiation for installation of biogas plants at Tereh and Palong Cocoa POM with the aim of exporting electricity to Tenaga Nasional Berhad ("TNB") grid. Revised target (as per Carbon Footprint Report 2014) is to achieve 58% reduction of carbon footprint by 2020.
100% of external fruit to be certified	2019	Target to certify two (2) traders in 2016
Achieve average FFB yield of 30 tonnes per hectare and Palm Product Extraction Rate ("PPER") of 30%	2036	PPER for 2015 is 26.41%, improved compared to 26.14% in 2014. Achievement is due to continuous replanting activity with higher yielding material, improvement in crop quality and oil recovery.

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Contour terracing plantings at the hilly areas; REM Estate, Kota Tinggi

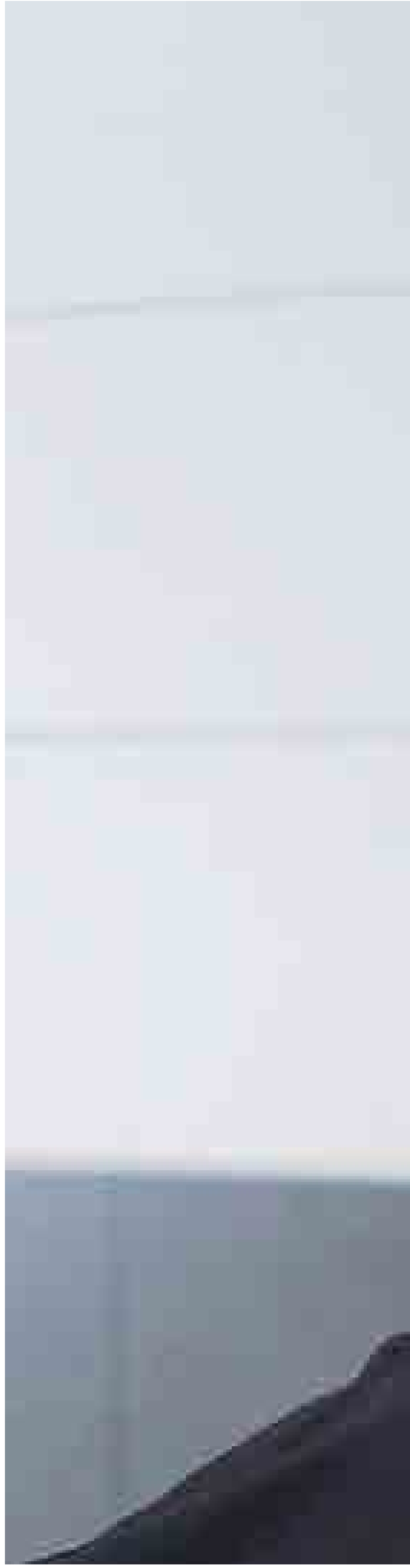
MESSAGE FROM THE CHAIRMAN

RESOURCEFUL. RECIPROCAL.

Deploying our resources effectively
for sustainable growth

DEAR SHAREHOLDERS,

"Welcome to Kulim (Malaysia) Berhad's ("Kulim" or "The Group") Integrated Annual Report for the Financial Year ended 31 December 2015. With our sights set high, I am very pleased to report that 2015 was a good year for Kulim and it underscores the underlying strength of our business. Despite facing strong and unprecedented headwinds, we successfully kept our Company on a strong and stable trajectory to make solid progress on our strategic priorities on several fronts."



DATO' KAMARUZZAMAN ABU KASSIM
Chairman
Non-Independent
Non-Executive Director

MESSAGE FROM THE CHAIRMAN

In-field oil palm FFB collection

2nd ISSUE OF INTEGRATED ANNUAL REPORT

The Group's credible performance underpins the theme chosen for this year's report: 'Resourceful. Reciprocal'. More than a catchy alliteration, the theme encapsulates the two (2) key elements that have been the hallmarks in our ongoing transformation journey.

We are essentially a resource-based business but Resourcefulness is also a core strength of Kulim and this is amply demonstrated by our highly motivated and talented workforce. Pulling together as a powerful and cohesive team, they are the foundation of our success, using their expertise and innovation to getting the best out of our operations. In a changing business landscape, Reciprocity is our willingness to put back as much as we take out, as well as to meet the diverse interests of our multiple stakeholders with farsightedness and disciplined execution. Our stakeholders include our parent company, investors, the various communities in which we operate and of course you - our shareholders.

Last year, we produced our first Integrated Annual Report, which is a departure from the traditional investment information based on financial metrics alone. By adopting an integrated approach, our aim is to tell our own comprehensive value creation story by taking a holistic view of capitals, strategy, governance, performance and prospects. We hope you find our report more informative and we welcome any feedback from you.

On behalf of the Board of Directors, it gives me pleasure to present the second Integrated Annual Report and Audited Accounts of Kulim (Malaysia) Berhad for the financial year ended 31 December 2015.

A CREDIBLE YEAR

In 2015, Group's revenue was up 34.37% to RM1.47 billion, while Profit Before Tax ("PBT") rose by 70.10% to RM162.51 million. The Plantation Segment was by far the biggest contributor, accounting for 52.89% or RM777.26 million of the Group's revenue. Revenue from our Oil and Gas ("O&G") Segment increased by more than 220.29% to RM582.30 million, contributed mainly by the newly-listed E.A. Technique (M) Berhad.

With the divestment of our entire stake in New Britain Palm Oil Limited ("NBPOL") completed on 26 February 2015, a special dividend amounting to approximately RM500 million was declared and subsequently paid out to shareholders on 23 March 2015.

Harvesting process is carried out using a sickle attached to aluminium pole

REVENUE
RM1.47 billion
34.37%

PBT
RM162.51 million
70.10%

Operationally, the year under review saw Fresh Fruit Bunches ("FFB") and Crude Palm Oil ("CPO") production increased by 5.36% to 886,172 tonnes and 14.12% to 294,284 tonnes respectively. These were achieved despite the worst haze we have experienced in many years and the onslaught of the El Nino phenomenon, which some analysts say could be the most severe on record. The age profile of our palm trees was at its best ever, with trees in their prime of 9 to 18 years accounting for 44% of the total planted area. Significant progress was also made in managing costs, enhancing productivity and efficiency. I am also pleased to report that these targets were achieved whilst meeting our primary sustainability objectives.

The year also saw the completion of corporate exercises that will further contribute towards the quality of our investment portfolio and ensure sustained growth in the years ahead. While the sale of our entire stake in NBPOL to Sime Darby Plantation Sdn Bhd closes a chapter on our operations in Papua New Guinea ("PNG") and the Solomon Islands ("SI"), a new chapter was opened with the expansion of our plantation business in Indonesia.

FFB PRODUCTION
886,172 tonnes
5.36%

CPO PRODUCTION
294,284 tonnes
14.12%

MESSAGE FROM THE CHAIRMAN

While we are pleased with the progress made in the past year, we see them as a stepping stone to 2016 and beyond. There is still a great deal more to do. Our ultimate goal is to deliver strong and sustainable shareholders' returns from our portfolio of world-class assets and a compelling pipeline of projects. Sustained by our investments, we are reshaping the business for future success as part of our ongoing transformation journey. Over time, this is expected to lead to a different earnings profile for the Group and ultimately, create value for our shareholders.

DELIVERING VALUE

VISION

Kulim's vision is to deliver strong and sustainable value through high performance teams committed to the highest standards of ethics, integrity and professionalism. Underpinning everything that we do are our corporate values: Competitive; Action; Responsible and Ethical ("C.A.R.E") driving a culture marked by transparency, integrity and empowerment. Our values are fundamental to the way we operate and form the basis of a sustainable business.

SUSTAINABLE VALUE

- HIGH STANDARDS OF ETHICS
- INTEGRITY
- PROFESSIONALISM

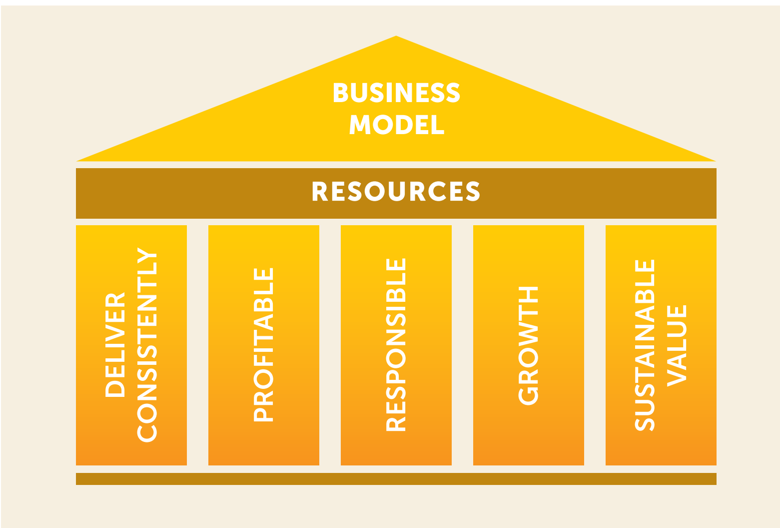
Delivery of FFB from estates to the reception at the mill weighbridge

OUR BUSINESS MODEL

Taking a long-term disciplined approach, the Group's vision is translated through our business model, which describes what we do and how we employ our resources to deliver consistent, profitable and responsible growth and sustainable value for our stakeholders.

Plantation has traditionally been our core business but over the years our business model has been fine-tuned to reflect a rapidly changing operating landscape. While we have selectively divested our plantation interests in PNG and the SI, we continue to strengthen our position by securing new areas in Indonesia. Central to our Five (5)-Year Strategic Plan and our Balanced Business Strategy is the diversification of our business activities in order to strengthen our earnings base and cushion the impact of fluctuating palm product prices.

As a result, the Group has now built a strong and diverse portfolio anchored in three (3) main lines of business covering Plantation, Intrapreneur Ventures and Oil & Gas, whilst consolidating its Agrofoods segment. This balanced and diverse asset base means that the Group has a broad platform from which to deliver the levels of profitability and long-term value required to support growth.



STRATEGY

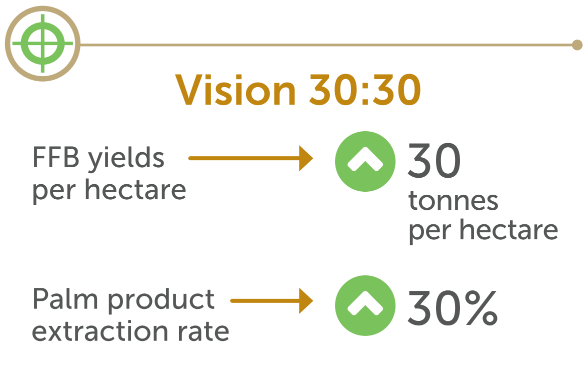
Our performance reflects our strategy, which proves that we are on the right track. We have forged a cogent strategy based on leveraging the capabilities and scale of the Group, focusing our resources on attractive markets where we have a distinct competitive positioning to maximise these opportunities. Having reshaped the Group with strategic moves, our focus on execution has driven tangible results and taken performance to new levels.

It is a strategy that has served us well and will reinforce our foundation for future success and ensure value for all our stakeholders. We cannot relent in our efforts to boost asset quality and we are constantly fine-tuning our portfolio to maintain the high quality of our asset base.

SUSTAINABILITY

Sustainability is a key pillar of our strategy and we work closely with stakeholders to ensure it is embedded into the Group's businesses and operations in Malaysia and beyond. The Group takes its entrepreneurial responsibility towards the environment very seriously by developing a detailed materiality process whereby we have identified key areas of sustainability that are the most significant for our business and stakeholders.

We have established short, medium and longer-term sustainability targets. In 2015, our key sustainability achievements include the publication of our second biennial carbon report and *Halal* certification for palm products produced at four (4) of our mills. An ongoing commitment is to reduce our Lost-Time Accident and fatality rates and I am pleased to report that in 2015, no on-the-job fatalities were recorded. Some of our medium-term goals include gradually reducing the use of glyphosate and paraquat in our plantations. We are also committed to achieving Vision 30:30, which aims to raise FFB yields to 30 metric tonnes per hectare and palm product extraction rates to 30%. With replanting of existing oil palms with new higher yielding breeds, the target to achieve Vision 30:30 has been pushed up to the year 2036.



Kulim strives to be a responsible corporate citizen and we take pains to integrate environmental, social and corporate governance issues into our investment decisions to create long-term value. Regardless of the prevailing economic conditions, we have always maintained a strong commitment to community programmes and to managing our environment impact. Nor do we compromise on our investments in training, safety and other employee support programmes.

MESSAGE FROM THE CHAIRMAN

CORPORATE DEVELOPMENTS

2015 was a relatively quiet year for the Group on the corporate front, where the focus was on completing the various corporate exercises announced previously.

On 24 August 2015, Kulim entered into a Shares Sale and Shares Subscription Agreement ("SSSSA") for the proposed acquisition of a 51% equity interest in Classruum Technologies Sdn Bhd ("CRTSB") for a total purchase consideration of RM1.6 million. CRTSB is principally involved in the Information, Communication and Technology ("ICT") business, notably through the development of the Classruum.com programme that facilitates e-learning and encourages interaction between teachers, students and experts on a social media platform.

This social media network would enhance the student's interest in studies by facilitating a broader and wider access to learning materials and tutors whilst the Classruum.com system will be able to gauge their strengths, weaknesses and levels of interest.

Acquiring CRTSB is part of Kulim's long term business plan to diversify in other business activities. More than that, it is part of our Corporate Responsibility efforts, a contribution towards the progress of national education.

Classruum launching by YAB Menteri Besar Johor Dato' Mohamed Khaled Nordin at Persada Johor

Outside the 2015 review period, there were two (2) recent corporate developments that took place in February 2016 that will be covered more extensively by the Managing Director. Very briefly, the first saw our 74%-owned subsidiary, PT Wisesa Inspirasi Nusantara entered into four (4) Conditional Share Purchase Agreements ("CSPA") to take control of four (4) medium-sized Indonesian oil palm plantation companies for a total consideration of IDR1.64 trillion (approximately RM509.35 million) cash. The acquisitions will boost Kulim's total plantation landbank in Indonesia from the present 40,645 hectares to 145,549 hectares.

In the other recent corporate development, you may recall that as reported last year, our wholly-owned subsidiary Kulim Energy Nusantara Sdn Bhd ("KENSB") entered into a Conditional Subscription and Shares Purchase Agreement ("CSSPA") for a 60% stake in PT Citra Sarana Energi ("PT CSE"). On 7 February 2016, owing to the prevailing lower prices of oil and natural gas, KENSB had entered into a Supplemental Agreement ("SA") with PT CSE to modify the terms of the CSSPA. As a result, our acquisition of PT CSE has now been revised to USD80 million, which is 40% less than the original investment of USD133.55 million (approximately RM462.68 million).

PRIVATISATION PROPOSAL

On 5 November, the Board of Directors received a letter from our major shareholder, Johor Corporation ("JCorp"), requesting Kulim to undertake a Selective Capital Reduction and Repayment ("Proposed SCR") exercise. The Proposed SCR will entail a capital repayment of the proposed cash amount of RM4.10 per Kulim Share. The exercise will in effect result in the privatisation of Kulim and its delisting from the Main Market of Bursa Malaysia Securities Berhad.

MESSAGE FROM THE CHAIRMAN

Post disposal of NBPOL, Kulim's plantation hectarage has been significantly reduced. The Group is also venturing into the Oil and Gas ("O&G") exploration business in Indonesia but given the present volatility in oil prices, it may take a while longer for this new business segment to emerge as a significant contributor to Group earnings.

Having taken into consideration the best interests of shareholders, the Proposed SCR presents a good opportunity for Kulim's minority shareholders to realise cash for their investments at an attractive premium above the prevailing market price of Kulim shares.

At a meeting on 17 November, the Board of Directors deliberated on the contents of the letter from JCorp and decided to present the Proposed SCR to the shareholders of Kulim for their consideration at an Extraordinary General Meeting ("EGM") slated in May 2016. Barring unforeseen circumstances, the Proposed SCR is expected to be completed by the third quarter of 2016.

In the meantime, we are proceeding with the due process to obtain the required approvals from the relevant authorities, including the Securities Commission of Malaysia. Prior to the EGM, we have plans to meet with our substantial shareholders to address queries or concerns they may have regarding the Company's current corporate developments. Our own people have also been kept abreast of developments within the Group and during the year, we have organised no less than five (5) Employees' Engagement Programmes.

Bird's eye view of the nursery; Basir Ismail Estate, Kota Tinggi

MESSAGE FROM THE CHAIRMAN

STRENGTHENING CORPORATE GOVERNANCE

The Board embraces good governance as a driver of organisational efficiency, growth and performance. We are determined that Kulim be known for its high standards of corporate governance. From a corporate governance perspective, 2015 was a year of consolidation with several initiatives implemented that will help us in the Group's day-to-day operations:

- A compliance gap analysis was conducted, followed by the implementation of an improved Health, Safety and Environment ("HSE") plan to safeguard the Group's reputation and maintain compliance to the Roundtable on Sustainable Palm Oil ("RSPO") certification.
- Employees' engagement sessions were held both at high and closed levels to disseminate information on the Group's performance, the latest corporate developments and to improve staff morale. The sessions also provided a platform for dialogue between employees and top management, whilst improving communication ties and staff morale.
- As part of succession planning, senior management personnel in several Management Committees in the IV business segment were replaced with the person next in line.
- Establishment of four (4) Sustainability and Initiatives Council ("SIC") Sub-committees to look into the implementation and assimilation of a sustainability and quality work culture.

- Kulim's Carbon Footprint Report 2014: Awarded as Highly Commended for Asia's Best Carbon Disclosure
- Kulim's Integrated Annual Report 2014: Finalist for Asia's Best Integrated Report by Asia Sustainability Reporting Awards 2015

AWARDS & ACCOLADES

FTSE4Good

In the closing days of 2014, Kulim (Malaysia) Berhad was honoured to be among a selected group of corporations in Malaysia to be included in the FTSE for Good Bursa Malaysia Index. The index has been designed to measure the performance companies using globally recognised Environmental, Social and Governance ("ESG") standards.

Much to our gratification, our very first Integrated Annual Report was acknowledged by several coveted awards. No stranger to the National Annual Corporate Report Awards 2015 or better known as NACRA, our Integrated Annual Report 2014 was awarded a Certificate of Merit. Our report was also on the short list for the Best Reporting within an Annual Report by ACCA Malaysia Sustainability Reporting Awards ("MaSRA") 2015.

We are equally humbled and excited that two (2) of our reports were also accorded recognition regionally. The Kulim's Integrated Annual Report 2014 was one of the finalists for Asia's Best Integrated Report by Asia Sustainability Reporting Awards 2015 while our Kulim's Carbon Footprint Report 2014 was awarded as Highly Commended for Asia's Best Carbon Disclosure.

Working visit by YB Dato Sri Hj Tajuddin Abdul Rahman to Tereh Selatan Estate, Kluang

MOVING FORWARD

We never lose sight of the fact that we are stewards of a business that was built over 80 years. The coming financial year will mark Kulim's 40th Anniversary as a listed entity in 2016. Events are still unfolding as we go into print, but regardless of the outcome of the EGM for the proposed privatisation in 2016, there is no doubt in our mind that the Group will continue to prosper in future years.

The goals we have set ourselves in the coming years are aggressive but realistic. From our position of strength, we have identified a clear path for the future and the flexibility to grow our businesses. With the right business model, well-defined strategies, talented people and structures in place, we will continue to move forward to capitalise on our positive momentum and to seize meaningful opportunities for top and bottom line growth.

Consider what we have for us - our fundamentals are strong and this is attested to by the quality of our balance sheet. The Group realised a gain of RM1.32 billion with the disposal of NBPOL and this has increased our cash balance from RM342.60 million as at end-2014 to RM1.53 billion as at end-2015. The gross gearing level of the Group has also improved from 0.21 times to 0.18 times mainly due to significant settlements during the year. These are big plus points that will contribute to our competitiveness.

Our ventures into the O&G support services are already delivering a new revenue stream for the Group and this has helped offset a weaker performance from the Group's traditional oil palm business. In moving up the O&G value chain, the coming year will see plans shift into higher gear for the development of the South West Bukit Barisan ("SWBB") Block in Indonesia. We hope to obtain approval for the Plan of Development ("POD") from the relevant authorities in Indonesia this year, that will pave the way for lifting of gas as early as the fourth quarter of 2017.

MESSAGE FROM THE CHAIRMAN

> "PERFORMANCE IS PART OF OUR CORPORATE DNA AND ALL OF US AT KULIM ARE COMMITTED TO ACHIEVING EXCELLENCE IN EVERYTHING WE DO."

We are also focusing attention on the consolidation of our Agrofoods business. We aim to expand the Group's cattle operations, focusing on fattening, trading and feedlot activities. As at December 2015, a total population of 7,452 heads of cattle was recorded, a 8.49% increase from 6,869 heads recorded the previous corresponding period. We are also managing two (2) feedlots at Bukit Nyamuk and satellite farm, Muar and we are targeting to produce 800 heads of cattle for the market from these two (2) feedlots. The Group has also been involved in cultivating pineapples and the first phase of an enlarged pineapple project was initiated at the Ulu Tiram Estate. As at December 2015, an area of approximately 181 hectares have been planted with the superior MD2 variety versus 173 hectares planted in 2014.

The Group is always looking at possibilities to unlock the value of its assets, especially in its significant land-bank reserves, strategically located near or adjacent to townships. With the progressive development of these areas over the next decade, these estates will be due for conversion into property development areas, where higher values will be realised. The first phase of the REM Estates conversion, involving 95 acres for employees' housing has started. As at September 2015, earthworks have already been completed, while the tender for construction works was out in November 2015.

FUTURE PROPERTY DEVELOPMENT

LANDBANKS

2,996 Hectares
SUNGAI PAPAN ESTATE

3,391 Hectares
SIANG ESTATE

Backbone of the Company – our workers

MESSAGE FROM THE CHAIRMAN

Other landbanks such as the Sungai Papan (2,996 hectares) and Siang Estates (3,391 hectares) also hold the potential for future property development. These estates lie within the proximity of the PETRONAS Refinery and Petrochemicals Integrated Development ("RAPID") Project in Pengerang and the growing township of Iskandar Malaysia in Johor.

Even though economic uncertainty and market volatility are likely to remain issues, we move forward with the confidence that we know where we are going and what we have to do to get there in this challenging but exciting business.

ACKNOWLEDGEMENTS

People are the ultimate source of our competitive advantage. The progress made the past year was attributed to the high level of performance, professionalism, dedication and commitment of our management and staff, working closely together creating innovative synergies. Performance is part of our corporate DNA and all of us at Kulim are committed to achieving excellence in everything we do. I am exceedingly proud to be leading this team of people.

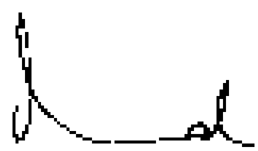
Thank you also to a great support group, which includes our partners, associates, consultants and the relevant government authorities in Malaysia and Indonesia. Your understanding and support have helped us to achieve our goals and expand our horizons. Our shareholders and other stakeholders deserve special mention. Your loyalty has made all the difference in a challenging year and I know we can continue to count on your support.

We have a strong Board and the Group is in good hands. On behalf of the Board, I take this opportunity to congratulate Datin Paduka Siti Sa'diah Sh Bakir who was conferred with a *Darjah Panglima Setia Mahkota (P.S.M)*, which carries the title of Tan Sri and to the Managing Director, Ahamad Mohamad who was named as the CEO of the Year for Sustainability (South East Asia) in the International Alternative Investment Review Awards 2016. I would also like to thank Ahamad Mohamad for his stewardship as the Managing Director of Kulim since 1993.

I also wish to extend my heartfelt gratitude for your continued support, without which none of what we achieved would be possible. Your faith in our efforts and your belief in our capabilities have always been the source of strength and will continue to motivate us. We look forward to your continued support and hope to reward your confidence with a strong performance, and returns in the years ahead.

Kulim stands at the threshold of what could well be the start of a new chapter in its transformation journey. Whatever the future holds for the Group as a corporate entity, Kulim remains an exciting and unfolding enterprise.

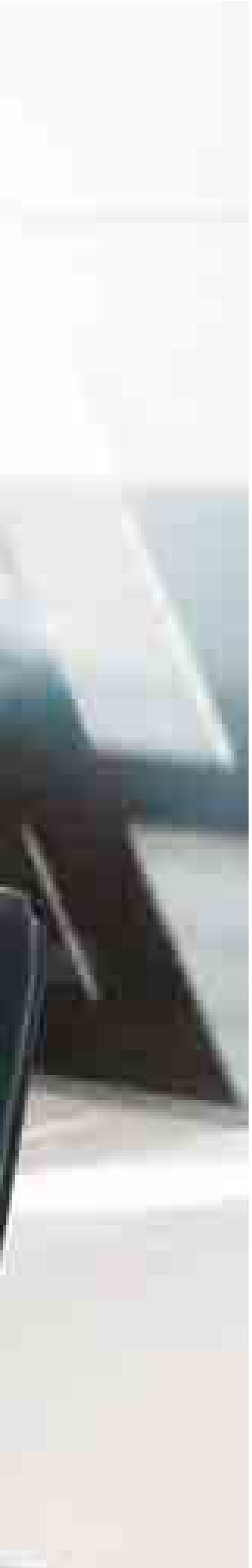
The Group still has a long way to go in its transformation journey and I have all the confidence in the Group to chart a successful future.



DATO' KAMARUZZAMAN ABU KASSIM
Chairman
Non-Independent Non-Executive Director

MANAGING DIRECTOR'S REVIEW OF OPERATIONS

AHAMAD MOHAMAD
Managing Director



A TENACITY FOR IMPROVEMENTS

Making headway towards achieving our strategic targets

DEAR SHAREHOLDERS,

OPERATING ENVIRONMENT

"The financial year ended 31 December 2015 saw oil and commodity prices declining significantly as a result of global demand and supply imbalances, returning to their familiar pattern of volatility. Political and economic uncertainty also dominated the headlines in many regions of the world with far-reaching consequences for many industries."

MANAGING DIRECTOR'S REVIEW OF OPERATIONS

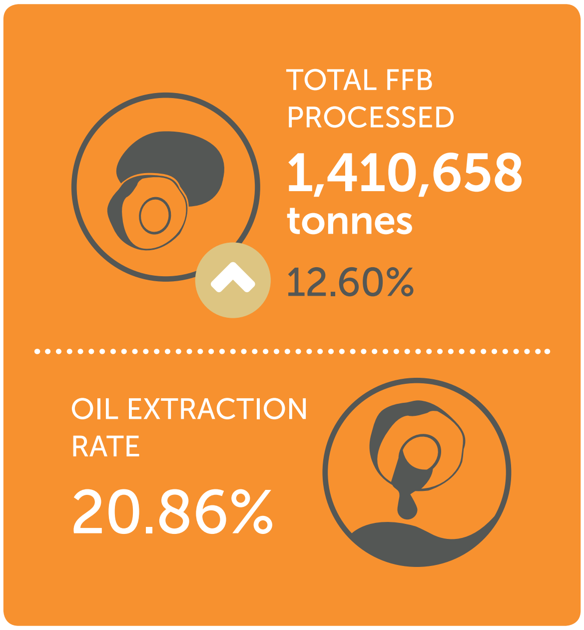
The commodity arena was hit hard in 2015, with many markets falling to multi-year lows. Oil prices plummeted by 34% in 2015 (Source: The Sun, 4 January 2016) to reach record-low levels, battered by prolonged global oversupply and a slowdown in China's economy. Prices have particularly slumped when the Organisation of Petroleum Exporting Countries ("OPEC") at its meeting in December decided against limiting production.

Although oil prices in March 2016 have somewhat recovered after the lows in 2015, the outlook remained one of cautious optimism.

The first half of 2015 has also been particularly challenging for the Malaysian oil palm sector. Heavy rains and flash floods at the end of 2014 had severely affected production, especially in the first quarter of the year under review. Generally weaker prices for vegetable oils and the benchmark Brent crude also put a toll on Crude Palm Oil ("CPO") prices.

A YEAR OF CONTINUED PROGRESS

Operationally it has been a mixed year for Kulim. We recorded higher yield levels for our oil palm estates, laudable progress in costs optimisation, and good results on several fronts. However we fell short of the pace we had planned for, in developing our new Indonesian estates.



PLANTATION

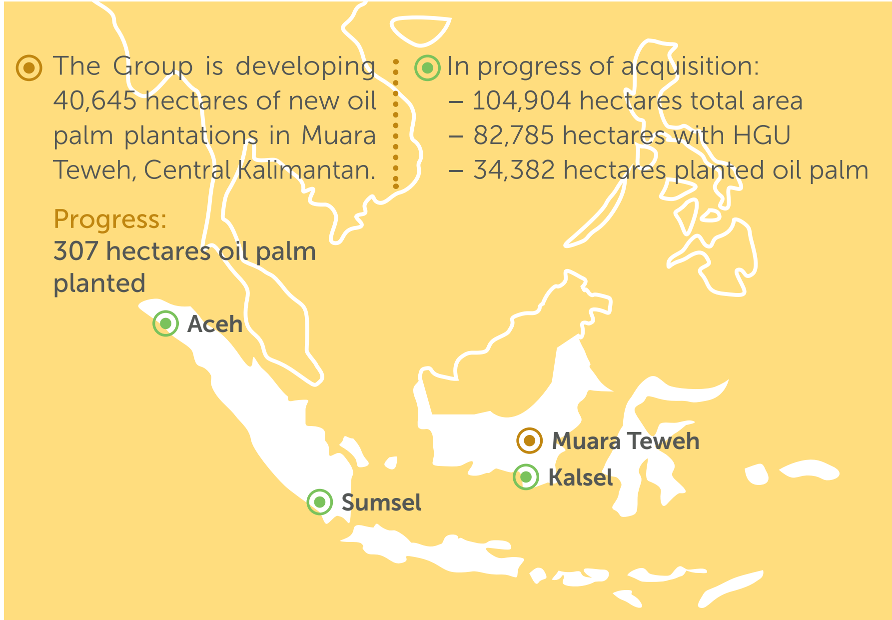
In our core Plantation segment, production of Fresh Fruit Bunches ("FFB") and Crude Palm Oil ("CPO") for 2015 improved by 5.36% and 14.12% respectively. Total FFB processed was also increase by 12.60% to 1,410,658 tonnes higher while we achieved an Oil Extraction Rate ("OER") of 20.86%, a marked improvement from 20.58% in 2014. This translated into a 0.72% increase in yield per hectare to 22.50 tonnes from 22.34 tonnes recorded previously.

We continued to make headway in our replanting initiative to improve the age profile of our palms. Replanting of old palms with high yielding clones is undertaken on a staggered basis at approximately 3% of the total planted area annually. As a result, the age profile of our palms are at its best ever. Our prime trees of between 9 and 18 years constitute around 44% of our total planted area.

In Indonesia, guided by the RSPO's New Planting Procedures the Group is developing 40,645 hectares of new oil palm plantations in Muara Teweh, Central Kalimantan. Having secured the necessary release permit from the Indonesian authorities, as of year-end 2015, a total of 307 hectares have been planted with oil palms. We are also in the process of obtaining the permits to convert a further 33,512 hectares of forests to grow oil palms. The approval from the Forestry Ministry is expected sometime later this year.

In March 2016, we entered into several agreements for the purchase of additional plantations in Indonesia. With a total land area of 104,904 hectares, of which 82,785 hectares have been issued with HGU, and 34,382 hectares planted, the new acquisitions will accord us with the critical size for an efficient operation, whilst the availability of land with HGU will allow us to plant at a brisk pace.

MANAGING DIRECTOR'S REVIEW OF OPERATIONS



On ground site inspection to ensure smooth running of the mill

MANAGING DIRECTOR'S REVIEW OF OPERATIONS

EATech's EPCIC contract from Hess Exploration and Production Malaysia B.V. for two (2) years valued at USD191.8 million

> THE GROUP IS INVOLVED IN THE EXPLORATION AND PRODUCTION OF O&G UNDER A PRODUCTION SHARING CONTRACT FOR THE SOUTH WEST BUKIT BARISAN ("SWBB") BLOCK LOCATED ONSHORE WEST SUMATERA PROVINCE.

OIL & GAS

Our involvement in the Oil and Gas ("O&G") business is represented by the Group's two (2) companies in the O&G support services and by our direct involvement in the upstream business of O&G exploration and production.

2015 was a good year for E.A.Technique (M) Berhad ("EA Tech") and Danamin (M) Sdn Bhd ("Danamin") in the O&G support services. EA Tech's order book has been bolstered with several new contracts, namely the EPCIC (Engineering, Procurement, Construction, Installation & Commissioning) contract from Hess Exploration and Production Malaysia B.V. for two (2) years, while Danamin continued to consolidate its position as one of the key players in the country's Non-Destructive Testing ("NDT") business.

In Indonesia, the Group is involved in the exploration and production of O&G under a production sharing contract for the South West Bukit Barisan ("SWBB") Block located onshore West Sumatera Province. Upon completion of the acquisition which is targeted in mid 2016, SWBB would further obtain the Plan of Development ("POD") from *Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak & Gas Bumi ("SKK MIGAS")* targeted in the fourth quarter 2016 to work for commercialisation of production. Depending on its commercial viability, production is targeted to begin in 2017.

Microwell Bio Solutions Sdn Bhd ("MBSSB"), the first fertilizer company to earn a **NanoVerified Certificate**

INTRAPRENEUR VENTURES

In general, the companies under the Group's Intrapreneur Ventures ("IV") showed improved results despite the challenging environment. Extreme Edge Sdn Bhd ("EESB") notably continued to show its resilience to register higher revenue and profit. We are proud of the work undertaken by Microwell Bio Solutions Sdn Bhd ("MBSSB"), which is the first fertilizer company to earn a NanoVerified Certificate for its hose range of environmentally-friendly biotechnology-based fertilizers.

TOTAL CATTLE POPULATION

7,452 Heads

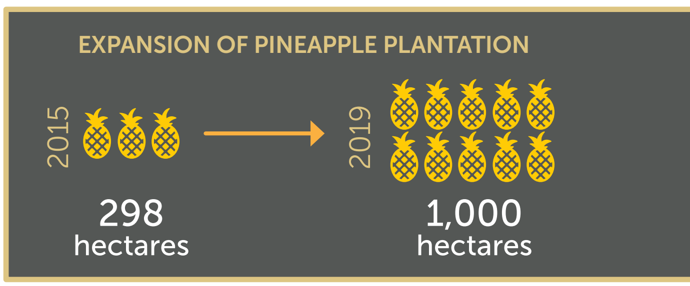
8.49%

AGROFOODS BUSINESS

We have also in 2015 taken steps to consolidate and grow our Agrofood business, focusing on large-scale cattle farming and the pineapple related businesses.

Our plan is to expand our cattle operations by focusing on fattening, trading and feedlot activities to meet local demand. As at year-end 2015, we had a total cattle population of 7,452 heads, an increase of 8.49% from the previous year.

Kulim is also one of the biggest producers of fresh pineapples in Malaysia for the local as well as export markets in the Middle East, East Asia and Singapore. We are planning to expand our pineapple plantation from the current 298 hectares to about 1,000 hectares by 2019. Apart from fresh fruits, we also produce pineapple-based products such as tarts, jam, frozen yogurt and drinks under the brand of "Melita".



MANAGING DIRECTOR'S REVIEW OF OPERATIONS

PROGRESS AGAINST KEY TARGETS

Against the backdrop of a challenging operating environment, our business model and strategy have served us well. We are pleased to report that the Group continued to make headway towards achieving its strategic targets and deliver a strong, broad-based performance in 2015.

What We Achieved

Building a World Class Portfolio

Reshaping our portfolio

- Disposal of NBPOL completed on 26 February 2015
- Acquisition of 51% equity interest in Classruum Technologies Sdn Bhd, completed in January 2016

Financial Performance

Quality growth

- Group revenue up 34.37% to RM 1.47 billion
- Profit Before Tax ("PBT") improved by 70.10% to RM162.51 million
- Plantation revenue was up 52.89% to RM777.26 million, although PBT decline 27.40% like-on-like
- Oil and Gas revenue increased by 220.29% to RM582.30 million
- Revenue from Intrapreneur Ventures ("IV") was at RM64.06 million, a decline of 8.62%, however operating profit turned black, improved 250.93% to RM1.63 million

Balance sheet strength

- The Group recorded a higher cash balance of RM1.53 billion as at December 2015 from RM342.60 million recorded as at Dec 2014
- Gross gearing level of the Group improved from 0.21 times to 0.18 times as at December 2015

Returns to shareholders

- A special dividend of RM500 million was paid on 23 March 2015

Operational Excellence

A leader for palm products yield

- FFB yield recorded at 22.50 tonnes per hectare, higher than the yield achieved in Johor and Peninsular Malaysia
- OER improved to 20.86% from 20.58% in 2014, higher than industry average for Peninsular Malaysia while our KER is on par with the industry average

Maturity profile

- The age profile of the Group's planted trees are at its best ever, with prime trees between 9 and 18 years making up 44% of the planted area

Cost Management

- Cost of production from our field operations was contained at RM252 per tonne FFB, which is 6.3% below our budget estimate of RM269 per tonne

Efficiency

- Proactive measures to step up mechanisation and automation programmes in order to reduce dependency on labour

Sustainability Goals

What We Achieved

Stakeholders' engagement

- Employees' Engagement Programme were organised several times during the year on issues of Kulim Housing Scheme, Proposed SCR and others
- Dialogues were organised with independent outgrowers to achieve target of 100% RSPO certification of external FFB by 2019

Environmental footprint

- Eradication of paraquat usage
- Biogas plant projects are being implemented in stages at our five (5) mills, with the new plant at Pasir Panjang Palm Oil Mill commissioned in September 2015
- The target is to reduce the Group's overall carbon footprint to 80.5% of the 2012 baseline emission by 2017
- Continuation of collaboration with relevant authorities (*Perbadanan Taman Negara Johor*, PERHILITAN, PERHUTANAN) to tackle the issue of human-wildlife conflict
- Patrolling around forest reserves to minimise encroachment and illegal poaching
- "Saving Forests for Orangutans" - Contribution to Orangutan Land Trust ("OLT") to preserve orangutan habitat

Reduction in Carbon Footprint

- Publication of Carbon Footprint Report 2014
- Reduction of net carbon emissions of 34% using PalmGHG Calculator Beta Version

Health, Safety & Environment

- The Lost-Time-Accident Rate ("LTAR") was recorded at 6.82 in 2015, compared to our targeted LTAR of 10
- Severity rate of 2.39 is still below our target of 3.5
- Fatality rate of zero as the Group is aiming for zero fatality

MANAGING DIRECTOR'S REVIEW OF OPERATIONS

Signing ceremony of acquisition of four (4) Indonesian plantation companies in Jakarta

CORPORATE DEVELOPMENTS

On 5 March 2015, our 54.21%-owned subsidiary Asia Economic Development Fund Limited ("AEDFL") entered into a Share Sale Agreement ("SSA") for the proposed acquisition of approximately 30% equity interest in Asia Logistics Council Sdn Bhd ("ALC"), not already owned by AEDFL. The exercise involves a proposed subscription by Kulim of USD13.55 million (approximately RM49.55 million) nominal value of five (5) years Redeemable Non-Cumulative Convertible Preference Shares ("RCPS") issued by AEDFL. A proposed finance assistance of up to an aggregated sum of USD25 million (approximately RM91.41 million) will also be provided by AEDFL to ALC.

AEDFL and ALC are involved in the development of the digital-based global solution logistics business. The proposed acquisition would provide the Group with the opportunity to participate in a unique new business activity with a first mover advantage in the development and the proposed acquisition was completed in deployment of global solutions.

On 24 August, Kulim entered into a Shares Sale and Shares Subscription Agreement ("SSSSA") for the proposed acquisition of 51% equity interest in Classruum Technologies Sdn Bhd ("CRTSB") for a total purchase consideration of RM1.6 million. Cultivating a culture of e-learning, CRTSB is primarily focused on the Information, Communication and Technology ("ICT") business and is spearheading an e-learning platform via the Classruum.com programme that allows students to gain access to additional learning materials and leverage on social media to connect and reach out to other teachers, experts and other students.

This would highly benefit the students as they get to expand on their learning experience whilst the Classruum.com system in itself will be able to calculate a student's level of interest, their strengths and weaknesses.

The proposed CRTSB acquisition is in line with Kulim's diversification business plan and is also consistent with our Corporate Responsibility ("CR") efforts to provide a more effective platform to improve the quality of education in Malaysia. Both acquisitions are expected to contribute positively to Kulim's future earnings and enhance shareholders' value in the long-run.

THE PROPOSED PRIVATISATION

At a meeting on 17 November, the Board of Directors deliberated on the contents of the offer letter from JCorp and decided to present the proposed Selective Capital Reduction and Repayment ("Proposed SCR") to shareholders of Kulim for their consideration at an Extraordinary General Meeting ("EGM") to be convened in May 2016. Barring any unforeseen circumstances, the proposed SCR can be expected to be completed by the third quarter of 2016.

In the meantime, we are proceeding with the due process to obtain the relevant approvals from the Securities Commission. Prior to the EGM, we have planned a series of road-shows across the country to present the SCR to our various stakeholders and respond to queries. Our own people have also been kept abreast of developments within the Group and during the year, we organised no less than five (5) Employees' Engagement Programmes.

Two (2) significant corporate developments transpired outside the purview period. In line with the Group's strategic goal of increasing its plantation landbank, our team have visited and evaluated several plantations that were available for sale in Malaysia and Indonesia. On 10 February 2016, Kulim's 74%-owned subsidiary PT Wisesa Inspirasi Nusantara ("PT WIN") entered into four (4) Conditional Share Purchase Agreements ("CSPA") to acquire 95% equity interests in four (4) mid-sized oil palm plantation companies, namely PT Nusa Persada Indonesia, PT Surya Panen Subur, PT Tempirai Palm Resources and PT Rambang Agro Jaya. The total purchase consideration of approximately IDR1.64 trillion (approximately RM509.35 million) will be financed by a combination of bank borrowings and/or internally generated funds.

The total landbank held by the four (4) companies is around 104,904 hectares with 34,382 hectares planted and will boost the Group's total planted area by around 73%. The total mature area of the new landbank is only about 11,953 hectares or around 15% of the total plantable area.The Group is therefore expected to incur additional expenditure for the development of its new plantation assets and the cultivation of oil palms. Nonetheless, moving forward, the acquisitions are expected to contribute positively to the future earnings of the Kulim Group.

We are also pleased that whilst the fall in oil prices have been viewed with apprehension, it has allowed us an opportunity to renegotiate the terms of our Joint Venture. Thus our subsidiary, Kulim Energy Nusantara Sdn Bhd ("KENSB") entered into a Supplemental Agreement ("SA") on 7 February 2016 with PT Citra Sarana Energi ("PT CSE") and its existing shareholders to revise downwards the purchase price of shares in PT CSE to USD80 million (RM344.08 million), which is 40% less than the initial price tag of USD133.55 million (approximately RM462.68 million). KENSB also has the option to increase its equity interest in PT CSE to 65% from its present 60%.

OUTLOOK AND PROSPECTS

Global Gross Domestic Product ("GDP") is forecasted to expand by 3.6% in 2016 (2015: 3.1%), contributed by better performance in most advanced economies as well as improving economic conditions in emerging markets and developing economies. (Source: Economic Report 2015/16) The Malaysian economy will remain on a steady growth path, with real GDP growth forecast at between 4% and 5% led by domestic demand. Growth is expected to be broad-based with all sectors registering positive growth. (Source: Economic Report 2015/16)

In our core plantation business, the worst El Nino phenomenon in two (2) decades is a bullish factor for palm oil. The dry weather is limiting CPO supply and this is anticipated to mopping up palm oil inventories. Indonesia is also encouraging biodiesel usage via mandatory B15 programme launched in 2015 and together with the El Nino effect, it has the potential to drive prices up in 2016 to trade as high as USD700 a tonne. (Source: "Palm Oil Facing 'Powerful Cocktail" of El Nino, Fuel Demand", "Crude Palm Oil prices To Go Up Mid-2016")

MANAGING DIRECTOR'S REVIEW OF OPERATIONS

CPO PRICE OUTLOOK 2016:

RM2,000 - RM2,300
per tonne

Bullish factors for future CPO price:
- El Nino – dry weather
- B15 biodiesel mandate in Indonesia

Our fully-segregated mill for Sustainable Palm Oil; Tereh Palm Oil Mill, Kluang

The performance of our core plantation business will remain very much dependent on the price movements of palm oil products. It will also be affected by rising costs, including those of labour, fertilizer, fuel and chemicals. With the price of CPO expected to trade within a range of RM2,000 to RM2,300 per tonne in 2016, we can expect to reprise our 2015 performance in the coming year.

The Group's O&G business segment will see another challenging year, with the Ringgit weakening against the US Dollar and with prices of crude oil extending its decline. Oil prices recorded a second year of steep losses in 2015, with the benchmark Brent crude closing the year at USD36.66 a barrel. The immediate outlook for oil prices remain bleak, with the International Energy Agency ("IEA") predicting that oil prices will take five (5) years to recover to around USD80 a barrel. (Source: Oil Prices Will take 5 Years to Recover – IEA, 10 November 2015) An already bearish oil market is likely to come under further pressure in 2016 when international sanctions on Iran are removed.

Economic uncertainty and market volatility are likely to remain issues for our foreseeable future. Nonetheless, I believe that Kulim is well placed to face the future with confidence. The Group's balance sheet is strong and sound and we are committed to maintain this position. In a period of market instability, a robust balance sheet is a major advantage as it creates a platform for future growth and provides the necessary flexibility to undertake future projects.

I would like to add to what the Chairman has mentioned in his message about the impending privatisation of Kulim. As he correctly pointed out, the disposal of our entire stake in NBPOL has left Kulim with a smaller plantation hectarage compared to other regional players, even though we are taking measures to expand our holdings in Indonesia. For the past years, NBPOL was also one of the key assets driving the market valuations for Kulim shares. Given the present market environment, the Proposed Selective Capital Reduction and Repayment ("Proposed SCR") therefore presents an opportunity to our minority shareholders to cash out on their investments at an attractive premium.

An Extraordinary General Meeting ("EGM") has been planned for May 2016, where we will hear the views of our shareholders on the Proposed SCR. If our shareholders agree with the Proposed SCR, the exercise will be completed by the third quarter of 2016 the earliest, whereupon Kulim will continue on its transformation journey as a private entity.

CHALLENGES & OPPORTUNITIES

PLANTATION

CHALLENGES

- Market and currency volatility
- Competition from substitutes
- Unfavourable weather conditions with the haze and El Nino
- Rising operational costs, notably fuel, fertilizers and chemicals and manpower shortages
- Limited landbank available locally
- External political disruptions and social disorder

OPPORTUNITIES

- Optimise hedging opportunities
- Potential to move further downstream in palm-based industries
- Application of technology and Research and Development ("R&D") and mechanisation of operations to improve yields
- Opportunity to achieve landbank expansion within the region

OIL & GAS

CHALLENGES

- Investment Risk
- Significant deviation on actual oil
- Any delay in Production Sharing Contract acquisition will impede revenue generation to replenish dwindling reserves
- Potential additional costs may be incurred or exceed budget, taking into account the delay in land development, under-utilisation of resources available, inflation, currency volatility, legal and professional fees etc.

OPPORTUNITIES

- The Group's venture into the O&G business in Indonesia allows the Group to move up the O&G value chain, particularly in the niche upstream activities
- Indonesia has the largest O&G prospect in the Southeast Asia and is still an attractive destination for O&G investment
- The Government of Indonesia is focusing on revitalising investment and production activities for the O&G sector

MANAGING DIRECTOR'S REVIEW OF OPERATIONS

OUR STRATEGIC PRIORITIES

Markets are challenging, and in this environment investors seek strength, reliability and consistency. It is in these periods that the quality of the Kulim Group's considerable assets, operational excellence and balance sheet strength shines through. Our many strengths have contributed to our competitiveness and will continue to enable us to seize opportunities to strengthen our position in selected areas while establishing new and exciting strategic platforms.

As we celebrate the 40th year of our anniversary as a public-listed company, the underlying momentum of the Group's businesses remains robust. Our guiding compass will be our Vision and Mission as we look forward to a new financial year, with our strategic priorities being as follows:

> "WE WILL MAINTAIN OUR MOMENTUM BY CONTINUING TO EXERCISE FISCAL DISCIPLINE IN HOW WE USE OUR CAPITAL, BY DELIVERING ON THE POTENTIAL WITHIN OUR PIPELINE OF BUSINESSES AND BY EXECUTING OUR PLANS AND STRATEGIES WHILST MAINTAINING THE HIGHEST STANDARDS OF COMPLIANCE AND ETHICS."

- In line with our Balanced Business Strategy, we will continue to maintain a diverse balance in the Group's businesses and investment options. Our priority is to explore, identify and invest in businesses that offer superior long-term potential for growth and profitability.
- Geographic expansion remains an important part of our plantation growth agenda. We will further enhance our portfolio with the completion of a promising pipeline of key acquisitions, which include brown field assets comprising 82,785 hectares of "Right to Cultivate" ("*Hak Guna Usaha* or "HGU") plantation landbank in the Province of South Sumatera ("Sumsel"), South Kalimantan ("Kalsel") and Aceh; and an existing investment of 40,645 hectares of land in Central Kalimantan.
- We will maintain our relentless focus on safety, as measured by both the elimination of fatalities and minimising all injury frequency rates and lost time injuries at the workplace. We will work to ensure that the environment is safe from the effects of our operations.
- Our strong focus on costs will continue in 2016, as we continue to pay our attention to operational efficiency, streamline various processes and drive productivity. In this regard, the Group's Business Acceleration Department has come up with innovative cost management initiatives. They include a study to increase the productivity of giant balloons and bicycle socks to increase the maximum production of velotoze. A trial for the use of AJIB CRF, a new control-released was carried out from 2012 at two (2) estates. The latest findings indicate that the yields at control and trial plot are both comparable. As AJIB CRF fertilizers are cheaper, the estimated savings is approximately RM1.2 million for 4,500 hectares.
- We will continue to channel energy and resources to address climate change issues, our main focus being the reduction of emissions from our five (5) mills, oil palm cultivation, fertilizer use and plantings on peat land.
- Maintaining our balance sheet strength will remain a core priority and we will continue to drive financial discipline.
- The expertise of our people is central to Kulim's progress, so developing our employees in critical areas remain an ongoing activity.

Ensuring smooth and safe running of the palm oil mill

We have our work cut out for us in 2016 and in the coming years. As a Group with a bold vision and ambitious plans for the future, we will maintain our momentum by continuing to exercise fiscal discipline in how we use our capital, by delivering on the potential within our pipeline of businesses and by executing our plans and strategies whilst maintaining the highest standards of compliance and ethics. The human dimension, which includes our relationships with employees, partners, stakeholders and communities, will always be a key factor in sustaining success over the long run.

The transformation journey that we started 40 years ago is far from over. There is still much to be achieved. Kulim remains a dynamic and exciting enterprise with many more chapters to be written in its unfolding story.

ACKNOWLEDGEMENTS

What sets us apart is the quality and tenacity commitment of our people. Our people embody our core values and they are the heart and soul of our success.

I would like to thank our stakeholders for continuing to partner with us, and you, our shareholders for investing in our company. My gratitude goes to all of you for your ongoing support of this great company.

Thank you.

AHAMAD MOHAMAD
Managing Director

CHIEF FINANCIAL OFFICER'S REPORT

PERFORMANCE & VALUE

Strong financial results underscore our balance sheet strength

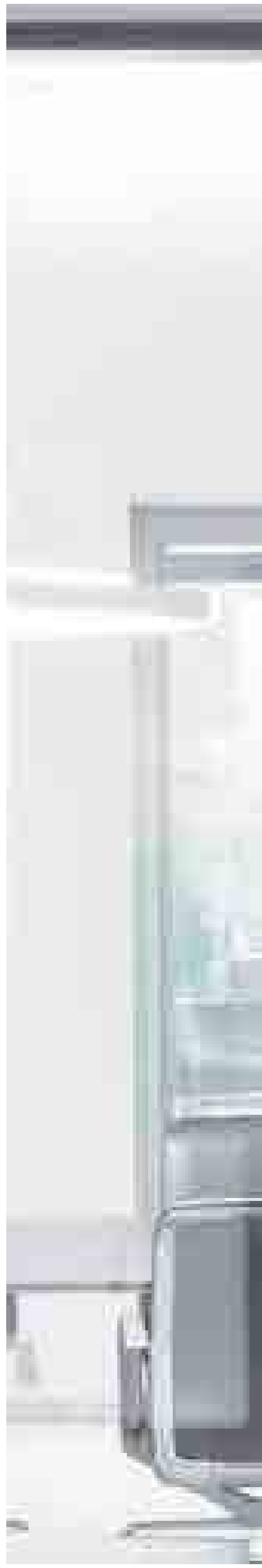
DEAR SHAREHOLDERS,

"The year under review ended 31 December 2015 has been a challenging one for Kulim (Malaysia) Berhad ("Kulim" or "The Group"). In a year where we faced more headwinds than tailwinds, our performance was impacted by two (2) key developments."

2015 was another year of low Crude Palm Oil ("CPO") prices amid concerns about the economic slowdown in China, which added downward pressure on palm and other edible oil prices in 2015. Capped by a record high soybean production, the CPO price has been hovering between RM2,000 per tonne and RM2,400 per tonne for the most part of 2015. On a year-to-year basis, CPO prices declined 7.55% to RM2,191 average in 2015. Higher operating costs such as those incurred for the purchase of fertilizers also affected our financial performance.

During the year under review, the foreign currency exchange markets experienced the highest volatility since the financial crisis in 2008. The Ringgit has been weakening from the beginning of 2015 and breached the psychologically important level of RM3.80 to the greenback in July 2015. The devaluation of the Chinese on 15 August further roiled Asian currency markets.

2015 REVENUE
RM1.47 Billion
34.37%



CHIEF FINANCIAL OFFICER'S REPORT

AZLI MOHAMED
Chief Financial Officer/
Vice President, Finance

CHIEF FINANCIAL OFFICER'S REPORT

FACTS AT A GLANCE

- 2015 Revenue increased by 34.37% to **RM1.47 Billion**
- FFB Production increased by **5.36%**
- PBT stood at **RM162.51 Million**
- Realised Gain of **RM1.32 Billion** from disposal of NBPOL
- **37.65 sen** Special Dividend Per Share paid on 23 March 2015

By the end of 2015, the Ringgit had fallen by 22.75% (Source: Asian Nikkei Review, 31 December 2015) and was Asia's worst performing currency since 1998. In early January 2016, the Ringgit tumbled to a new low of almost RM4.40 to the US Dollar with the suspension of China's equity market, which caused market players to become more risk-averse. (Source: Bernama, 7 January 2016)

FINANCIAL PERFORMANCE

Despite the significant challenges in its operating environment, the Kulim Group delivered a strong underlying performance to register a better revenue and Profit Before Tax ("PBT") compared to the preceding year. For the year under review, the Group achieved revenue of RM1.47 billion, an increase of 34.37% from RM1.09 billion posted in 2014. Correspondingly, PBT was rose 70.10% to RM162.51 million, from RM95.53 million.

The Plantation Segment remained by far, the biggest contributor to Group revenue, accounting for RM777.26 million or 52.89%. However, operating profit declined 32.09% like-on-like. Even though the production of Fresh Fruit Bunches ("FFB") increased by 5.36%, it was overshadowed by lower average CPO prices recorded in 2015. The Group's Malaysia operations achieved an average CPO price of RM2,191 per tonne in 2015 compared to RM2,370 per tonne in 2014. Palm Kernel ("PK") prices were also lower at RM1,534 per tonne in 2015 from RM1,708 per tonne achieved in the previous year.

Nevertheless, the soft performance from our plantation segment was offset by a stellar performance from the Group's Oil and Gas ("O&G") support business. Revenue soared 220.29% to RM582.30 million for 2015, while operating profit grew 91.26% to RM32.52 million. The increase was mainly contributed by E.A.Technique (M) Bhd which secured a new contract for the Engineering, Procurement, Construction, Installation and Commissioning ("EPCIC") of a Floating Storage Offloading ("FSO") facility for a Full Field Development ("FFD") project in the North Malay Basin. The contract is valued at USD191.8 million for 20 months, with a 24-month warranty period. Our O&G support business was also able to benefit from the declining Ringgit against the greenback because of US Dollar reserves maintained by the Group in offshore banks.

In 2015, the Group's Intrapreneur Ventures ("IV") Segment generated revenue of RM64.06 million, a decrease of 8.62% compared to the previous year. However, operating profit improved by 250.93% to RM1.63 million. The increase in operating profit was mainly contributed by Extreme Edge Sdn Bhd Group with new contracts secured during 2015 and full year consolidation of Sovereign Multimedia Resources Sdn Bhd, acquired in June 2014.

BALANCE SHEET STRENGTH

The financial results achieved underscore the Group's balance sheet strength. With the disposal of New Britain Palm Oil Limited ("NBPOL"), Kulim realised a gain of RM1.32 billion (net of expenses). This has increased the Group's cash balance to RM1.53 billion from RM342.60 million previously. The gross gearing level of the Group has also improved from 0.21 times to 0.18 times, with a significant settlement during the year under review.

DIVIDENDS

In 2015, Kulim declared and paid a special dividend of 37.65 sen per ordinary share out of the proceeds received from the disposal of NBPOL. No dividend was declared subsequently.


General workers for manuring at young palm area

CHIEF FINANCIAL OFFICER'S REPORT

SHARE PRICE

During 2015, the Company bought back 107,636,000 ordinary shares of the Company from the open market at an average price of RM2.82 per share, representing 0.6% of the issued and paid up share capital of the company.

In January 2015, the listed price of our share counter was RM3.00 but went up to RM3.90 as at 31 December 2015, bucking the downward trend of the FBM KLCI and Plantation Index. The increase in Kulim's share price was mainly due to speculation on the possibility of the Company being taken private.

PROMISING OUTLOOK

As we look to the coming financial year, the performance of our Plantation Division will remain very much dependent on the movement of palm oil products. It will also be affected by rising labour and fertilizer costs. To meet these challenges, the division will be focusing on stepping-up field mechanisation, operational efficiency, yield enhancement and deploying more stringent cost controls. With CPO prices expected to trade within a range of RM2,000 to RM2,300 per tonne in 2016, we are expecting a similar performance from the Division in 2016.

The O&G Support Services Division is expected to experience another year of volatility, with the Ringgit continue its slide against the US Dollar and weakening of crude oil prices. However, the Division has already secured a USD191.8 million EPCIC contract with a 24-month warranty period and will continue to focus on operational efficiency and meeting customers' expectations. We can therefore expect another set of favourable results from the Division in the coming year.

Our strong market positions in at least two (2) core divisions are expected to contribute to another year of solid performance and profitable growth. Our optimism is premised on several factors, not least of all being the diversity of our core businesses which serves as a source of strength and balance to face the many uncertainties in the market.

GOING FORWARD

The plantation sector will continue to dominate the Group's business profile for the foreseeable future. However, Kulim will continue to explore, identify and invest in businesses that offer superior long-term potential; for growth and profitability with an underlying objective of minimising earning fluctuations to provide attractive returns to shareholders.

Driven by its Balanced Business Strategy, Kulim is uncovering opportunities in the O&G sector in its quest to achieve business growth and deliver value to shareholders. Kulim has established footholds in the O&G support businesses, such as the transportation of clean petroleum products and fabrication O&G pipelines.

The Group now aims to move up the O&G value chain by venturing into the upstream O&G activities, involving the exploration, development and production activities particularly in Indonesia, which is still one of the region's most attractive oil patches. The new upstream venture will enable Kulim to tap into strategic investment opportunities to broaden its earnings base and generate new and sustainable growth.

Even though economic uncertainty and market volatility are likely to remain issues for 2016, we are confident that the Group's financial strength, its strategic ambitions and pool of talented people position us well, so that we continue to progress and grow.

We have further to travel from the distance we have come.

Thank you.

AZLI MOHAMED
Chief Financial Officer/Vice President, Finance

CORPORATE EVENT HIGHLIGHTS 2015

22 JANUARY

Majlis Pedoman Kulim 2015 was held at Persada Johor.

11 – 12 FEBRUARY

Hari Mekar Kulim 2014 with theme 'Continuity Through Innovation' was held at AKLI Training Centre, Kota Tinggi.

24 FEBRUARY

A visit by Deputy Minister of Agriculture and Agro-based Industry, YB Dato' Sri Tajuddin Abdul Rahman to Tereh Selatan Estate, Kluang, Johor.

22 MARCH

A visit by The Minister of Agriculture and Agro-based Industry, YB Dato' Sri Ismail Sabri Yaakob to Kulim Pineapple Farm, Ulu Tiram, Johor.

23 MARCH

80 employees took part to show support to Royal Motorcade in conjunction with the coronation of DYMM Sultan Ibrahim Sultan Iskandar.

11 – 14 APRIL

Kulim participated in Fiesta Kota Tinggi in conjunction with the coronation of DYMM Sultan Ibrahim Sultan Iskandar, held at Padang Bukit Kerajaan, Kota Tinggi.

17 – 19 APRIL

Kulim participated in JCorp Carnival 2015 held at Dataran Tanjung Emas, Muar, officiated by DYMM Sultan Ibrahim Sultan Iskandar.

21 – 23 MAY

Participation in JCorp Carnival at Tanah Lapang Taman Utama, Segamat - Officiated by YB Datuk Haji Ayub Haji Rahmat, Exco Kesihatan dan Alam Sekitar Negeri Johor.

2 JUNE

Kulim's 40th Annual General Meeting was held at The Puteri Pacific Hotel Johor Bahru.

4 – 6 JUNE

Participation in JCorp Karnival at Dataran Tasik Kluang - Officiated by YB Tuan Haji Md. Jais Haji Sarday, Exco Pendidikan, Penerangan, Pembangunan Usahawan Dan Koperasi Negeri Johor.

13 – 15 AUGUST

Participation in JCorp Karnival at Padang Bukit Kerajaan, Kota Tinggi - Officiated by YB Puan Hjh Asiah Md Ariff, Pengerusi Jawatankuasa Pendidikan Penerangan Pembangunan Usahawan dan Koperasi Negeri Johor - Special Event: Kulim Badang Man competition was also held during the Carnival.

24 AUGUST

Launching of Classruum.com officiated by YAB Dato' Mohamed Khaled Nordin was held at Persada Johor.

27 SEPTEMBER

Kulim contributed USD500,000 for Conservation Project "Saving Forests For Orangutans" by Orangutan Land Trust ("OLT"), held at Millennium Hotel, Jakarta, Indonesia.

26 NOVEMBER

NACRA 2015 Awards Presentation Dinner held at Intercontinental Hotel, Kuala Lumpur - Kulim's Integrated Annual Report 2014 was awarded 'Certificate of Merit'.

1 DECEMBER

ACCA Malaysia Sustainability Reporting Awards ("MaSRA") 2015 held at The Westin Kuala Lumpur – Kulim's Integrated Annual Report 2014 was shortlisted for Best Reporting within Annual Report.

30 NOVEMBER – 1 DECEMBER

Kulim participated in Hari Mekar Johor Corporation 2015, a yearly event organised by JCorp to promote total quality initiatives, held at Persada Johor.

SUSTAINABILITY EVENT HIGHLIGHTS 2015

29 MARCH

Program Akademi Masjid 2015 organised by As-Sajadah Unit under Kulim's 'We Care, We Share' was held at Sindora Estate.

4 APRIL

Segamat International MTB Challenge 2015 and Infaq 1 Warisan held at Mungka Estate, Segamat.

12 APRIL

Program Maulidul Rasul Kulim (Malaysia) Berhad was held at Sindora Estate.

25 APRIL

Kulim Wildlife Defenders ("KWD") participated in "Perasmian Hari Tanah Lembap Sedunia 2015" officiated by YAB Dato' Mohamed Khaled Nordin, held at Zoo Johor.

2 – 3 MAY

Kota Tinggi Paintball Championship 2015 held at REM Estate.

15 MAY

KWD participated in a programme "*HAPUS JERAT PAK BELANG 2015*" jointly organised by *Universiti Teknologi Malaysia (UTM), Jabatan Perlindungan Haiwan Liar and Taman Negara (Perhilitan Negeri Johor)*, held at Wildlife Rescue Centre, Kluang, Johor.

23 MAY

Kota Tinggi Eco-Boat Fishing Challenge 2015 held at Kulim Eco-Trail Retreat, Basir Ismail Estate.

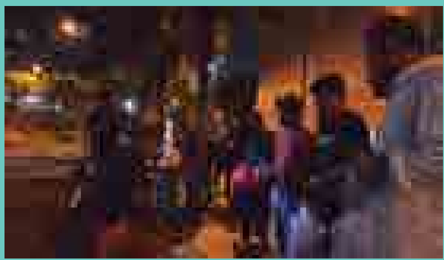
24 MAY

First trial session of Classruum.com involving 30 students was held at SK Taman Bukit Tiram.

24 JUNE

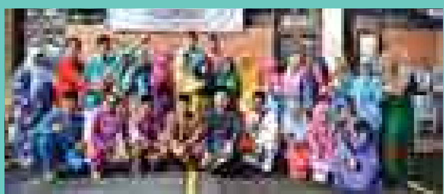
Hi-Tea programme with Ustaz Harryanto Rizal Rokman and Ustaz Abdul Halim Abdul Hafiz, held at Persada Johor.

SUSTAINABILITY EVENT HIGHLIGHTS 2015



25 JUNE – 9 JULY

Homeless Assistance Programme named *'Assalamualaikum Dunia 1436H'* organised by KSRT and As-Sajadah.



26 JULY – 9 AUGUST

Hari Raya Aidilfitri Celebration with theme *"KSRT ....JOM BERAYA 2015"* was held at Kulim Corporate Office.

28 – 29 AUGUST

Kulim Family Day 2015 organised by KSRT was held at Bayou Lagoon Park Resort, Melaka.

13 SEPTEMBER

Inter Region Sports Carnival 2015 organised by KSRT, held at KSRT Club House, Ulu Tiram, Johor.

4 OCTOBER

A celebration of Kulim's International Women's Day organised by Women OnWards ("WOW") was held at Kulim Eco-Trail Retreat, Basir Ismail Estate with theme *'Indah Nurani, Anggun Peribadi'*.

8 – 18 OCTOBER

IPSC Level IV Far East Asia Handgun Championship 2015 was held at REM Estate.

17 OCTOBER

Kota Tinggi MTB Jamboree 2015 at Kulim Eco-Trail Retreat, Basir Ismail Estate.

21 NOVEMBER

Kulim in collaboration with KWD became the main sponsor for UTHM Run Wild, a charity project organised by UTHM Wildlife Defenders.

26 – 28 NOVEMBER

KSRT organised *Jom Eksplorasi Hutan Royal Belum 2015* at Belum Rainforest, Perak.

26 APRIL – 20 DECEMBER

Kulim was announced as the overall champion in JCorp Sports Carnival 2015.

RECOGNITIONS AND ACCREDITATIONS

AWARDS RECEIVED IN 2015

	AWARDED BY	RECEIVING COMPANY/ OPERATING UNIT
NACRA AWARD 2015 • Kulim's Integrated Annual Report 2014 - Certificate of Merit	National Annual Corporate Report Awards	Kulim (Malaysia) Berhad
ACCA Malaysia Sustainability Reporting Awards (MaSRA) 2015 • Kulim's Integrated Annual Report 2014 – Shortlisted for Best Reporting within an Annual Report	ACCA Malaysia	Kulim (Malaysia) Berhad
Asia Sustainability Reporting Awards (ASRA 2015) • Kulim's Integrated Annual Report 2014 - Finalist for Asia's Best Integrated Report • Kulim's Carbon Footprint Report 2014 - Highly commended for Asia's Best Carbon Disclosure Report	CSR Works	Kulim (Malaysia) Berhad

RECOGNITIONS AND ACCREDITATIONS

2014	AWARDED BY	RECEIVING COMPANY/ OPERATING UNIT
NACRA AWARD 2014 • Industry Excellence Award (Main Board) - Plantation & Mining (Winner)	National Annual Corporate Report	Kulim (Malaysia) Berhad
ACCA MaSRA 2014 • Sustainability Report 2012/2013 (Shortlisted)	ACCA Malaysia	Kulim (Malaysia) Berhad
Malaysia-ASEAN Corporate Governance Index 2014 • Ranked 49th among the 50 companies	Minority Shareholders Watchdog Group (MSWG)	Kulim (Malaysia) Berhad
1st Place for Competition of Agricultural Produce • MAHA 2014	Department of Agriculture, Malaysia	Kulim Montel Farm
The Best Performing GLC State • Ranked 20th		Kulim (Malaysia) Berhad

2013	AWARDED BY	RECEIVING COMPANY/ OPERATING UNIT
NACRA AWARD 2013 • Industry Excellence Award (Main Board) - Plantation & Mining (Winner)	National Annual Corporate Report Awards	Kulim (Malaysia) Berhad
ACCA MaSRA 2013 • Sustainability Report 2010/2011 – Shortlisted • Annual Report 2012 – Shortlisted	ACCA Malaysia	Kulim (Malaysia) Berhad
Malaysia-ASEAN Corporate Governance Index 2013 • Ranked 44th among the 50 companies	Minority Shareholders Watchdog Group (MSWG)	Kulim (Malaysia) Berhad
1st Place (Banana Category) • AGRO Johor 2013	Department of Agriculture, Malaysia	Kulim Montel Farm
Skim Sijil Pengesahan Bahan Tanaman (SPBT) 2013	Department of Agriculture, Johor	Kulim Pineapple Farm
SME 100 Award 2013 Fast Moving Companies 2013	SME & Entrepreneurship Magazine	Microwell Bio Solutions Sdn Bhd

RECOGNITIONS AND ACCREDITATIONS

2012	AWARDED BY	RECEIVING COMPANY/ OPERATING UNIT
NACRA AWARD 2012 • Industry Excellence Award (Main Board) - Plantation & Mining (Winner)	National Annual Corporate Report	Kulim (Malaysia) Berhad
Prime Minister CSR Awards 2011 • Best 2011 CSR Programme : Environment	Ministry of Women, Family and Community Development	Kulim (Malaysia) Berhad
The Edge Billion Ringgit Club 2012 • Highest Profit Growth Company Highest Growth in Profit Before Tax Over Three Years (Plantation Sector)	The Edge	Kulim (Malaysia) Berhad
Global CSR Awards 2012 • Bronze Award (Workplace Practices)	The Pinnacle Group International	Kulim (Malaysia) Berhad

2011	AWARDED BY	RECEIVING COMPANY/ OPERATING UNIT
NACRA AWARD 2011 • Industry Excellence Award (Main Board) - Plantation & Mining (Winner)	National Annual Corporate Report	Kulim (Malaysia) Berhad
3 Star (SME Competitiveness Rating for Enhancement)	SME Corp Malaysia	Kulim Civilworks Sdn Bhd
ACCA MaSRA 2011 – Annual Report 2011 – Shortlisted	ACCA Malaysia	Kulim (Malaysia) Berhad
Industry Excellence Award Plantation Sector 2010/2011	• Basis Holdings Sdn Bhd • Malaysia National News Agency (BERNAMA) • Malaysia External Trade Development Corporation (MATRADE)	Kulim (Malaysia) Berhad
Malaysia's Best Certificate	Federal Agriculture Malaysia Authority (FAMA)	Kulim Montel Farm (Basir Ismail Estate)
The Edge Billion Ringgit Club Award 2011 • Best Performing Stock - Highest Returns to Shareholders Over Three Years (Plantation Sector) • Highest Profit Growth Company - Highest Growth in Profit Before Tax Over Three Years (Plantation Sector)	SME & Entrepreneurship Magazine	Kulim (Malaysia) Berhad

IN THE NEWS


Kulim sasar RM50j jualan produk nanas
Pineapple exports to China to start this year
ORANGUTAN LAND TRUST
Kulim plans 2 property projects in Johor
Kulim terima tawaran JCorp
Rozaini dilantik Pengarah Kulim
JCorp swoops on Kulim
Kulim board to present JCorp offer to shareholders

FINANCIAL CALENDAR

QUARTERLY RESULTS

QUARTER	DATE OF ANNOUNCEMENT
1st	25.05.2015
2nd	25.08.2015
3rd	25.11.2015
4th	29.02.2016

ANNUAL REPORTS & GENERAL MEETING

	DATE
Issuance of Integrated Annual Report 2014	11.05.2015
Annual General Meeting	02.06.2015

DIVIDENDS

TYPE	SEN	ENTITLEMENT DATE	PAYMENT DATE
Special Dividend	37.65	12.03.2015	23.03.2015

ESOS, WARRANTS & SHARE BUY-BACKS

EVENT	UNIT LISTED & QUOTED	LISTING DATE
1. Exercise of ESOS 2013/2018 – Listing of New Ordinary Shares of RM0.25 Each	150,000	05.02.2015
	50,000	24.02.2015
	210,000	04.03.2015
	377,600	06.03.2015
	9,000	26.10.2015
	302,600	25.11.2015
	6,435,700	23.12.2015
	2,237,550	30.12.2015
Total Option Exercised in 2015	**9,772,450**	

ESOS, WARRANTS & SHARE BUY-BACKS

EVENT	UNIT LISTED & QUOTED	LISTING DATE
2. Exercise of warrants 2011/2016 – Listing of New Ordinary Shares of RM0.25 Each	37,500	10.03.2015
	500	11.03.2015
	1,500	06.04.2015
	1,000	01.10.2015
	7,170	13.11.2015
	3,800	18.11.2015
	10,850	20.11.2015
	1,415,000	25.11.2015
	13,210	27.11.2015
	2,010,200	30.11.2015
	2,525	02.12.2015
	2,775	11.12.2015
	2,630	15.12.2015
	323,319	15.12.2015
	1,000	28.12.2015
	650	30.12.2015
Total warrants converted in 2015	**3,833,629**	

EVENT	UNIT	MONTH OF PURCHASE
3. Share Buy-back – Ordinary Shares of RM0.25 Each	10,000,000	March 2015
	4,218,800	April 2015
	4,580,700	May 2015
	5,495,900	June 2015
	1,687,500	July 2015
	28,124,100	August 2015
	8,406,100	September 2015
	45,123,200	October 2015
Total in 2015	**107,636,300**	
Balance as at 31.12.2014	15,322,000	
Balance as at 31.12.2015	**122,958,300**	

SECTION 02

ABOUT KULIM

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Kulim Eco-Trail Retreat, an iconic colonial building overlooking the Johor River, located within the lush oil palm of Basir Ismail Estate, Kota Tinggi, Johor.

CORPORATE

THE BEGINNING

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

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

"REBRANDING" AND RESTRUCTURING

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

1973
KGL's businesses expanded from oil palm and rubber plantations, to include property development in the UK, hotels in the Trinidad and Tobago islands in the Carribean 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 ("Kulim") on 18 August. On 14 November, Kulim was listed on the Main Board of the Kuala Lumpur Stock Exchange (now known as the Main Market of Bursa Malaysia Securities Berhad).

1976
The Johor State Economic Development Corporation (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").

CONSOLIDATION AND 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

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.

MILESTONES

DIVERSIFYING AND 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 plantations 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 admitted to Port Moresby Stock Exchange, PNG.

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 plantations in August, marking the Group's exit from plantation operations in Indonesia.

CORPORATE MILESTONES

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.

NBPOL became one of the first plantation companies to receive Roundtable on Sustainable Palm Oil ("RSPO") certification in September.

Construction commenced for NBPOL's 200,000 TPA refinery plant in UK.

Expansion of QSR into Cambodia for KFC restaurants.

2009

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 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 (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 30 November 2011.

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.

CORPORATE MILESTONES

2013

The disposal of business and undertakings by QSR and KFCH was concluded in January 2013. Both companies were delisted from the official list of Bursa Malaysia Securities Berhad effective 7 February 2013.

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 2013.

Kulim launched the Proposed Partial Offer of up to 20% of NBPOL in June 2013. The Proposed Partial Offer was subsequently announced as lapsed on 5 September 2013.

On 3 October 2013, 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 approximately 40,000 hectares of oil palm estate in Central Kalimantan.

2014

On 2 May, Kulim converted the Irredeemable Convertible Cumulative Unsecured Loan Securities ("ICCULS") in Asia Economic Development Fund Limited ("AEDFL") and capitalized 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 2014 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 Oil & Gas ("O&G") field in South West Bukit Barisan Block ("SWBB Block"), Central Sumatera, Indonesia.

On 10th December 2014, 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.

E.A. Technique (M) Berhad, and indirect subsidiary of Kulim held through Sindora, was admitted to the Main Market of Bursa Malaysia on 11 December 2014.

2015

On 26 February 2015, Kulim concluded the disposal of 73,482,619 Ordinary shares in NBPOL, representing 48.97% equity interest in NBPOL to Sime Darby Plantation Sdn Bhd for total consideration of approximately GBP525.4 million (equivalent to approximately RM2.75 billion).

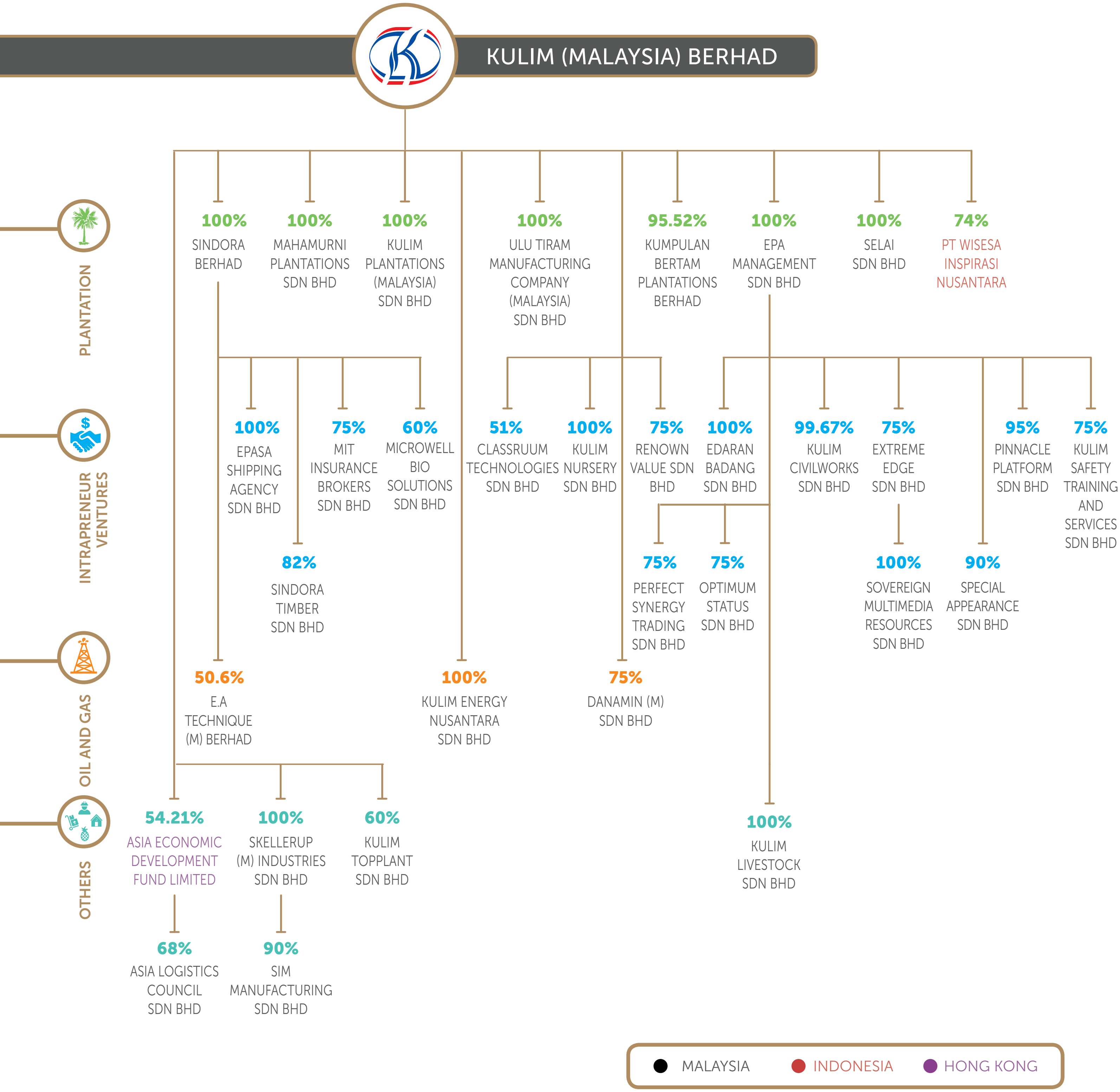
On 5 March 2015, the acquisition by a 54.21%-owned subsidiary of Kulim from Johor Logistics Sdn Bhd to acquire approximately 30% equity interest in Asia Logistics Council Sdn Bhd ("ALC") not already owned by AEDFL.

On 24 August 2015, Kulim entered into a Shares Sale and Shares Subscription Agreement ("SSSSA") 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 2015, Kulim received a letter from its major shareholder, JCorp, requesting for the Company to undertake a Selective Capital Reduction and Repayment ("SCR") exercise.

GROUP'S SIGNIFICANT SUBSIDIARIES

AS AT 15 MARCH 2016



The full list of companies under Kulim Group is set out in Notes 16 to the Financial Statements.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman/Non-Independent Non-Executive Director
DATO' KAMARUZZAMAN ABU KASSIM

Managing Director
AHAMAD MOHAMAD

Executive Director
JAMALUDIN MD ALI
ABDUL RAHMAN SULAIMAN

Non-Independent Non-Executive Director
ZULKIFLI IBRAHIM
ROZAINI MOHD SANI

Independent Non-Executive Director
TAN SRI DATO' SERI UTAMA ARSHAD AYUB
TAN SRI DATIN PADUKA SITI SA'DIAH SH BAKIR
DATUK HARON SIRAJ
DR. RADZUAN A. RAHMAN
LEUNG KOK KEONG

AUDIT COMMITTEE

TAN SRI DATO' SERI UTAMA ARSHAD AYUB
(Chairman)
DR. RADZUAN A. RAHMAN
LEUNG KOK KEONG

NOMINATION COMMITTEE

DATO' KAMARUZZAMAN ABU KASSIM
(Chairman)
TAN SRI DATO' SERI UTAMA ARSHAD AYUB
DATUK HARON SIRAJ

REMUNERATION COMMITTEE

DATO' KAMARUZZAMAN ABU KASSIM
(Chairman)
TAN SRI DATO' SERI UTAMA ARSHAD AYUB
DR. RADZUAN A. RAHMAN

BOARD OPTION COMMITTEE

DATO' KAMARUZZAMAN ABU KASSIM
(Chairman)
AHAMAD MOHAMAD
DR. RADZUAN A. RAHMAN
ZULKIFLI IBRAHIM

SECRETARIES

IDHAM JIHADI ABU BAKAR
(MAICSA 7007381)

NURALIZA A. RAHMAN
(MAICSA 7067934)

REGISTERED OFFICE

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PRINCIPAL BANKERS

Asian Finance Bank Berhad
CIMB Bank Berhad
HSBC Bank Malaysia Berhad
Malayan Banking Berhad
OCBC Bank (M) Berhad
RHB Bank Berhad
Standard Chartered Bank Malaysia
The Bank of Nova Scotia Berhad

AUDITORS

Ernst & Young

WEBSITE

www.kulim.com.my

STOCK EXCHANGE LISTING

GROUP'S LISTED ENTITIES	STOCK EXCHANGE	LISTED SINCE	STOCK CODE
Kulim (Malaysia) Berhad	Main Market - Bursa Malaysia Securities Berhad	14 November 1975	2003
E.A. Technique (M) Berhad	Main Market - Bursa Malaysia Securities Berhad	11 December 2014	5259

BOARD OF DIRECTORS

From left to right

ROZAINI MOHD SANI
Non-Independent Non-Executive Director

TAN SRI DATO' SERI UTAMA ARSHAD AYUB
Independent Non-Executive Director

ABDUL RAHMAN SULAIMAN
Executive Director

JAMALUDIN MD ALI
Executive Director

DATO' KAMARUZZAMAN ABU KASSIM
Chairman/Non-Independent Non-Executive Director

BOARD OF DIRECTORS

AHAMAD MOHAMAD
Managing Director

ZULKIFLI IBRAHIM
Non-Independent Non-Executive Director

TAN SRI DATIN PADUKA SITI SA'DIAH SH BAKIR
Independent Non-Executive Director

DATUK HARON SIRAJ
Independent Non-Executive Director

DR. RADZUAN A. RAHMAN
Independent Non-Executive Director

LEUNG KOK KEONG
Independent Non-Executive Director

BOARD OF DIRECTORS' PROFILE

DATO' KAMARUZZAMAN ABU KASSIM

Chairman/
Non-Independent Non-Executive Director

Aged 52, is a Non-Independent Non-Executive Director and the Chairman of Kulim (Malaysia) Berhad ("Kulim"). He was appointed to the Board of Kulim as Director on 1 January 2008 and appointed as Chairman on 12 January 2011. He is also the Chairman of the Nomination, Remuneration and Board Option Committee of Kulim.

He graduated with a Bachelor of Commerce majoring in Accountancy from the University of Wollongong, New South Wales, Australia in 1987. He embarked his career as an Audit Assistant at Messrs. K.E. Chan & Associates in May 1988 and later joined Messrs. Coopers & Lybrand (currently known as Messrs. PricewaterhouseCoopers) in 1989. In December 1992, he left the firm and joined Perbadanan Kemajuan Ekonomi Negeri Johor (currently known as Johor Corporation ("JCorp")) as a Deputy Manager in the Corporate Finance Department and was later promoted to General Manager in 1999.

He is currently the President and Chief Executive of JCorp with effect from 1 December 2010. Prior to that, he had served as the Chief Operating Officer of JCorp beginning 1 August 2006 and later appointed as Senior Vice President, Corporate Services & Finance of JCorp beginning 1 January 2009.

He also sits as the Chairman of KPJ Healthcare Berhad and Damansara REIT Managers Sdn Bhd, the manager of Al-Aqar KPJ REIT, companies under JCorp Group listed on the Main Market of Bursa Malaysia Securities Berhad. He is also the Chairman of Johor Land Berhad and Waqaf An-Nur Corporation Berhad, an Islamic endowment institution which spearheads JCorp Group's Corporate Responsibility programmes. He also sits as Chairman and/or Director of several other companies within JCorp Group.

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 seven (7) Board of Directors' Meetings of Kulim held during the financial year ended 31 December 2015.

BOARD OF DIRECTORS' PROFILE

AHAMAD MOHAMAD
Managing Director

Aged 63, is the Managing Director of Kulim (Malaysia) Berhad since 1993. He was appointed to the Board on 24 January 1991. He is also a member of the Board Option Committee of Kulim.

He graduated with a Bachelor of Economics (Honours) degree in 1976 from the University of Malaya. He joined JCorp in June 1979 as a Company Secretary for various companies within the JCorp Group. He was involved in many of JCorp's projects, among others are the Johor Specialist Hospital, prefabricated housing project and the Kotaraya Complex (now known as Galleria @ Kotaraya in Johor Bahru. He is presently a member of the Board of Directors of KPJ Healthcare Berhad and also the Chairman and Director of several other companies within the JCorp Group.

He is the Chairman of E.A. Technique (M) Berhad, an indirect subsidiary of Kulim via Sindora Berhad which was listed on the Main Market of Bursa Malaysia Securities Berhad on 11 December 2014. He has been awarded with various awards and accolades for his outstanding capabilities with the latest being the CEO of the Year for Sustainability (South East Asia) in the International Alternative Investment Review Awards 2016 ("IAIR Awards 2016").

He is also a Director of Waqaf An-Nur Corporation Berhad, an Islamic endowment institution that spearheads JCorp Group's Corporate Responsibility programmes, including the unique Corporate Waqaf Concept initiated by JCorp.

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 seven (7) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2015.

BOARD OF DIRECTORS' PROFILE

JAMALUDIN MD ALI
Executive Director

Aged 58, was appointed to the Board of Kulim (Malaysia) Berhad as a Non-Independent Non-Executive Director on 1 July 2012 and was re-designated as Executive Director on 4 December 2012.

He graduated with a Bachelor of Economics (Honours) degree from University of Malaya in 1982 and Master of Business Administration from University of Strathclyde, Glasgow, Scotland in 1987. He started his career with Malayan Banking Berhad as Trainee Officer in 1982 and later served as International Fund Manager in Permodalan Nasional Berhad in 1991. He joined JCorp in 1992 and was appointed as the Managing Director of Johor Capital Holdings Sdn Bhd in 1998.

He was also the Group Chief Operating Officer of JCorp since 2001 before he was appointed the Managing Director of QSR Brands Bhd on 8 June 2006 as well as the Managing Director of KFC Holdings (Malaysia) Bhd on 2 July 2006.

He is now the Executive Director of Kulim as well as the Senior Vice President, Corporate Responsibility Division of JCorp and Chief Executive Officer of Waqaf An-Nur Corporation Berhad.

He is also the Chairman and Director of several other companies within the JCorp Group and was appointed as Alternate Director to Ahamad Mohamad in E.A. Technique (M) Berhad before he resigned on 20 January 2016.

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 six (6) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2015.

BOARD OF DIRECTORS' PROFILE

ABDUL RAHMAN SULAIMAN
Executive Director

Aged 58, was appointed as Executive Director of Kulim (Malaysia) Berhad on 1 September 2013.

He graduated with a Bachelor of Science of Agribusiness degree from Universiti Pertanian Malaysia (now known as Universiti Putra Malaysia) and Master of Business Administration from Henley Management College, United Kingdom in 2005. He started his career with Sime Darby Plantation Sdn Bhd as an Executive in 1980.

He joined EPA Management Sdn Bhd as an Assistant Manager in 1984 and was appointed as the Managing Director of Tepak Marketing Sdn Bhd from 1996 – 2005. Prior to his appointment as the Executive Vice President (Land & Business Development) of JCorp, he was the Chief Operating Officer of Natural Oleochemicals Sdn Bhd from 2005 – 2010.

He later joined Kulim in September 2013 as the Executive Director of Oil & Gas/Plantation Operation. He is also the Chairman and Director of several other companies within the JCorp Group.

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 five (5) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2015.

BOARD OF DIRECTORS' PROFILE

TAN SRI DATIN PADUKA SITI SA'DIAH SH BAKIR

Independent Non-Executive Director

Aged 64, was appointed to the Board of Kulim (Malaysia) Berhad. as a Non-Independent Non-Executive Director on 1 January 2005 before re-designated as Independent Non-Executive Director on 1 May 2015.

She graduated with a Bachelor of Economics from University of Malaya and MBA from Henley Business School, University of Reading, London, United Kingdom.

Tan Sri was a Non-Independent Non-Executive Director of KPJ Healthcare Berhad ("KPJ") since 1 January 2013. Prior to that, she served as the Managing Director of KPJ from 1 March 1993 until her retirement on 31 December 2012. She had also served as KPJ's Corporate Advisor from 1 January 2013 until 31 December 2014. She is also the Chairman and Pro Chancellor of KPJ Healthcare University College ("KPJUC") since 1 August 2011 to date.

Her career with JCorp commenced in 1974 and she has been directly involved in JCorp's Healthcare Division since 1978. She was appointed as the Chief Executive of Kumpulan Perubatan (Johor) Sdn Bhd, from 1989 until the listing of KPJ in November 1994.

Throughout her career in KPJ, Tan Sri is directly involved in developing and implementing the transformational strategies that made KPJ one of Malaysia's leading private healthcare service providers with 25 hospitals nationwide, four (4) hospitals abroad and more under development.

Tan Sri currently sits as a Director of Damansara REIT Managers Sdn Berhad, the Manager for Al-'Aqar Healthcare REIT and Al-Salam REIT; and Chemical Company of Malaysia Berhad. She was a Board member of KFC Holdings (Malaysia) Bhd and QSR Brands Bhd from 2010 until their privatisation in 2013. Tan Sri was an Independent Non-Executive Director of Bursa Malaysia from 2004 to 2012 and a Board member of MATRADE from 1999 to 2010.

Committed to promoting excellence in healthcare, Tan Sri is the President of the Malaysian Society for Quality in Health ("MSQH"), the national accreditation body for healthcare services, elected since its inception in 1997 to date. Currently, she also sits on many other councils and committees at the national level.

In 2010, Tan Sri was named the 'CEO of the Year 2009' by the New Straits Times Press and the American Express. She has also received many more awards and accolades from 2011 to 2014, due to her contributions to the healthcare industry in Malaysia.

She launched her biography entitled "Siti Sa'diah: Driven by Vision, Mission and Passion", penned by Professor Rokiah Talib, *Penerbitan Universiti Kebangsaan Malaysia* in 2013.

Tan Sri is a member of the Academic Committee of the Razak School of Government, and sits on several University Committees, namely Universiti Utara Malaysia ("UUM"), Universiti Malaya and University of Reading Malaysia. Recently, she was appointed a Director of UUM with effect from 15 January 2016 until 14 January 2019.

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 six (6) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2015.

BOARD OF DIRECTORS' PROFILE

ZULKIFLI IBRAHIM
Non-Executive Non-Independent Director

Aged 58, was the Chief Operating Officer of Kulim (Malaysia) Berhad since 3 November 2003 and was re-designated as the Executive Director when he was appointed to the Board on 1 July 2011. He was later re-designated as a Non-Independent Non-Executive Director on 1 September 2013.

He is also a member of the Board Option Committee of Kulim. Currently he is the Chief Operating Officer/ Senior Vice President of JCorp. He is a Fellow of the Association of Chartered Certified Accountants, United Kingdom and a member of the Malaysian Institute of Accountants since 1992.

After serving various companies in the private sector since his graduation in 1983, he joined JCorp Group in 1990 as the Financial Controller of Sindora Berhad. In 1996, he was appointed the Managing Director of Antara Steel Mills Sdn Bhd until 2000 before joining PJB Pacific Capital Group in 2001 as the Chief Operating Officer. He joined Kulim as the Chief Operating Officer in 2003. He is also the Chairman and Director of several other companies within the JCorp Group.

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 seven (7) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2015.

BOARD OF DIRECTORS' PROFILE

ROZAINI MOHD SANI

Non-Independent Non-Executive Director

Aged 43, was appointed to the Board as a Non-Independent Non-Executive Director on 15 January 2015. He obtained his Bachelor of Commerce (Accounting and Finance) with Merit degree from University of New South Wales, Australia in 1994 and is also a Fellow of Chartered Accountants Australia and New Zealand.

He is a qualified Chartered Accountant, with diverse leadership experience in financial management, accounting, corporate strategy, business development and commercial. He started his career in KPMG, Sydney, Australia, where he spent six (6) years in the Assurance & Advisory Division of the firm from 1995 to 2001. His last position in KPMG was Assistant Manager.

He then continued his career in Oil and Gas, where he served more than 12 years in various business and financial leadership roles in PETRONAS, from March 2001 until November 2013. His last senior position in PETRONAS was Chief Financial Officer ("CFO") of PETRONAS Dagangan Berhad, the public listed retail and marketing arm of PETRONAS from October 2010 until November 2013.

He then served as CFO of Astro Malaysia Holdings Berhad, an integrated consumer media group listed on Bursa Malaysia from December 2013 until April 2014, before joining JCorp in May 2014 as Vice President, Finance & Corporate Services and CFO. He also sits on the Board of various subsidiaries within the JCorp Group.

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 seven (7) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2015.

BOARD OF DIRECTORS' PROFILE

TAN SRI DATO' SERI UTAMA ARSHAD AYUB

Independent Non-Executive Director

Aged 88, was appointed to the Board of Kulim on 31 January 1987. He is also the Chairman of the Audit Committee and a member of the Remuneration and Nomination Committee of Kulim.

Tan Sri graduated with a Diploma in Agriculture in 1954 from College of Agriculture, Serdang and pursued his Bachelor of Science degree in Economics with Statistics at the University College of Wales, Aberystwyth in the United Kingdom in 1958 and obtained Diploma in Business Administration from IMEDE Lausanne (now IMD), Switzerland in 1964.

He has a distinguished career in the Malaysian Civil Service. Among the top posts he held were First Director, Mara Institute of Technology (1965 - 1975), Deputy Governor of Bank Negara Malaysia (1975 -1977), Deputy Director General in the Economic Planning Unit of the Prime Minister's Department (1977 - 1978) and Secretary-General in the Ministry of Primary Industries (1978), Ministry of Agriculture (1979 - 1981) and Ministry of Land and Regional Development (1981 - 1983). He is the Pro Chancellor of UiTM, Chancellor of KPJ International University College and Chairman of University of Malaya Board.

Tan Sri currently also holds directorship(s) in listed companies in Malaysia as follows:

- Malayan Flour Mills Berhad
  - Independent Non-Executive Chairman
- Tomypak Holdings Berhad
  - Independent Non-Executive Chairman
- Karex Berhad
  - Independent Non-Executive Chairman
- Top Glove Corporation Berhad
  – Independent Non-Executive Director

Tan Sri also sits on the Board of Directors of several private limited companies amongst others, PFM Capital Holdings Sdn Bhd, Bistari Johor Berhad and Zalaraz Sdn Bhd.

Other than as disclosed, he has no family relationship with any Director and/or substantial shareholder of Kulim. He has no personal interest in any business arrangement involving Kulim and has not been convicted of any offences. He attended all seven (7) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2015.

BOARD OF DIRECTORS' PROFILE

DATUK HARON SIRAJ

Independent Non-Executive Director

Aged 72, was appointed to the Board of Kulim (Malaysia) Berhad on 9 January 2006 as an Independent Non-Executive Director. He is also a member of the Nomination Committee of Kulim.

He graduated with a Bachelor of Arts (Honours) in Economics in 1968 from the University of Manchester, United Kingdom and Master of Art in Development Economics from Williams College, United States of America in 1975.

He began his career in the Malaysian Administrative and Diplomatic Service after graduating in 1968. Among the senior positions he had held were Assistant Controller of Ministry of Commerce and Industry (1969 – 1971), Principal Assistant Secretary, Ministry of Primary Industries (1972 – 1974), Minister Counselor (Economic Affairs) at the Permanent Mission of Malaysia in Geneva, Switzerland (1980 – 1985), Director of Industrial Development at Ministry of International Trade and Industry (1985 – 1987), Director of International Trade at Ministry of International Trade and Industry (1987 – 1990), Deputy Secretary-General (Trade) Ministry of International Trade and Industry (1990 – 1992), Ambassador, Permanent Representative of Malaysia to United Nations and other International Organisations and Specialised Agencies in Geneva, Switzerland (1992 – 1996), Secretary-General Ministry of Primary Industries (1996 – 2000) and as the Chief Executive Officer of the Malaysian Palm Oil Promotion Council since 2001 until he retired in January 2006.

He also holds directorship in HSBC Amanah Takaful Sdn Bhd and Apex Communications Group Sdn Bhd.

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 seven (7) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2015.

BOARD OF DIRECTORS' PROFILE

DR. RADZUAN A. RAHMAN
Independent Non-Executive Director

Aged 73, was appointed to the Board of Kulim (Malaysia) Berhad on 1 November 2006 as an Independent Non-Executive Director. He is also a member of the Audit, Remuneration and Board Option 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.

Dr. Radzuan 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 (1999 – 2004) as well as Tradewinds Plantation Berhad (2005 – 2006).

Currently 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 and Green Capital Sdn Bhd.

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 seven (7) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2015.

BOARD OF DIRECTORS' PROFILE

LEUNG KOK KEONG

Independent Non-Executive Director

Aged 49, was appointed to the Board of Kulim (Malaysia) Berhad as an Independent Non-Executive Director on 9 November 2011. He is also a member of the Audit Committee of Kulim.

He obtained his Bachelor Degree in Accounting from Curtin University of Technology, Australia in December 1989 and is a Certified Practising Accountant and Chartered Accountant, CPA Australia and a member of Malaysian Institute of Accountants.

Trained as an investment banker, he has significant experience in corporate finance and business development as well as management. He was the founding member and former Executive Director of New Fields Advisors Sdn Bhd, a boutique financial and corporate advisory firm from August 2001 to August 2006. He was the Chief Executive Officer, Platinum Energy Group from September 2006 to February 2008. From then on until 2012 he served as an Executive Director in Asia Bioenergy Technologies Berhad. Between September 2013 to February 2015, he briefly served as the Chief Financial Officer of Iskandar Waterfront Holdings Sdn Bhd.

His wide and vast experience spanned from his earlier years as an Investment & Corporate Planning Manager, Hong Leong Credit Berhad from 1994 to 2001 and was with Coopers & Lybrand Kuala Lumpur since 1990 to 1994.

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 seven (7) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2015.

MANAGEMENT TEAM

1 AHAMAD MOHAMAD

MANAGING DIRECTOR

Aged 63, has been the Managing Director since 1993. He holds a Bachelor of Economics (Honours) from University of Malaya. He joined JCorp in June 1976 as a Company Secretary for various companies within JCorp Group. He was involved in many of JCorp's landmark projects including the Johor Specialist Hospital, prefabricated housing project and the Kotaraya Complex (now known as Galleria @ Kotaraya) in Johor Bahru. He is presently the Chairman of E.A. Technique (M) Berhad and several other companies within JCorp and Kulim Group.

2 JAMALUDIN MD ALI

EXECUTIVE DIRECTOR
BUSINESS DEVELOPMENT

Aged 58, is currently an Executive Director of Kulim (Malaysia) Berhad since 4 December 2012. He graduated with a Bachelor of Economics (Honours) from the University of Malaya in 1982 and Master of Business Administration from University of Strathclyde, Glasgow, Scotland in 1987. He joined JCorp in 1992 and has held senior positions within JCorp. He has served as the Group Managing Director of QSR Brands Bhd and KFC Holdings (Malaysia) Bhd from June and July 2006 respectively until 4 December 2012. He also sits on the Board of several other companies within JCorp and Kulim Group.

3 ABDUL RAHMAN SULAIMAN

EXECUTIVE DIRECTOR
OIL & GAS/PLANTATION OPERATION

Aged 58, was appointed to the Board as Executive Director on 1 September 2013. Prior to his appointment as the Executive Vice President (Land & Business Development) of Johor Corporation in 2010, he was the Chief Operating Officer of Natural Oleochemicals Sdn Bhd since 2005. He graduated with a Bachelor of Science of Agribusiness degree from Universiti Pertanian Malaysia (now known as Universiti Putra Malaysia) in 1980 and Master of Business Administration from Henley Management College, United Kingdom in 2005. He also sits on the Board of several other companies within JCorp and Kulim Group.

MANAGEMENT TEAM

4 WONG SENG LEE

CHAIRMAN
AUDIT & BUDGET REVIEW COMMITTEE

Aged 66, has been the Executive Director of Kulim (Malaysia) Berhad since 8 January 1996 before re-designated as Non-Independent Non-Executive Director on 1 February 2014. He resigned from the Board of Kulim on 15 January 2015. He qualified as a Certified Accountant in 1974 and is a Fellow of the Association of Chartered Certified Accountants, United Kingdom. He is also a member of Malaysian Institute of Accountants and Institute of Certified Public Accountant of Singapore. He joined EPA Management Sdn Bhd as an Accountant in 1979 and was the Financial Controller of Kulim until 1994. He also sits on the Board of several other companies within Kulim Group.

5 ZULKIFLY ZAKARIAH

VICE PRESIDENT
ESTATE OPERATION

Aged 56, was appointed as the Vice President of Estate Operation in January 2013. 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 before assuming his current position. He also sits on the Board of several other companies within Kulim Group.

6 AZLI MOHAMED

VICE PRESIDENT
FINANCE

Aged 48, appointed as the Vice President, Finance/Chief Financial Officer of Kulim (Malaysia) Berhad on 1 June 2011. He is a member of the Malaysian Institute of Accountants. He was with Messrs. PricewaterhouseCoopers from 1992 prior to joining KPJ Healthcare Berhad in 2001 until 2008. He then served JCorp as the General Manager of Finance Division until he assumed the current position. He is currently a Director of E.A. Technique (M) Berhad. He also sits on the Board of other companies within JCorp and Kulim Group.

7 SATIRA OMAR

VICE PRESIDENT
RISK AND SYSTEM MANAGEMENT

Aged 49, was appointed as the Vice President, Risk and System Management of Kulim in 2012. She graduated with a Bachelor of Science majoring in Communication from the University of Southern Illinois, United States of America in 1992 and holds a Master of Business Administration from Henley Business School, University of Reading, United Kingdom. She joined JCorp Group in 1993 as an Executive before assuming her position as General Manager in Pro Corporate Management Services Sdn Bhd in 2010. She also sits on the Board of several other companies within Kulim Group.

MANAGEMENT TEAM

8

ABDUL SHUKOR ABDULLAH

GENERAL MANAGER
CORPORATE AFFAIRS

Aged 44, was appointed as the General Manager of Corporate Affairs on 1 January 2014. He graduated with a Bachelor of Science (BSc) Accounting (Honours) from the University of Hull, United Kingdom in 1995 and Master of Business Administration in Financial Management from the same university a year later. He joined the Company as a Cadet in Corporate Planning and Investment Department in 1996 and later was seconded to JCorp in 2010 to head the Business Intrapreneur Department. His last position in JCorp was the General Manager of Business Intrapreneur Division until 2013. He also sits on the Board of several companies within Kulim Group.

9

METHAL AHMAD

GENERAL MANAGER
FOODS AND INTRAPRENEUR VENTURES

Aged 54, was appointed as the General Manager of Foods and Intrapreneur Ventures on 1 January 2014. He holds the Bachelor of Science (Resource Economic) and Diploma of Science (Forestry) from Universiti Pertanian Malaysia (now known as Universiti Putra Malaysia). He joined Sindora Berhad as a Planning Executive in 1989 and was seconded to Makmuran Sdn Bhd, a subsidiary company of Sindora Berhad from 1996 to 2005. Since then, he has been involved in the management of intrapreneurship scheme within Sindora Berhad and Kulim Group. He also sits on the Board of Directors of several other companies within Kulim Group.

10

KAMARULZAMAN OTHMAN

GENERAL MANAGER
KULIM LIVESTOCK SDN BHD

Aged 50, is currently in charge of the cattle and pineapple projects of Kulim. He graduated with a Bachelor of Science from Universiti Sains Malaysia in 1989. He joined the company in 1993 and was a Senior Manager in Plantation Division before transferred to JTP Trading Sdn Bhd as a General Manager in charge of the company's core activity of tropical fruit exports in 2009. In 2012, he joined JCorp to head the newly setup Agrofood Department with the main activities in cattle and poultry projects and integrated farming. He also sits as board member of Malaysian Pineapple Industrial Board since May 2013 and several other companies within Kulim Group.

11

RAZALI HAMZAH

DEPUTY GENERAL MANAGER
MILL DEVELOPMENT

Age 41, was appointed as the Deputy General Manager of Mill Development Department on 1 January 2013. He holds a Bachelor of Mechanical Engineering (Hons) from Queensland University of Technology, Queensland, Australia and Diploma in Business Administration from Henley Management College London, United Kingdom. He joined the Company on 29 April 1999 as a Cadet Engineer. He also sits on the Board of several other companies within Kulim Group.

12

NINA SAPURA RAHMAT

SECRETARY

13

AZMIL MAJID

ASSISTANT SECRETARY

EXECUTIVE COMMITTEE

From left to right

Mohammad Razin Mohamat Noor
Senior Manager, Business Acceleration

Nor'ain Mohd Nasir
Secretary

Mohd Isa Zainol Abidin
General Manager, Plant Breeding

Abdul Halim Muhamad
Deputy General Manager, Purchasing and Contract

Sivabalan A/l Subramaniam
Manager, Human Resource and Administration

Mohd Akhir Wanteh
General Manager, Plantation Operation

Zainuriah Abdullah
General Manager, Agronomy Advisory and Services

Razali Hamzah
Deputy General Manager, Mill Development

Jamaludin Md Ali
Chairman
Executive Director, Business Development

EXECUTIVE COMMITTEE

- **Satira Omar**
  Vice President, Risk and System Management
- **Juharudin Ahmad**
  General Manager, Estate Administration and Finance
- **Shahrom Mohd Saad**
  Deputy General Manager, Corporate Finance
- **Abdul Shukor Abdullah**
  General Manager, Corporate Affairs
- **Nordin Bokari**
  Manager, Security
- **Salasah Elias**
  Deputy General Manager, System and Sustainability
- **Kasmawati Kasian**
  General Manager, Internal Audit
- **Azimin Abdullah**
  Manager, Property Administration
- **Noor Effendy Mohd Ali**
  Deputy General Manager, Marketing
- **Methal Ahmad**
  General Manager, Foods and Intrapreneur Ventures

ORGANISATION CHART

BOARD OF DIRECTORS

- **MANAGING DIRECTOR**
  Ahamad Mohamad
  - **INTERNAL AUDIT**
  - **CHAIRMAN AUDIT & BUDGET REVIEW COMMITTEE INSPECTORATE OFFICE**
    Wong Seng Lee
  - **EXECUTIVE DIRECTOR BUSINESS DEVELOPMENT**
    Jamaludin Md Ali
    - **VICE PRESIDENT RISK & SYSTEM MANAGEMENT**
      Satira Omar
    - **GENERAL MANAGER FOODS & IV**
      Methal Ahmad
    - **GENERAL MANAGER CORPORATE AFFAIRS**
      Abdul Shukor Abdullah
    - **GENERAL MANAGER KULIM LIVESTOCK SDN BHD**
      Kamarulzaman Othman
  - **VICE PRESIDENT FINANCE**
    Azli Mohamed
  - **EXECUTIVE DIRECTOR OIL & GAS/PLANTATION OPERATION**
    Abdul Rahman Sulaiman
    - **VICE PRESIDENT ESTATE OPERATION**
      Zulkifly Zakariah
      - **DEPUTY GENERAL MANAGER MILL DEVELOPMENT**
        Razali Hamzah

········ ADVISORY ROLE

Worker off-loading FFB at a collection point

SECTION 03

PERFORMANCE HIGHLIGHTS & STATISTICS

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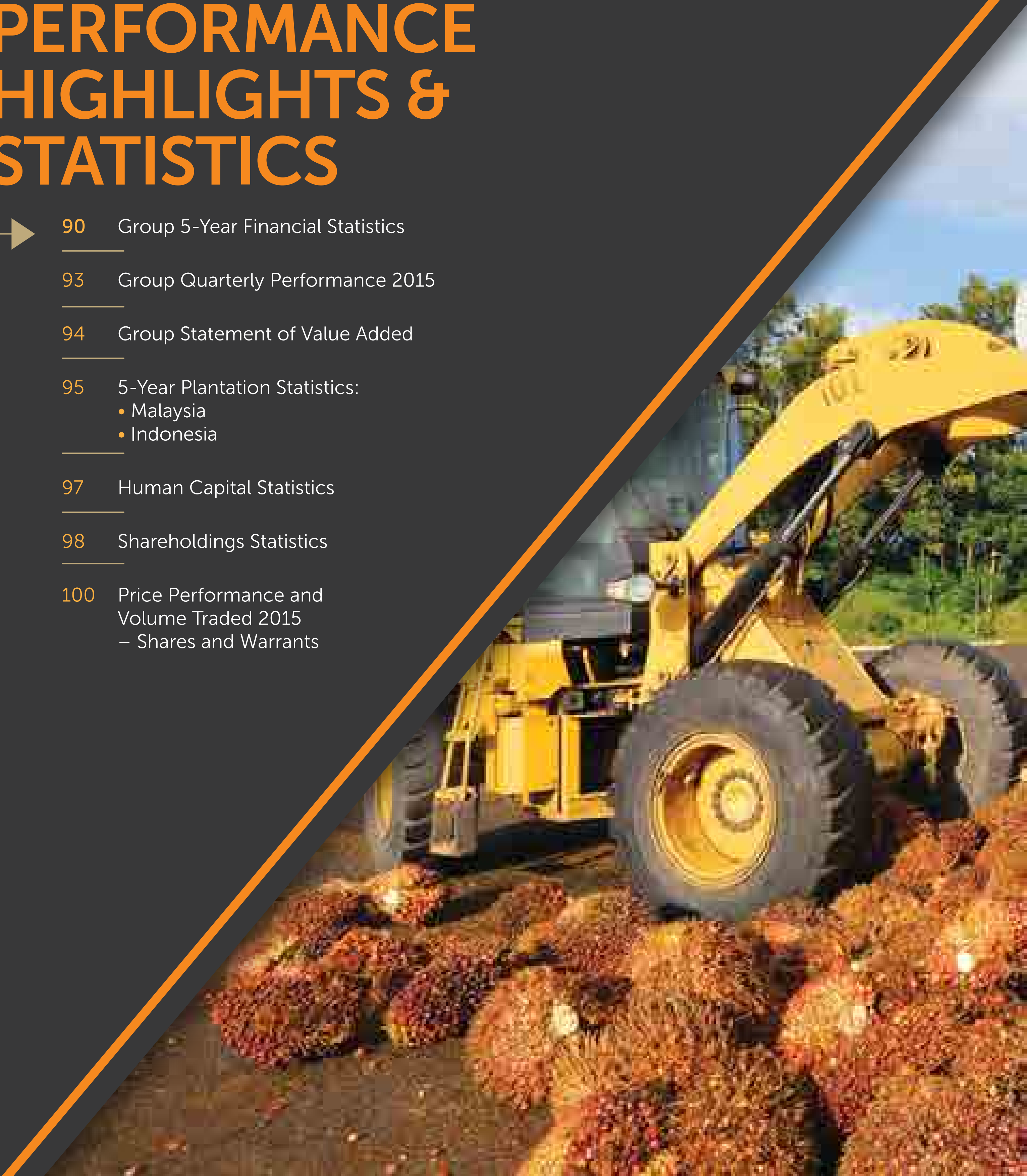
100 Price Performance and Volume Traded 2015 – Shares and Warrants



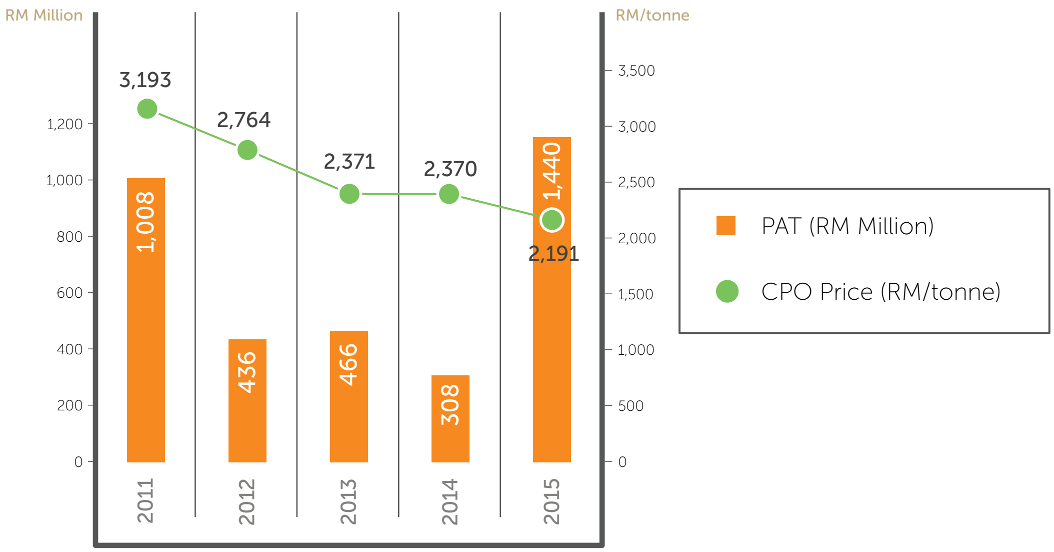
FFB are channelled to the loading ramp at Pasir Panjang Palm Oil Mill, Kota Tinggi

GROUP 5-YEAR FINANCIAL STATISTICS

	2015	2014	2013	2012	2011
STATEMENT OF COMPREHENSIVE INCOME HIGHLIGHTS (RM'000)					
Revenue	**1,469,606**	1,093,665	1,013,156	906,562	836,582
Segment %:					
Plantation	**53%**	70%	77%	79%	74%
Intrapreneur Ventures	**4%**	24%	20%	18%	22%
Others	**43%**	6%	3%	3%	4%
Profit from Operations	**164,592**	138,324	146,974	137,369	246,323
Segment %:					
Plantation	**52%**	134%	112%	114%	95%
Intrapreneur Ventures	**1%**	16%	32%	18%	9%
Others	**47%**	(50%)	(44%)	(32%)	(4%)
Interest income	**36,909**	11,820	11,067	11,050	9,519
Finance costs	**(32,999)**	(55,197)	(51,423)	(59,689)	(33,052)
Share of results of associates	**(5,996)**	586	300	454	6,992
Profit before taxation	**162,506**	95,533	106,918	89,184	229,782
Taxation	**(38,928)**	(34,005)	(66,817)	(25,852)	(72,618)
Profit after taxation from					
- Continuing operations	**123,578**	61,528	40,101	63,332	157,164
- Discontinued operation	**1,316,326**	246,913	425,721	372,411	850,702
Net profit for the year	**1,439,904**	308,441	465,822	435,743	1,007,866
Attributable to:					
Owners of the Company	**1,432,648**	164,303	431,068	211,210	565,013
Non-controlling interests	**7,256**	144,138	34,754	224,533	442,853
Net profit for the year	**1,439,904**	308,441	465,822	435,743	1,007,866

* Comparative figures have been restated to reflect the Discontinued Operations retrospectively.

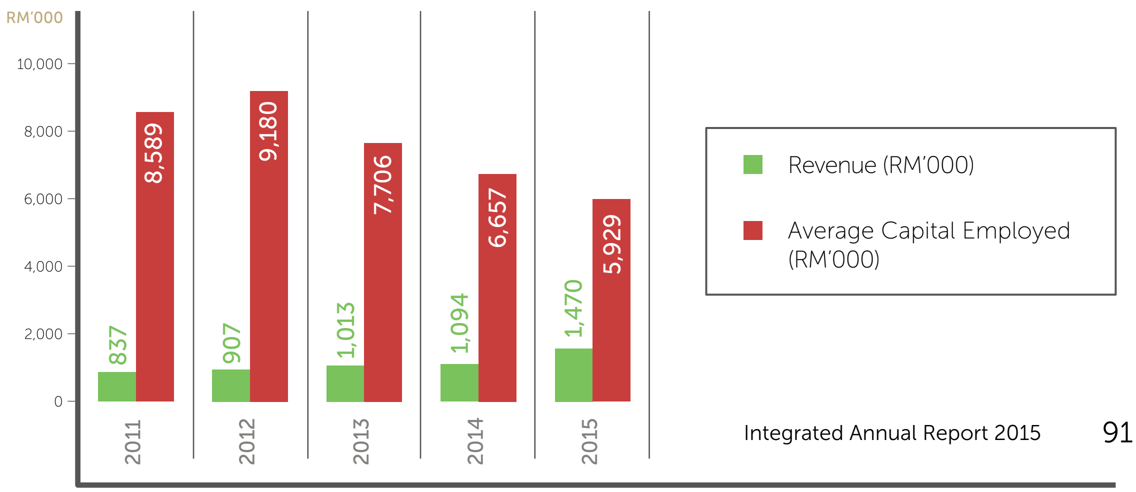
GROUP 5-YEAR PROFIT VS AVERAGE CPO PRICE



GROUP 5-YEAR FINANCIAL STATISTICS

	2015	2014	2013	2012	2011
STATEMENT OF FINANCIAL POSITION HIGHLIGHTS (RM'000)					
ASSETS EMPLOYED					
Other non-current assets	4,049,187	3,773,743	6,624,596	6,795,342	7,852,213
Intangible assets	121,852	33,439	189,762	204,667	1,097,799
Total Non-Current Assets	4,171,039	3,807,182	6,814,358	7,000,009	8,950,012
Other current assets	696,837	324,987	1,238,362	1,412,037	1,912,492
Cash and bank balances	1,532,399	342,597	377,180	280,889	644,702
Assets of disposal group classified as held for sale	-	4,783,791	-	3,408,193	13,032
Total Current Assets	2,229,236	5,451,375	1,615,542	5,101,119	2,570,226
Other current liabilities	300,603	173,452	333,899	1,487,009	935,471
Loans and borrowings	504,515	750,924	1,030,716	971,347	571,843
Liabilities of disposal group classified as held for sale	-	2,084,517	-	1,295,060	-
Total Current Liabilities	805,118	3,008,893	1,364,615	3,753,416	1,507,314
	5,595,157	6,249,664	7,065,285	8,347,712	10,012,924
FINANCED BY:					
Share capital	337,605	335,626	323,513	320,637	315,509
Reserves	1,549,051	1,794,906	1,551,740	1,622,712	1,540,087
Reserves of disposal group classified as held for sale	-	(51,622)	-	-	-
Retained profits	2,876,137	1,943,596	1,905,404	1,474,336	2,436,500
Shareholders' equity	4,762,793	4,022,506	3,780,657	3,417,685	4,292,096
Non-controlling interests	263,621	1,590,197	1,346,491	2,781,972	2,628,603
Long-term borrowings	404,671	451,261	1,032,921	1,171,679	2,049,101
Other long-term liabilities	177,363	185,700	905,216	976,376	1,043,124
	5,608,448	6,249,664	7,065,285	8,347,712	10,012,924
Average capital employed	5,929,056	6,657,475	7,706,499	9,180,318	8,589,231
Average shareholders' equity	4,392,649	3,901,582	3,599,171	3,854,891	3,928,732

GROUP 5-YEAR REVENUE VS AVERAGE CAPITAL EMPLOYED



GROUP 5-YEAR FINANCIAL STATISTICS

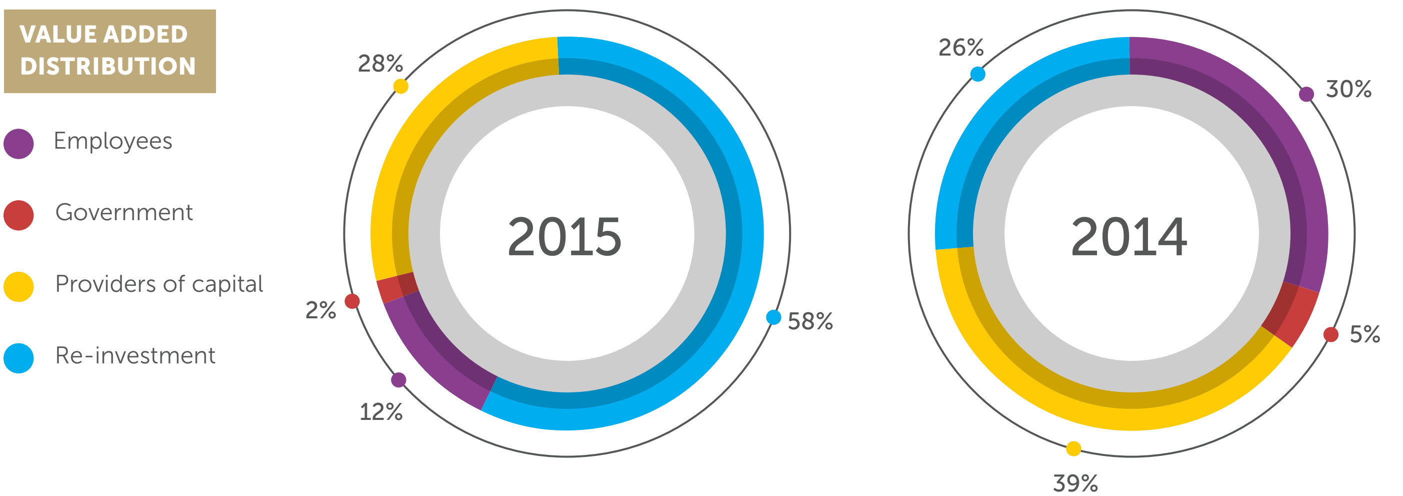
	2015	2014	2013	2012	2011
STATEMENT OF CASH FLOWS HIGHLIGHTS (RM'000)					
Net cash flow from operating activities	**(92,752)**	683,194	705,369	971,707	1,441,863
Net cash flow from investing activities	**2,331,796**	(565,141)	405,623	(1,039,503)	(1,474,025)
Net cash flow from financing activities	**(1,173,050)**	(102,688)	(1,345,144)	168,250	180,358
Net change in cash and cash equivalents	**1,065,994**	15,365	(234,152)	100,454	148,196
KEY FINANCIAL INDICATORS					
Profitability and Returns					
Operating profit margin	**11.20%**	12.65%	14.51%	15.15%	29.44%
PBT margin	**11.06%**	8.74%	10.55%	9.84%	27.47%
PATMI margin	**97.49%**	15.02%	42.55%	23.30%	67.54%
Return on average shareholders' equity	**32.61%**	4.21%	11.98%	5.48%	14.38%
Return on average capital employed	**24.16%**	2.47%	5.59%	2.30%	6.58%
Net assets per share (RM)	**3.88**	3.03	2.96	2.69	3.48
Solvency and Liquidity					
Gearing ratio (times)					
- Gross	**0.18**	0.21	0.40	0.35	0.38
- Net	**(0.12)**	0.15	0.33	0.30	0.29
Interest cover (times)	**5.92**	2.73	3.08	2.49	7.95
Current ratio (times)	**2.79**	1.81	1.18	1.36	1.71
Financial Market					
EPS (sen)					
- basic	**111.53**	12.55	33.80	16.84	45.90
- diluted	**109.73**	12.49	33.48	16.21	45.90
Gross dividend per share (sen)	**37.65**	9.50	-	98.44	5.00
Gross dividend rate (%)	**151%**	38%	-	394%	20%
Gross dividend yield (%)	**11.09%**	2.82%	-	21.12%	1.45%
Net dividend payout rate (%)	**34.91%**	76.76%	-	593.93%	10.93%
Average price-to-earnings ratio (times)	**3.04**	26.85	10.44	27.67	7.53
Average price-to-book ratio (times)	**0.87**	1.11	1.19	1.74	0.99

GROUP QUARTERLY PERFORMANCE 2015

	2015			
	Q1	Q2	Q3	Q4
FINANCIAL PERFORMANCE (RM'000)				
Revenue	268,170	511,483	406,965	282,988
Plantation	55%	47%	73%	32%
Intrapreneur Ventures	7%	3%	3%	6%
Others	38%	50%	24%	62%
Operating results	28,947	43,201	84,516	7,928
Plantation	30%	73%	18%	383%
Intrapreneur Ventures	14%	6%	1%	(77%)
Others	56%	21%	81%	(206%)
Share of results of associates	68	114	25	(6,203)
Profit before interest	29,015	43,315	84,541	1,725
Add/(Less):				
Interest income	2,490	13,533	14,017	6,869
Finance cost	(6,921)	(11,026)	(8,574)	(6,478)
Profit before taxation	24,584	45,822	89,984	2,116
Basic earnings per share (sen)	102.51	(0.09)	6.71	104.82
OPERATIONAL RESULTS				
FFB production (tonnes)	167,793	226,192	261,937	230,250
CPO production (tonnes)	52,425	78,847	85,269	77,743
PK Production (tonnes)	13,959	20,211	23,314	20,806

GROUP STATEMENT OF VALUE ADDED

	2015	2014
VALUE ADDED		
Revenue	1,469,606	1,093,665
Purchase of goods and services	(1,016,732)	(671,152)
Value added by the Group	452,874	422,513
Other income	106,310	71,955
Finance cost	(32,999)	(55,197)
Share of results of associates	(5,996)	586
Discontinued operation	1,316,326	246,913
Value added available for distribution	1,836,515	686,770
DISTRIBUTION		
To Employees		
Staff costs	222,434	202,731
To the Government		
Taxation	38,928	34,005
To Shareholders		
Dividends	500,107	126,111
Non-controlling interests	7,256	144,138
Retained for re-investment and future growth		
Depreciation/amortisation of PPE	135,249	141,593
Retained earnings	932,541	38,192
	1,836,515	686,770
No. of employees at year end (excluding discontinued operations)	8,472	8,187
Value added per employee (RM)	53,455	51,608
Wealth created per employee (RM)	216,775	83,855
No. of shares at year end ('000 units)	1,227,413	1,327,181
Value added per share (RM)	0.37	0.32
Wealth created per share (RM)	1.50	0.52



5-YEAR PLANTATION STATISTICS

MALAYSIA

	2015	2014	2013	2012	2011
OIL PALM					
Production (tonnes)					
FFB produced - Processed by own mills	**872,867**	827,341	801,297	605,298	554,156
FFB produced - Sold to others	**13,305**	13,738	14,599	110,228	82,605
Total FFB produced	**886,172**	841,079	815,896	715,526	636,761
Purchased FFB	**537,791**	425,484	458,561	416,393	365,151
Total FFB processed	**1,410,658**	1,252,825	1,259,858	1,021,691	919,307
Crude Palm Oil	**294,284**	257,881	254,735	207,265	185,666
Palm Kernel	**78,290**	69,681	70,891	58,773	53,678
Yield and Extraction Rates					
FFB yield (tonnes per mature hectare)	**22.50**	22.34	22.11	20.68	21.89
OER (%)	**20.86**	20.58	20.22	20.29	20.20
KER(%)	**5.55**	5.56	5.63	5.75	5.84
Average Selling Price (RM per tonne)					
Crude Palm Oil (locally delivered)	**2,191**	2,370	2,472	2,923	3,193
Palm Kernel (ex-mill)	**1,534**	1,708	1,287	1,599	2,300
AREA STATEMENT (HECTARES)					
Oil palm					
- mature	**39,387**	37,654	36,909	35,170	32,865
- immature	**7,623**	9,469	10,198	10,422	7,458
	47,010	47,123	47,107	45,592	40,323
Other crops:					
Rubber	**298**	337	410	503	498
Sentang	**25**	25	25	25	25
Pineapple	**181**	173	166	168	128
Fruits (inter-row planting with oil palm)	**509**	465	666	580	546
Planted area	**47,514**	47,658	47,708	46,288	40,974
Reserve land, building sites etc	**3,485**	3,502	3,452	3,263	2,916
Titled area	**50,999**	51,160	51,160	49,551	43,890

* Yield per hectare based on annual production of FFB at Palong, Mungka and Kemedak Estate.

PLANTATION STATISTICS

INDONESIA

	2015	2014
AREA STATEMENT (HECTARES)		
Oil Palm		
- immature area	**307**	71
Planted area	**307**	71
Undeveloped Land	**40,338**	40,574
Total area with IUP*	**40,645**	40,645

* *IUP - Izin Usaha Perkebunan*

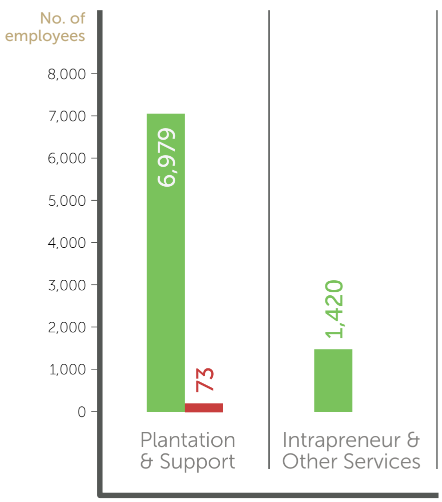
HUMAN CAPITAL STATISTICS

AS AT 31 DECEMBER 2015

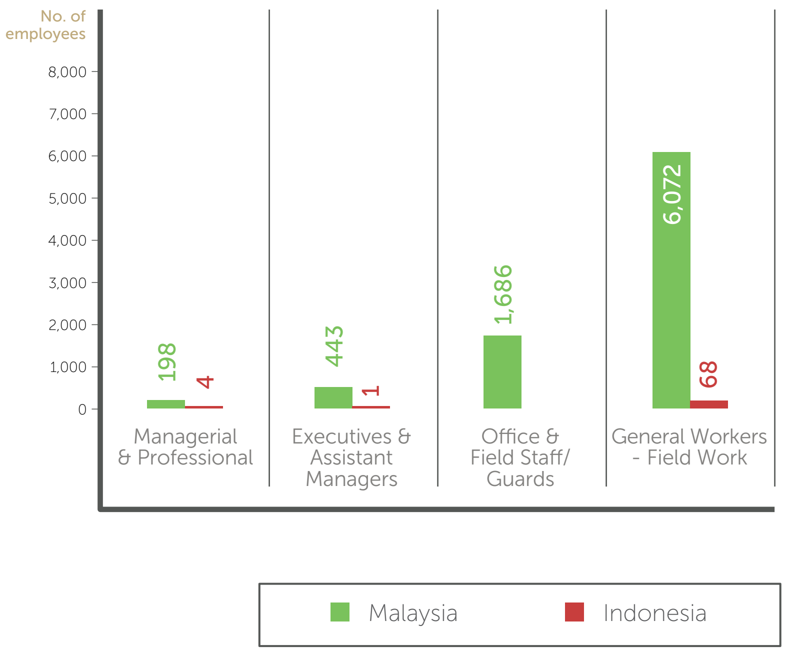
	BY DIVISION		
DIVISION	Malaysia	Indonesia	Total
Plantation and Support	6,979	73	7,052
Intrapreneur and Other Services	1,420	-	1,420
	8,399	**73**	**8,472**

	BY CATEGORY		
CATEGORY	Malaysia	Indonesia	Total
Managerial and Professional	198	4	202
Executives and Assistant Managers	443	1	444
Office and Field Staff/Guard	1,686	-	1,686
General Workers - Field Work	6,072	68	6,140
	8,399	**73**	**8,472**

BY DIVISION



BY CATEGORY



SHAREHOLDINGS STATISTICS

AS AT 17 MARCH 2016

Authorised Share Capital : RM500,000,000.00
Issued & Fully Paid-Up Capital : RM348,453,957.50 less RM30,739,575 Treasury Shares = RM317,714,382.50
Class of Shares : Ordinary Share of RM0.25 each

BREAK DOWN OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
Less than 100	172	1.91	6,586	-
100 – 1000	1,464	16.25	1,219,475	0.10
1,001 – 10,000	4,937	54.79	22,999,746	1.81
10,001 – 100,000	2,055	22.80	60,900,245	4.79
100,001 to less than 5 of Issued Capital	381	4.23	485,189,336	38.18
5 and above of Issued Capital	2	0.02	700,542,142	55.12
TOTAL	**9,011**	**100.00**	**1,270,857,530**	**100.00**

TOP THIRTY SECURITIES ACCOUNT HOLDERS

(Without aggregating the securities from different securities accounts belonging to the same depositor)

	NAME	NO. OF SHARES	%
1	Johor Corporation	627,560,160	49.38
2	Waqaf An-Nur Corporation Berhad	72,981,982	5.74
3	Kumpulan Wang Persaraan (Diperbadankan)	59,935,100	4.72
4	RHB Capital Noms (T) Sdn Bhd - A/C Johor Corporation (Jedcon ESSB)	49,753,600	3.91
5	Citigroup Noms (T) Sdn Bhd - A/C Exempt AN for AIA Bhd.	41,859,600	3.29
6	Citigroup Noms (T) Sdn Bhd - A/C Employees Provident Fund Board	32,603,900	2.57
7	RHB Noms (T) Sdn Bhd - A/C JCorp Capital Solutions Sdn. Bhd.	25,650,000	2.02
8	Johor Corporation	22,478,400	1.77
9	RHB Noms (T) Sdn Bhd - A/C Johor Corporation	18,400,000	1.45
10	Valuecap Sdn Bhd	15,000,000	1.18
11	HSBC Noms (A) Sdn Bhd - A/C Exempt An for Credit Suisse Securities (Europe) Limited	10,217,000	0.80
12	Citigroup Noms (A) Sdn Bhd - A/C CBNY for Dimensional Emerging Markets Value Fund	8,918,000	0.70
13	AmanahRaya Trustees Berhad - A/C Public Islamic Sector Select Fund	7,666,700	0.60
14	HSBC Noms (A) Sdn Bhd - A/C Exempt An for JPMorgan Chase Bank, National Association (U.S.A.)	7,440,350	0.59
15	Johor Corporation	7,336,800	0.58
16	Zalaraz Sdn Bhd	5,038,000	0.40
17	HSBC Noms (A) Sdn Bhd - A/C Exempt An for BNP Paribas Wealth Management Singapore Branch(A/C Clients-FGN)	4,445,700	0.35
18	DB (M) Nom (T) Sendirian Berhad - A/C Exempt An for Kumpulan Sentiasa Cemerlang Sdn Bhd (TSTAC/CLNT)	4,144,700	0.33

SHAREHOLDINGS STATISTICS

	NAME	NO. OF SHARES	%
19	Citigroup Noms (A) Sdn Bhd - A/C CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	4,092,200	0.32
20	Citigroup Noms (A) Sdn Bhd - A/C CBNY for DFA Emerging Markets Small Cap Series	3,848,000	0.30
21	AmanahRaya Trustees Berhad - A/C Amanah Saham Wawasan 2020	3,380,420	0.27
22	HSBC Noms (A) Sdn Bhd - A/C Exempt An for The Bank Of New York Mellon (Mellon Acct)	3,167,200	0.25
23	Lembaga Tabung Angkatan Tentera	3,010,000	0.24
24	CIMSec Noms (T) Sdn Bhd - A/C CIMB Bank for Arshad bin Ayub (MY1393)	2,926,800	0.23
25	Malaysia Noms (T) Sendirian Berhad - A/C Great Eastern Life Assurance (Malaysia) Berhad (LPF)	2,758,100	0.22
26	HSBC Noms (A) Sdn Bhd - A/C BBH And Co Boston For Vanguard Emerging Markets Stock Index Fund	2,543,100	0.20
27	Citigroup Noms (A) Sdn Bhd - A/C UBS AG	2,541,422	0.20
28	HSBC Noms (A) Sdn Bhd - A/C Exempt An for Morgan Stanley & Co. International PLC (IPB CLIENT ACCT)	2,308,163	0.18
29	Malaysia Noms (T) Sendirian Berhad - A/C Great Eastern Life Assurance (Malaysia) Berhad (LGF)	2,297,700	0.18
30	Gan Teng Siew Realty Sdn.Berhad	2,256,800	0.18

SUBSTANTIAL SHAREHOLDERS

		DIRECT		INDIRECT	
	NAME	NO. OF SHARES	%	NO. OF SHARES	%
1	Johor Corporation - 3 a/cs	657,375,360	51.73	170,832,094	13.43
2	Waqaf An-Nur Corporation Berhad	72,981,982	5.74		

ANALYSIS OF SHAREHOLDERS

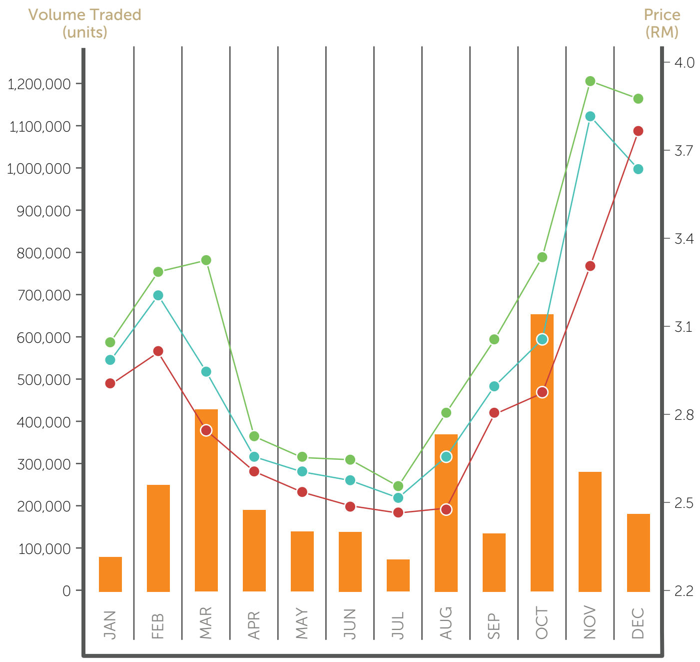
	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
Malaysian – Bumiputra	934	10.37	963,036,496	75.78
– Others	7,258	80.54	189,170,594	14.88
Foreigners	819	9.09	118,650,440	9.34
Total	**9,011**	**100.00**	**1,270,857,530**	**100.00**

PRICE PERFORMANCE AND VOLUME TRADED 2015

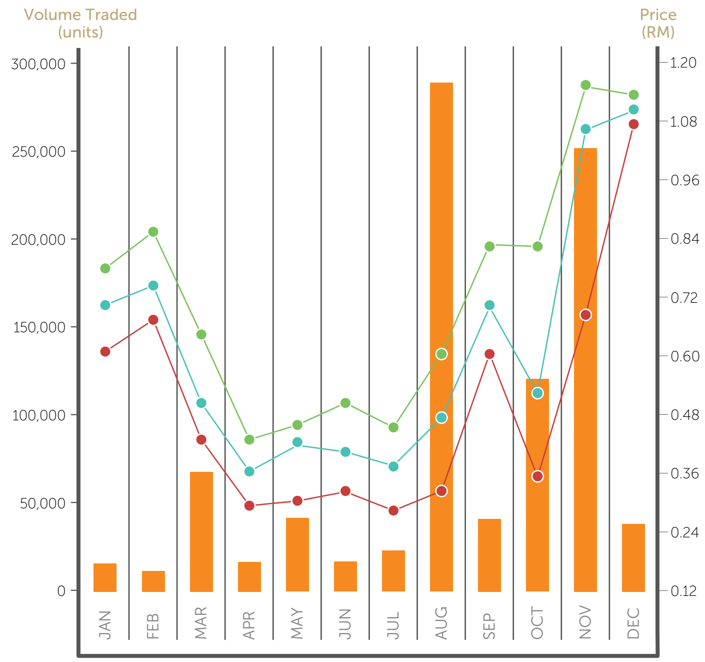
SHARES AND WARRANTS

	Closing Share Price (RM)			Volume Traded	Closing Warrant Price (RM)			Volume Traded
Month	Highest	Average	Lowest	('000)	Highest	Average	Lowest	('000)
JANUARY	**3.040**	2.980	2.900	80,216	0.775	0.700	0.605	13,952
FEBRUARY	**3.280**	3.200	3.010	250,291	0.850	0.740	0.675	10,184
MARCH	**3.320**	2.940	2.740	413,171	0.640	0.500	0.425	68,210
APRIL	**2.720**	2.650	2.600	190,940	0.425	0.360	0.290	15,388
MAY	**2.650**	2.600	2.530	135,799	0.455	0.420	0.300	41,147
JUNE	**2.640**	2.570	2.480	139,041	0.500	0.400	0.320	15,589
JULY	**2.550**	2.510	2.460	73,544	0.450	0.370	0.280	22,915
AUGUST	**2.800**	2.650	2.470	370,281	0.600	0.470	0.320	289,312
SEPTEMBER	**3.050**	2.890	2.800	134,911	0.820	0.700	0.600	41,137
OCTOBER	**3.330**	3.050	2.870	664,266	0.820	0.520	0.350	120,616
NOVEMBER	**3.930**	3.810	3.300	281,507	1.150	1.060	0.680	252,193
DECEMBER	**3.870**	3.630	3.760	179,878	1.130	1.100	1.070	38,225

SHARES



WARRANTS



Lowest Average Highest Volume Traded

Kulim Eco – TRAIL Retreat at Basir Ismail Estate, Kota Tinggi

SECTION 04

SEGMENT REVIEW

104 Plantation

114 Intrapreneur Ventures

122 Oil and Gas

Diverse businesses of Kulim

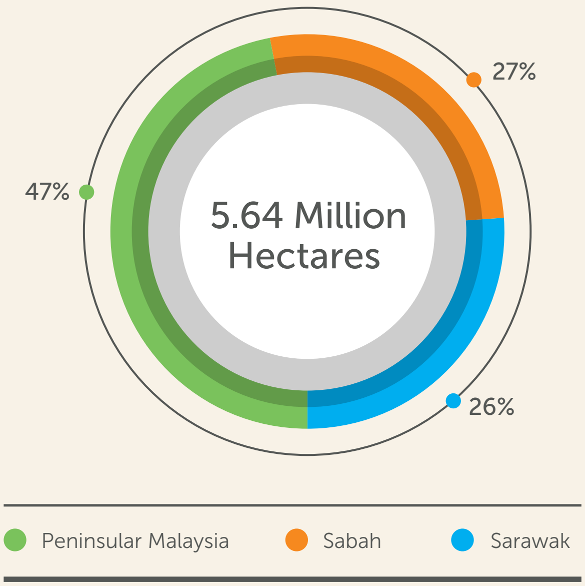
PLANTATION

In 2015, Kulim's core plantation segment continued to operate in a very dynamic and volatile environment, characterised by abundant supplies and lower prices in the global vegetable oil markets. The rapid growth of the palm oil industry has also brought about many new challenges to the sector's sustainability and competitiveness. For the country, making inroads into new markets is critical to absorb the nation's growing annual Crude Palm Oil ("CPO") production. The scenario in 2015 was one of low prices for the commodity and this has affected plantation margins, compelling players to embark on cost reduction measures.

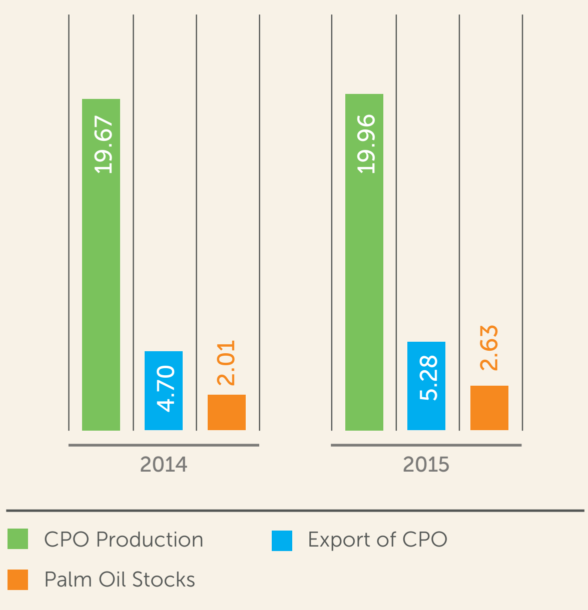
ZULKIFLY ZAKARIAH
Vice President,
Estate Operation

RAZALI HAMZAH
Deputy General Manager,
Mill Development

OIL PALM PLANTED AREA - Malaysia



CPO STATISTICS - Malaysia
(Million tonnes)



While our performance by large mirrored that of the Malaysian oil palm industry, there were some notable highlights. Fresh Fruit Bunches ("FFB") and Yield Per Hectare ("YPH") increased, beating the budget and surpassing the previous year's achievements. Significantly, we continued to make heading in containing costs, beating our budget estimates. This is important in light of an impending foreign labour levy hike, expected to come into effect from 1 July 2016. In Indonesia, on top of the existing 40,645 hectares of greenfield in North Barito, we are exploring alternative assets, particularly brownfields, to expedite revenue generation and earnings contributions to the Kulim Group.

INDUSTRY OVERVIEW

2015 was a challenging year for the global vegetable oil industry. Ample global inventories in competing vegetable oils have compounded the oversupply situation and this had a dampening effect on CPO prices. The industry was also impacted by the growing strength of the U.S. Dollar, adding downward pressure on all commodity prices. Prices for palm and soybean oil have been forecasted to decline by 15% and 10% respectively as production has outpaced consumption. (Source: Commodity Markets Outlook, World Bank, January 2015)

Tractor fetching fresh water for daily field operations at Sindora Estate, Kluang

PLANTATION

FFB at the loading ramp; Pasir Panjang Palm Oil Mill, Kota Tinggi

> “CPO PRODUCTION IN 2015 INCREASED MARGINALLY TO 19.96 MILLION TONNES FROM 19.67 MILLION TONNES POSTED IN 2014.”

Notwithstanding the depressed global outlook, Malaysia continued to press ahead to consolidate its position as a leading player in the global palm oil industry. This was in spite of adverse weather conditions resulting from a globally stronger El Nino weather phenomenon. In 2013, we received 2,374 mm of rainfall, which was moderately adequate for oil palm cultivation. It declined to 1,832 mm in 2014, and in 2015 we only received 1,827 mm of rainfall, which is considered dry and inadequate. The threat of El Nino was most apparent during the July to October dry spell when the palms were severely stressed. Although heavy rains in November helped, this did not completely offset the earlier dry spell. To mitigate the impact of dry weather, Kulim has constructed several water irrigation projects at its estates.

According to the Malaysian Palm Oil Board (“MPOB”), 2015 saw a mixed performance in the Malaysian palm oil industry. While total planted area, CPO production, import, export and closing stocks increased, prices and export revenue declined. (Source: Overview of the Malaysian Oil Palm Industry, Malaysian Palm Oil Board, January 2016)

The total Malaysian oil palm planted area in 2015 registered a 4.6% increase to 5.64 million hectares, compared to 5.39 million hectares recorded in the previous year. This was attributed to new planted areas notably in Sarawak. CPO production in 2015 increased marginally to 19.96 million tonnes from 19.67 million tonnes posted in 2014. The increase was due to a bigger volume of FFB processed, as a result of more new matured areas coming into production.

During the year, the overall FFB yield declined to 18.49 tonnes per hectare. FFB yield for Peninsular Malaysia improved by 3.13% to 18.80 tonnes per hectare. Sarawak increased marginally by 0.5% to 16.21 tonnes per hectare, while Sabah registered a decline of 6.33% to 19.99 tonnes per hectare, against 21.34 tonnes achieved in 2014. Sarawak’s FFB yield was lower because 25% of its matured area comprised of young palms. The national Oil Extraction Rate (“OER”) in 2015 also declined by 0.8% to 20.46%, mainly due to the lower quality of FFB processed at the mills. While the OER in Peninsular Malaysia and Sarawak decreased by 0.9% and 1.4% to register at 20.01% and 20.15% respectively. Sabah recorded an increase in its OER rate by 0.4% to 21.57%.

In 2015, the total exports of oil palm products increased marginally by 1.0% to 25.33 million tonnes. However, total export revenue declined by 5.5% to RM60.11 billion owing to lower export prices. India remained Malaysia’s largest palm oil export market (21.2% of total exports), followed by the European Union (13.9%), People’s Republic of China (13.6%), Pakistan (4.1%), United States of America (4.0%), The Philippines (3.7%) and Vietnam (3.3%).

All oil palm products were traded lower in the first half of 2015, with CPO traded at RM2,153 per tonne compared to RM2,605 per tonne in the corresponding period, 2014. The lower price was in line with weaker global vegetable oil prices, notably soyabean and rapeseed oil. CPO price continued its downward trend in the second half of the year, averaging at RM2,090 per tonne. The slide was attributed mainly to concerns over turmoil in the Chinese stock market and its impact on demand for palm oil, as well as weaker crude oil prices.

2.20%

RM777.26 million

Plantation Revenue

FINANCIAL PERFORMANCE

The Group's FFB production increased by 5.36% from 841,079 tonnes to 886,172 tonnes in 2015. However, this achievement was overshadowed by lower average CPO prices. In line with the industry trend, the average CPO price achieved by the Group's Malaysian operations declined to RM2,191 per tonne in 2015, compared to RM2,370 per tonne posted in 2014. Palm Kernel ("PK") prices were also lower at RM1,534 per tonne, from RM1,708 per tonne a year earlier.

For the year under review, Plantation recorded revenue of RM777.26 million, an increase of 2.20% from RM760.54 million posted in 2014. However, operating profit declined 32.09% like-on-like, mainly due to lower CPO and PK average price by 7.55% and 10.19% respectively. Nonetheless, Plantation remained by far the biggest contributor to Group revenue, accounting for 53% in 2015.

In a tough year, we were encouraged by our cost management efforts and measures to improve operational efficiency. At RM252, our field cost per tonne FFB was 6.3% lower than our budget estimate of RM269 per tonne and an improvement of 6.0% compared to the previous year. Our cost per hectare has also improved to RM5,689 from RM6,047 achieved in 2014. Our milling costs recorded at RM42 per tonne FFB, 11.90% below the budget estimate. This is significant in the face of revisions in the collective agreements entered into by the Malayan Agricultural Producers Association ("MAPA") and National Union of Plantation Workers ("NUPW") result wages for harvesters and field workers increase by between 8% and 10%.

In anticipation of this new development and as a mitigating measure, we are focusing on increasing workers productivity by improving housing amenities and organising activities for local community. This has encouraged our foreign workers to work harder and stay longer with the Group. To contend with the rising cost of fertilizers, we have implemented plastic mulching applications wherever feasible, to promote nutrient uptake during new replanting exercises.

KULIM – MALAYSIA 2015

FFB Production 886,172 tonnes

5.36%

Palm Oil Marketing Committee

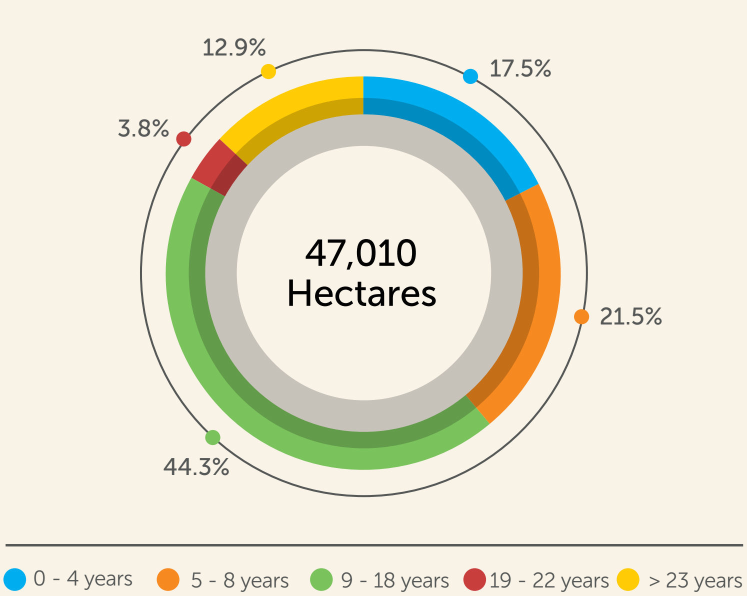
PLANTATION

OPERATIONAL REVIEW

The exercise to divest the Group's entire stake in NBPOL was completed on 26 February 2015. However, for the operational reporting purposes, we have decided to exclude operations in Papua New Guinea and the Solomon Islands for the first two (2) months in 2015.

For the year ended 31 December 2015, Kulim has plantation operations in the Peninsular Malaysia as well as Central Kalimantan, Indonesia. Of the Group's total plantation landbank of 91,644 hectares, some 50,999 hectares or 55.6% are located in the southern part of Peninsular Malaysia. Following the acquisition of a 74% equity in PT Wisesa Inspirasi Nusantara ("PT WIN") concluded on 14 February 2015, Kulim is developing 40,645 hectares of landbank in Central Kalimantan, Indonesia. The planting of new palms is presently ongoing albeit at a slower pace. As at 31 December 2015, some 307 hectares have been planted.

PALM AGE PROFILE - Malaysia



PLANTATION IN MALAYSIA

ESTATE OPERATIONS

During the year, our Malaysian operations produced a total of 886,172 tonnes of FFB, a 5.36% increase from 841,079 tonnes produced in 2014. Correspondingly, we also achieved a 0.72% increase in YPH to 22.50 tonnes from 22.34 tonnes recorded in the previous year. Our FFB performance was superior compared to the average yield achieved by the industry in Johor as well as Peninsular Malaysia, which was 20.00 tonnes and 18.77 tonnes respectively.

91,644 hectares
Total Plantation Landbank

0.72%
22.50 tonnes
YPH

Oil Palm Planted Area as at 31 December 2015	Titled area (ha)	Mature (ha)	Immature (ha)	Total Planted (ha)
Malaysia	50,999	39,387	7,623	47,010
Indonesia	40,645*	-	307	307
TOTAL	91,644	39,387	7,930	47,317

* With *Izin Usaha Perkebunan* ("IUP")

Several factors have contributed to the Group's outstanding production numbers, one of the most important being an increase in the area planted with mature palms. Compared to 2014, we had an additional 1,733 hectares of mature areas by end 2015. We also increased the number of harvesters from 1,930 to 1,990, thereby ensuring targets are met in spite of a larger mature area. An adequate and reliable supply of labour was another critical factor, with the abscondment rate falling to a manageable 2% in 2015.

The Group remains committed to improving the age profile of its palms. During the year under review, a total of 1,155 hectares were replanted with high yielding clones. Replanting is undertaken on a staggered basis to maximise the crop potential before felling is carried out. As a result of our replanting initiative, the average age profile of our palms has improved to 11.72 years.

As at the end of 2015, the Group's planted area in Malaysia consists of 48.1% prime mature area, 39.0% immature/young mature areas and 12.9% old palms above 23 years.

OER Comparison

Kulim	20.86%
Peninsular Malaysia	20.01%
Malaysia	20.46%

MILL OPERATIONS

With the commissioning of our new Pasir Panjang Palm Oil Mill in March 2015, the Group now has five (5) mills in operation, the others being Sedenak, Sindora, Tereh and Palong Cocoa. For the year under review, our five (5) mills processed a total of 1,410,658 tonnes of FFB, including 537,791 tonnes sourced from external smallholders and outgrowers.

Total CPO production from our mills amounted to 294,284 tonnes, a 14.12% increase from 2014 production of 257,881 tonnes. Total PK production also increased by 12.03% to 78,290 tonnes. Our oil yields continued to improve to 4.69 tonnes of CPO per hectare for the year under review.

With an increase in the area of palms coming into maturity, our OER has improved to 20.86%, from 20.58% recorded in 2014. As in previous years, we achieved an OER that is higher than the industry average of 20.01% for Peninsular Malaysia and 20.46% for Malaysia. Our Kernel Extraction Rate ("KER") was 5.55%, against 5.56% recorded previously.

14.12%

294,284 tonnes

Total CPO production

Oil Yields Per Hectare

4.69 tonnes

Pasir Panjang Palm Oil Mill, commissioned in March 2015.

COST MANAGEMENT AND PRODUCTIVITY INITIATIVES

Palm oil producers are generally price takers as opposed to price movers and there is insufficient leeway to exert any influence that can significantly affect the market price. In order to be profitable, the onus is on producers to control costs while improving productivity. In this regard, Kulim has performed relatively well in 2015, field costs contained at RM252 per tonne FFB, which is 6.3% below the budget estimate and an improvement from the previously recorded RM268 per tonne, whereas milling costs recorded at RM42 per tonne, 11.90% below 2015 estimate.

The Group has long adopted Good Agricultural Practices and Manufacturing Practices plantation operations as successful business strategies to enhance efficiency and productivity. These practices, which are endorsed by the Food and Agricultural Organisation ("FAO") of the United Nations, cover an entire spectrum of activities from nursery preparation, field planting, application of fertilizers at appropriate times and doses, restoring soil organic content, right up to FFB harvesting, transportation and processing at the mills.

In the face of raising labour costs, the Group has also progressively stepped up its mechanisation and automation programmes. One of the most important activities in oil palm cultivation is harvesting and it is estimated that the operation requires 60% of the labour required for palm oil cultivation and constitutes about 50% of production costs. (Source: MPOB Information Series, MPOB TT No. 349). The Group has therefore invested in a Scissor Lift Tractor and Bin System for quicker and more efficient FFB loading and evacuation. Motorised harvesting poles known as *Cantas* and *C-kat* are now used in most of the Group's estates as they can more-than-double the harvesting productivity.

PLANTATION

BIOGAS PLANT PROJECTS

Our mill operations are the second largest contributor of Greenhouse Gas ("GHG") emissions in the form of methane from the decomposition of Palm Oil Mill Effluent ("POME"). In order to reduce the Group's overall carbon footprint to 80.5% of the 2012 baseline emission by the year 2017, Kulim is implementing the biogas project at its five (5) mills in stages.

The development of its first biogas plant at Sedenak Palm Oil Mill was commissioned on 8 April 2014. In 2015, it produced around 5,000 cubic metres of methane gas daily for power generation. Another biogas plant located at Pasir Panjang Palm Oil Mill has been completed and was commissioned in September 2015. Biogas plant in Sindora Palm Oil Mill is expected to be completed by June 2016, and commissioning by September 2016. There is also an on-going negotiation for installation of biogas plants at Tereh and Sindora Palm Oil Mill with the aim of exporting electricity to Tenaga Nasional Berhad ("TNB") grid.

Our mill operations also produced around 60,000 tonnes of emissions from Palm Kernel Shell ("PKS"). Around 11,500 tonnes were sold in 2015 for external use as a replacement for fossil-based fuels.

Rooting stage in oil palm tissue culture process; Kulim Topplant Sdn Bhd, Kota Tinggi

RESEARCH AND DEVELOPMENT

Kulim's investment in Research and Development ("R&D") is an integral part of the Group's strategy to be a key player in the Palm Oil industry. Our state-of-the-art Kulim Agro-Tech Centre based in Kota Tinggi, Johor, houses a team of highly trained and qualified research personnel with expertise in agronomy, chemistry, seed production, plant breeding and biotechnology, among others.

PRECISION AGRICULTURE & ANALYTICAL SERVICES

The Group has developed the Kulim Agrotech Information System ("KATIS") to capture agronomic and management data. KATIS is based on the concept of precision agriculture or satellite farming and provides a quick overview of an estate's performance so that mitigating actions can be taken. Moving ahead, high aerial photography captured by UAV (Unmanned Aerial Vehicle or drone) has been incorporated into the available GPS digital maps. The project will be extended to another 10,000 hectares in Kulim-managed areas in Tunjuk Laut Complex.

ANALYTICAL SERVICES

The Group's Ulu Tiram Central Laboratory ("UTCL") provides chemical analysis, physical testing of samples and effluent testing for our palm oil mills. The laboratory is equipped with the latest testing equipment such as the Inductive Coupled Plasma-Optical Emission Spectrophotometer ("ICP-OES"), Atomic Absorption Spectrophotometer ("AAS"), Flame Photometer, UV-Spectrophotometer and Nitrogen Auto Analyser to ensure reliable analytical results.

AGRONOMY

Kulim's Agronomy Unit is supported by a data base built up over 20 years and is now undertaking full-fledged R&D activities. Among others, it has conducted research to maximise yields and outputs in a sustainable manner; looked into the feasibility of Integrated Pest Management ("IPM") as a means of pest and disease control and studied the efficacy of zero-burning replanting as the Group's contribution in the global effort to minimise global warming. Apart from sharing its findings with other estates across the Group, the Unit also collaborates with other research institutions such as the MPOB to study the efficacy of microbes in combating Ganoderma, a disease afflicting oil palms.

KATIS

Kulim Agrotech Information System

Agronomic and Management Data

Daily operations at Ulu Tiram Central Laboratory, Kota Tinggi

PLANT BREEDING

A primary objective of Kulim's conventional palm breeding programme is the production of elite planting materials to achieve high oil yields. Experiments have been conducted to find new sources of improved dura and pisifera parent palms for future planting materials and ortets for clonal propagation.

The Plant Breeding Unit is also developing elite genetic materials bearing the following economically important traits – Ganoderma tolerance, high vitamin E, long bunch stalks, high bunch number, early bearing, good OER and big fruitlets.

A new dedicated R&D facility is being constructed with expected completion in 2016. It will focus on genomic research to complement its conventional plant breeding and tissue culture facilities.

TOTAL QUALITY MANAGEMENT

In striving to become a world-class organisation, Kulim has embraced Total Quality Management to systematically address every area of its business processes. As the stepping stone towards achieving this goal, five (5) of the Group operating units, namely the Tereh Selatan Estate, Palong Cocoa Palm Oil Mill, Tereh Palm Oil Mill, Sindora Palm Oil Mill and the Sedenak Palm Oil Mill have all been accredited to ISO 9001 : 2008, the International Standards Organisation's ("ISO") flagship quality management system standard. With over 1.1 million certificates issued worldwide, ISO 9001 is a demonstration of an organisation's ability to offer products and services of a consistently high quality.

In addition, three (3) of the Group's operating units – Sindora Estate, Sedenak Estate and the Sindora Palm Oil Mill - have earned certification to ISO 14001 : 2004, which is the world's first international environmental standard designed to help organisations improve on their environmental, sustainability and operational performance.

Our Ulu Tiram Central Laboratory has been accredited to ISO/IEC 17025, the main ISO standard used by testing and calibration laboratories to be deemed technically competent.

ISO 9001 and ISO 14001 standards continue to serve organisations and maintain its relevance in today's marketplace. These standards have been revised in 2015. The latest edition features important changes with a new focus on performance as opposed to managing processes. Kulim will have up to three (3) years to migrate its existing ISO 9001:2008 and ISO 14001:2004 certificates to the new version and we are committed to adopt this change.

In May 2015, four (4) of our palm oil mills, namely Palong Cocoa Palm Oil Mill, Tereh Palm Oil Mill, Sindora Palm Oil Mill and Sedenak Palm Oil Mill, have also earned Halal Certification for its products, issued by Jabatan Kemajuan Islam Malaysia ("JAKIM"). The Halal Certification is valid for a period of two (2) years and is subject to an annual review audit.

PLANTATION

QUALITY ENVIRONMENT/5S CERTIFICATION

In our quest for continual improvement in the work environment and working conditions, our parent company Johor Corporation, has mandated that all companies within the Group be certified to 5S, a Japanese-originated management tool for improving workplace efficiency. Abbreviated from the Japanese words, Seiri, Seiton, Seiso, Seiketsu and Shitsuke, it loosely translates into Sort, Systemise, Sweep, Standardise and Self-Discipline.

The 5S philosophy is based on the cleanliness and tidiness contributes towards a safe and conducive work environment. This in turn, would have a bearing on profitability and performance.

The main objectives of 5S certification are to:

- Improve the corporate image of Kulim
- Ensure the participation of all employees in the 5S programme to inculcate good work habits
- Achieve an average score of 70% for all zones
- Set a target of file and item retrieval within 30 seconds

Having obtained QE/5S Certification on 8 January 2015, we are pleased to report that we have successfully passed the first Surveillance Audit on 17 January 2016; This serves as a testament to the Group's commitment towards 5S philosophy - towards a safe and conducive work environment.

Congratulations!

Plantation Performance Committee

5S Committee

In progress of acquisition; palm oil mill in Kalimantan Selatan, Indonesia

PLANTATION IN INDONESIA

In line with the Group's strategic goal of increasing its plantation landbank, we have been eyeing potential investments in Indonesia. On 10 February 2016, Kulim's 74%-owned subsidiary PT Wisesa Inspirasi Nusantara ("PT WIN") entered into four (4) Conditional Share Purchase Agreements to acquire 95% equity interests in four (4) mid-sized oil palm plantation companies, namely PT Nusa Persada Indonesia ("NPI"), PT Surya Panen Subur ("SPS"), PT Tempirai Palm Resources ("TPR") and PT Rambang Agro Jaya ("RAJ"). The total purchase consideration is approximately IDR1.64 trillion (approximately RM509.35 million).

The total landbank held by the four (4) companies is 104,904 hectares with 34,382 hectares planted. It will boost the Group's total planted area by around 73%. The total mature area of the new landbank is only 11,953 hectares or around 15% of the total plantable area. Moving forward, the acquisitions are expected to contribute positively to the future earnings of the Kulim Group when the substantial young palm areas come into maturity within the next 2 – 3 years.

As at year end 2015, about 307 hectares have been planted with oil palm at North Barito, Central Kalimantan.

INTRAPRENEUR VENTURES

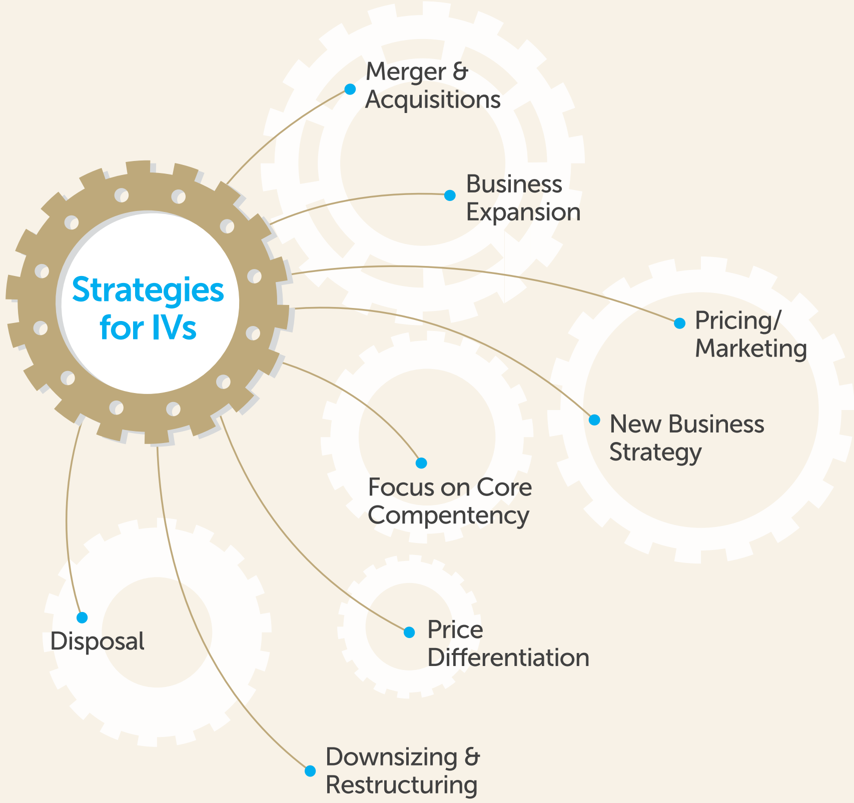
The Intrapreneur Ventures ("IV") Division continues to play a pivotal role in Kulim's Balanced Business Strategy and will continue to be the engine for the Group's future growth.

JAMALUDIN MD ALI
Executive Director
Business Develoment

METHAL AHMAD
General Manager
Foods and IV

KAMARULZAMAN OTHMAN
General Manager
Kulim Livestock Sdn Bhd

INTRAPRENEUR VENTURES



Corporate Highlights

- Acquisition of 51% equity interest in Classruum Technologies Sdn Bhd completed on 20 January 2016.
- Buy-back of 25% equity interest in Edaran Badang Sdn Bhd for RM1.5 million.

The concept of entrepreneurship is familiar to many of us. As we all know, entrepreneurs are pioneers and innovators who set out to make something new by developing their own business ventures. But what is an intrapreneur? Coined in 1978, the term intrapreneurship is derived from a combination of 'intra' or internal and 'entrepreneurship'. Just as an entrepreneur creates an enterprise in the marketplace, an intrapreneur creates enterprise within an organisation by driving innovation.

To quote from Harvard Business review, "intrapreneurs can transform an organisation more quickly and effectively than others because they are self-motivated free-thinkers, masters at navigating around bureaucratic and political inertia".


IV Monitoring & Executive Commitee ("IV Exco")

Like all other start-ups, we have had our share of successes as well as businesses that did not live up to expectations. A notable success story is E. A. Technique (M) Berhad ("EA Tech") which was listed on the Main Market of Bursa Securities on 11 December 2014. Effective 2014, EA Tech have been reclassified under the new Oil and Gas Division as another line of business together with Danamin (M) Sdn Bhd.

NanoVerified Certificate

GroAgro Brand

INTRAPRENEUR VENTURES

Others are also success stories in their own right. Edaran Badang Sdn Bhd ("EBSB") is the inventor of the "Mechanical Buffalo" named Badang, which revolutionised field operations in Malaysian estates. In 2015, following the departure of its intrapreneur, Abd Rahman Md Dawi, Kulim has bought back 25% equity interest in EBSB for RM1.5 million. We are also extremely proud of the excellent work done by Microwell Bio Solutions Sdn Bhd ("MBSSB"), which is doing its part to save Planet Earth through its range of biotechnology-based fertilizers produced from biological wastes. It is the first Malaysian company to earn a NanoVerified certificate for its GroAgro brand.

As we see it, there is no real failure in our involvement with IV. The various companies that we have established are test-beds for our home-grown talent. In the pursuit of excellence, optimum productivity and sustainable organic growth, these ventures have allowed our people to get out of their comfort zones, spread their wings and explore exciting new business prospects, always tempered by prudent risk management.

FINANCIAL HIGHLIGHTS

The financial year ended 31 December 2015 was a challenging one for the IV Division. In a volatile operating environment, characterised by the rapid decline in the value of the Ringgit, the IV Division also had to contend with increasing competition for business opportunities.

Against this backdrop, revenue generated by the Group's IV businesses contracted slightly to RM64.06 million for 2015. This is a decline of 8.62% compared to RM70.10 million posted the previous year.

250.93%

OPERATING PROFIT

RM1.63 Million

> "2015 HAS BEEN A GAME CHANGER AS THE MARKET BECOMES MORE AWARE OF THE SEAMLESS ADVANTAGES THAT CLOUD INFRASTRUCTURE OFFERS – EXTREME EDGE SDN BHD."

However, operating profit for the IV segment was recorded at RM1.63 million, which is an increase of 250.93% compared operating loss of RM1.08 million posted in 2014. The significant increase in operating profit was contributed mainly by Extreme Edge Sdn Bhd ("EESB"), which has secured new contracts for an Integrated System Development Project for KARA Holdings Sdn Bhd and the upgrading of the System Applications Product ("SAP") System for JCorp as well as full year consolidation of Sovereign Multimedia Resources Sdn Bhd. In addition, EBSB, SIM Manufacturing Sdn Bhd ("SIM") and MIT Brokers Insurance Sdn Bhd ("MIT") have also contributed positively to the segment earnings.

Revenue

RM64.06 million

IV businesses

EXTREME EDGE SDN BHD ("EESB")

In just five (5) years, EESB has evolved from a start-up to become a successful technology and networking services provider in its own right. As a one stop centre, the range of services it provides includes networking and communications, website design and development, hosting and management solutions and E-procurement. EESB also offers servicing and maintenance services for servers, Unit Power Supply ("UPS") units and Personal Computers ("PCs").

EESB has adopted a customer-centric business model, working collaboratively with its clients to deliver solutions using methodologies that are user-centred, technology-based and business-driven. For the customers, this value-added approach has enhanced their Return On Investments ("ROI") by significantly reducing the time and risks associated with designing and implementing complete integrated solutions.

2015 has been a game changer as the market becomes more aware of the seamless advantages that cloud infrastructure offers. In this regard, EESB has teamed up with its software partner and cloud computing solutions provider to deliver the best practices and solutions to end users. EESB's client base consists of internal clients within the Kulim and JCorp Group as well as the open market. The company has continued to make inroads into the external market and this is evidenced in an increase in tender invitations as well as the number of orders.

For the year under review, EESB's revenue increased 72% to RM19.26 million. The increase was attributed to more projects secured by the company internally and externally, including PT Haluan, Tanjung Langsat Port and Johor Port Berhad. The improvement was also attributed to full year consolidation of results from Sovereign Multimedia Resources Sdn Bhd ("SMR"). SMR is an intrapreneur company that has achieved MSC-status in 2014 and is a leading ICT solutions specialist tapping into the business potential of ICT solutions, services and consultancy. The acquisition was completed in June 2014.

Correspondingly, PBT has surged 12.59% to RM3.04 million, compared to RM2.7 million recorded in 2014.

EDARAN BADANG SDN BHD ("EBSB")

EBSB's mission is to reduce the plantation's industry over-dependence on human labour through mechanisation. Its vision is to be a respected manufacturer and supplier of various agriculture machinery and equipment. The company aims to differentiate itself by providing its customers not only the best products and service but also to exceed clients' expectations through a well-established distribution network.

'Badang'

Transport Vehicle for FFB Evacuations

With more than 20 years of experience in the palm oil industry, its reputation in the market was established when it invented a three-wheeled multi-purpose 'Mechanical Buffalo' named 'Badang'. Today, the Badang is the transport vehicle of choice for FFB evacuations and other field works such as manuring or mulching. The Badang is now widely used by most of the established plantation companies such as Sime Darby Plantation, FGV Plantations, First Borneo Plantations, Tai Tak Plantation as well as smallholders throughout Malaysia.

Products of Edaran Badang Sdn Bhd

INTRAPRENEUR VENTURES

EBSB's business activities have been expanded to include dealership for other agricultural tools and equipment. It is presently an authorised dealer for tractors bearing well known names such as EUROSTAR, KINTA, Cummin parts, Hansen gearbox and parts, TRP Chain, Renold Chain, Sime Pole, Kingoya Pole, among many others.

To penetrate the East Malaysian market, EBSB also has a product distribution centre at Lahad Datu, Sabah. Apart from the Badang, the centre is also the sole distributor in Sabah for a range of agricultural equipment bearing the Beluga, Tiger and Lion X 1000 brands imported from Korea.

For the year under review, EBSB registered a revenue of RM21.91 million, declined by 17.63% from RM26.6 million posted in 2014. By contrast, 2015 saw a 29.22% increase in PBT to RM1.99 million, from RM1.54 million recorded previously.

Moving forward, EBSB is optimistic about the future given the tremendous growth potential for agricultural equipment, where large scale estates are increasingly mechanising their operations to improve productivity and efficiency.

SIM MANUFACTURING SDN BHD ("SIM")

SIM was one of the leading manufacturers of premium quality natural rubber products, which include swim caps, balloons, pool socks, food mats and other latex-dipped products. Its products are noted for their tensile strength, tear-resistant and excellent elastic properties.

Given its uncompromising stance on quality excellence and emphasis on customer relationship management, SIM's client base includes some of the biggest names in the swimwear industry. Almost 100% of its products are exported to markets worldwide.

In 2015, SIM registered revenue of RM4.5 million and PBT of RM400,000. This is a marked improvement compared to revenue of RM3.3 million and loss of RM482,000 posted in 2014. The turnaround was mainly attributable to successful price renegotiation with its major customers which saw the average increase of 17% – 30% for its major products.

Factory operations at SIM Manufacturing Sdn Bhd

Going forward, SIM has set its sights on being an established player with high degree of professionalism. Building upon its accrued experience and knowledge, the company will strive to remain competitive to create value for its stakeholders.

MIT INSURANCE BROKERS SDN BHD ("MIT")

MIT is living up to its tagline, "World Class, Home Grown". Based in Malaysia, MIT is backed by a team of experienced professionals providing innovative solutions to cover a wide array of business related risks. Its expanding clientele includes some of the biggest corporations in the country, representing the power and utilities, infrastructure, finance, marine and energy industries.

As a company with vast ambitions, MIT is now ready to compete in global markets. To give it a head-start, it has linked up with some of the leading underwriters from Singapore, Hong Kong and the United Kingdom ("UK"). This is backed up by a network of associates, engineers and consultants to handle a portfolio of regional projects.

MIT's expertise also covers the highly specialised areas such as Financial Solutions ("FINSOL"), Specialty, Commercial and Employee benefits. FINSOL involves highly complex liability risks and MIT draws on the resources of a pool of lawyers and economists with the expert knowledge to ascertain a company's risk exposure.

The company also provides specialty solutions on behalf of owners, principals, major contractors, lenders and sector professionals. These cater exclusively for the Infrastructure, Power and Utilities, Marine and Energy sectors and cover Trade Credit and Political Risk exposures. To provide the necessary expertise, MIT has hired specialists in the related risks and has sourced markets in the UK, Europe, Middle East and Asia Pacific for the placement of these risks.

INTRAPRENEUR VENTURES

In the rapidly expanding Commercial sector, MIT designs, manages and administers insurance programmes for business organisations. Tapping into its extensive knowledge of the marketplace, MIT can tailor programmes covering benefits, property and casualty coverage to meet the specific needs of businesses.

Corporate clients can also benefit from MIT's Employee Benefits Programmes that are tailor-made and cost-effective. MIT can also assist with the implementation of the programme, and follow this up with consultations to keep clients abreast of the latest trends and developments in a rapidly evolving employee health care and benefits landscape.

To broaden its earnings base, MIT is venturing beyond the traditionally regulated commercial insurance marketplace to diversify into Captive Insurance. A 'captive' is an insurance company created and wholly owned by one or more non-insurance companies to insure the risks of its owners. Captives are essentially a form of self-insurance whereby the insurance is owned wholly by the insured parties. Presently, the captives are domiciled outside a traditional insurance regulatory environment such as Labuan, offshore Sabah. Among the advantages that captive insurance offers are lower insurance costs, improved cash-flow, broader coverage, more attractive risk management elements, access to the lower cost re-insurance market and tax advantages.

During 2015, total premiums transacted by MIT declined to RM52.50 million, compared to RM67.33 million achieved in the previous corresponding period. Accordingly, MIT also recorded a 22.16% dip in PBT to RM1.69 million, from RM1.94 million recorded the previous year. The average margin in 2015 was 19.5% (2014 : 19.1%) when compared to the combined premiums transacted.


MIT Insurance Brokers Sdn Bhd

2015

IV Operating Profit

RM1.63 million

▲ 250.93%

INTRAPRENEUR VENTURES

MICROWELL BIO SOLUTIONS SDN BHD ("MBSSB")

MBSSB offers a range of environmentally-friendly biotechnology-based fertilizers produced from biological wastes. As such, they do not contain chemicals that are detrimental to the environment when used to improve soil fertility. Microorganisms present in the biofertilizers produce organic nutrients that are extremely efficient in enriching the soil, whilst protecting plants from harmful diseases such as Ganoderma, which is prevalent among oil palm plantations throughout Malaysia.

Led by Muda Agricultural Development Authority ("MADA"), a pilot project lasting four (4) seasons from October 2013 until December 2015, has been carried out on a large-scale paddy project in Kedah utilising the biofertilizer GroAgro1-4. The project was initiated by BiotechCorp, a Government bio-based economic development agency. Through this project, MBSSB is expected to receive funding assistance in 2016 from BioTechCorp through the Biotechnology Commercialisation Fund established under the 10th Malaysia Plan.

"ITS RAPIDLY GROWING PRODUCT RANGE HAS BEEN BACKED UP BY PROVEN RESULTS IN FIELD TRIALS, AND IS TESTIMONY TO THE HIGH DEGREE OF CREATIVITY AND INNOVATION THAT EXISTS WITHIN THE GROUP – MICROWELL BIO SOLUTIONS SDN BHD."

Soil fertility and food security are inextricably linked. There may come a time where soil fertility is so depleted that global food security is jeopardised. MBSSB is therefore playing a vital role in promoting sustainable agriculture and fertilizer use. MBSSB patented portfolio of the GroAgro brand has been developed based on the innovative controlled-release fertilization technology using Advanced Nano-Catalyst Material. Apart from being a highly precise and efficient source of nutrients, the range has been specifically tailored to our tropical climate, soil conditions and crops. MBSSB is the first fertilizer company in Malaysia to earn a NanoVerified Certificate by NanoMalaysia Berhad and SIRIM QAS International Sdn Bhd.

The Company's rapidly growing product range has been backed up by proven results in field trials, and is testimony to the high degree of creativity and innovation that exists within the Group. It has embarked on a joint Research, Development and Commercialisation programme with the Federal Land Development Authority ("FELDA") and the National Agriculture Farmers Association ("NAFAS") to improve the value of existing formulated granulated NPK compound fertilizers for oil palm and paddy cultivation with the use of Advanced Nano-Catalyst Material.

Apart from the Company's dedicated range of core products, it is also working closely with its commercial partners so that MBSSB can proactively meet the demands of the fertilizer market. MBSSB also collaborate in field research with the Malaysian Palm Oil Board ("MPOB") to further improve its GroAgro4 range to improve yields and control the Ganoderma disease.

CLASSRUUM TECHNOLOGIES SDN BHD ("CRTSB")

On 24 August 2015, Kulim's stable of IV companies expanded when it acquired 51% stake in CRTSB, which is principally involved in the Information, Communication and Technology ("ICT") business. The acquisition has enabled Kulim to tap into the e-learning sector and be a forerunner of technology-enhanced learning in the country.

CRTSB is the developer of Classruum.com, a virtual classroom that offers students online learning facilities with social media applications as its backbone. With a variety of features, which include video teaching, notes, digital library, social bookmarking, video conferencing for one-to-one tutorial and games on the subjects taught at school, colleges or universities, Classruum.com offers flexibility in the learning delivery, accessible through the Internet.

With rising Internet usage, higher computer literacy and lower communication costs, the e-learning market in Malaysia is ripe for take-off and is reportedly Asia's third fastest growing market.

Classruum activities at SK Taman Bukit Tiram, Johor

AGROFOODS BUSINESS

In view of the challenges for the Division to expand oil palm operations due to valuation and availability issues,we are also focusing attention on the consolidation of our Agrofoods business including large scale cattle project and pineapple planting. Cattle operations are selected due to high local market demand and as part of the Division's contribution towards national food security programme whilst pineapple has high marketability worldwide.

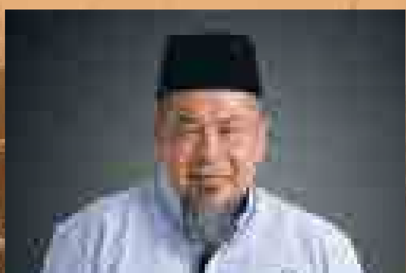
We aim to expand the Group's cattle operations, focusing on fattening, trading and feedlot activities. As at December 2015, a total population of 7,452 heads of cattle was recorded, a 8.49% increase from 6,869 heads recorded the previous corresponding period. We are also managing two (2) feedlots at Bukit Nyamuk and Satellite Farm, Muar and we are targeting to produce 800 heads of cattle for the market from these two (2) feedlots.

The Group has also been involved in cultivating pineapples and the first phase of an enlarged pineapple project was initiated at the Ulu Tiram Estate. As at December 2015, an area of approximately 181 hectares was planted with the superior MD2 variety versus 175 hectares planted in 2014. The pineapple products comprise of fresh fruits and downstream products including tarts, jam, frozen yogurt and drinks rebranded as "Melita" in 2015.

Melita

OIL & GAS

Despite a very challenging operating environment, Kulim's newly-established Oil and Gas ("O&G") Division ended the year under review on a satisfactory note. The Division recorded revenue of RM582.30 million, an increase of 220.29% from 2014. Operating profit was posted at RM62.21 million, up 91.26% from RM32.52 million in 2014.



ABDUL RAHMAN SULAIMAN
Executive Director,
Oil and Gas/Plantation Operation

OIL & GAS

Cockpit view of M.V. Nautica Tg Puteri XI

2015

O&G Revenue

RM582.30 million

220.29%

We are encouraged by the performance of our O&G Division. In its first year as a listed company, E.A.Technique (M) Berhad ("EA Tech") was our star performer, generating RM549.05 million in revenue and PBT of RM50.76 million in 2015. Danamin (M) Sdn Bhd ("Danamin") also had a good year, with revenue growing by 27.20% to RM33.3 million.

In Indonesia, the Division has ventured into the upstream sector of the O&G business, as a strategic measure to move up the O&G value chain and participate in the upstream business of Exploration and Production ("E&P") activities. However, as we are still at the exploration stage, there is as yet any contribution from our operations in Indonesia. We are confident that within the next few years, the contribution of O&G to the Group will grow significantly as it enters into production and commercialisation phase.

O&G exploration, production and operations involve a variety of risks, which may expose the Group to substantial liability. Cognisant of the risks involved, the industry as a whole practise high standards of safety precaution and Kulim is no exception. Our risk management team is continually monitoring data and has crafted a sound risk management strategy to deal with any potential incidents.

OIL & GAS

> “THE COMPANY IS WORKING CLOSELY WITH THE INDONESIAN AUTHORITIES TO OBTAIN POD APPROVAL BY END 2016.”

INDUSTRY OVERVIEW

2015 was a year of transition for the global O&G industry as it navigated through one of its most severe downturns in 30 years. After reaching an all-time high of USD48 a barrel in July 2008, oil prices began falling in mid-2014 as surging output from Organisation of the Petroleum (“OPEC”), Russia and U.S. shale producers outpaced demand. The downturn accelerated at the end of 2014 after a Saudi-led OPEC decision to keep production high to defend global market share rather than cut output to shore up prices.

MARKET VOLATILITY

In 2015, the benchmark Brent Crude closed the year to settle at USD37.28 a barrel, down 35% for the year. The price of oil slumped to a 12-year low of below USD30 a barrel in January 2016, amidst concerns over the Chinese stock market, the strength of the U.S. Dollar and bloated inventories. With the lifting of Western sanctions against Iran, this means that Iranian oil can soon be exported and analysts fear this could affect a global oil market already facing oversupply. According to the International Energy Agency (“IEA”), the global oil market faces the prospect of a third successive year when supply will exceed demand by one million barrels a day at a time when the world economy is slowing. (Source: Reuters, Business News, 19 January 2016)

The volatility in the global O&G markets is expected to extend into 2016 and beyond. According to the IEA, crude oil prices will need until 2020 to recover to around USD80 a barrel as the market gradually rebalances by taking high-cost supply out of the market and encourage higher demand growth.

Sinamar 2, an exploration well for South West Bukit Barisan PSC at Sijunjung, West Sumatera, Indonesia

IMPACT ON THE INDUSTRY

Declining oil prices have taken its toll on the global O&G industry. Oil companies have had to aggressively adjust their business model, exercise the necessary capital discipline and develop innovative ways of working with their contractors and suppliers. Malaysia’s national oil corporation, Petroliam Nasional Bhd or PETRONAS, is planning to slash capital and operating expenditure by as much as RM50 billion over the next four (4) years. The upstream sector will be hit hardest, notably asset owners in the rig and offshore support vessel business and other upstream service providers. However, analysts do not see any contract termination given PETRONAS’s priority to enhance O&G production over the long-term. In the downstream sector, the Refinery and Petrochemical Integrated Development (“RAPID”) project will proceed given the improving prospects of the downstream industry and this bodes well for EA Tech and Danamin. (Source: The Sun, 20 & 21 January 2015)

In the face of falling oil prices, the Malaysian Government has also announced the changes to the 2016 Budget in January 2016, taking into account the lower benchmark Brent Crude of USD30 a barrel as opposed to USD48 a barrel when the 2016 Budget originally devised.

2015

O&G Operating Profit

RM62.21 million

91.26%

UPSTREAM ACTIVITIES – INDONESIA

On 10 December 2014, Kulim signed a Conditional Subscription and Shares purchase Agreement ("CSSPA") to acquire 60% interest in the Indonesian O&G company, PT Citra Sarana Energi ("PT CSE") for USD133.55 million in order to strengthen its footprint in Indonesia. In November 2008, the Government of Indonesia had awarded a Production Sharing Contract ("PSC") to two (2) subsidiaries of PT CSE – PT Radiant Bukit Barisan E&P ("PT RBB") and PC SKR International ("PC SKR") - for the South West Bukit Barisan ("SWBB") PSC. The 779 km^2 SWBB Block is located onshore in the West Sumatera Province.

Since the signing of the CSSPA, PT RBB has obtained approval to drill three (3) wells in SWBB in 2015. Production testing on the first exploration well, Sinamar-2 has already been completed with encouraging results. PT RBB is required to proceed with drilling another well, Sinamar-3, for logging and production testing.

It will then proceed to prepare a Plan of Development ("POD") for SWBB that will include among other, the planned number of production wells to be drilled and the types of production facilities that will be required. The company is working closely with the Indonesian authorities to obtain POD approval by end 2016. Depending on the commercial viability of SWBB, production is targeted to begin in the fourth quarter of 2017.

Subsequently, on 7 February 2016, taking into account the lower levels of O&G prices as compared to the date of signing of the CSSPA, Kulim inked a Supplemental Agreement with the vendors, revising the investment cost to USD80 million, the CSSPA is expected to be completed in 2016.

PROSPECTS IN INDONESIA

Indonesia has the largest O&G industry in Southeast Asia and is still an attractive place for investors. The country became a net oil importer by 2004 after domestic demand outstripped production and the Government is intent on revitalising O&G exploration and production activities to replenish dwindling reserves. According to the U.S. EIA, Indonesia's proven oil reserves have declined from 3.74 billion barrels in 2014 to 3.69 billion barrels at the start of 2015. Crude oil production is on a decline, stymied by a lack of new projects.

Despite the Indonesian Government's emphasis on more private sector involvement, projects have been delayed owing to regulatory challenges and lengthier processes to procure or renew contracts. The country's newly elected Government under President Joko Widodo is attempting to streamline the regulatory process to attract much-needed foreign investment for its more capital-intensive and technically challenging energy projects.

OIL & GAS

MT FOIS Nautica Tembikai - Floating Storage Offloading ("FSO") unit with capacity of about 48,000 dwt

SUPPORT SERVICES – MALAYSIA

E.A. TECHNIQUE (M) BERHAD ("EA Tech")

Since its listing on the Main Market of Bursa Securities on 11 December 2014, EA Tech has been one of the top performers in the Group's O&G segment in terms of earnings growth as well as its share price performance. Its solid performance has been all the more impressive amid a challenging operating environment.

The company continued to live up to the expectations of its shareholders by delivering a revenue of RM549.05 million for 2015, an increase of 253% from the previous financial year. PBT was recorded at RM50.76 million, an improvement of 158% from 2014.

Net profit attributable to shareholders grew 165% in 2015 to RM37.74 million. This has translated into an improved Earnings Per Share ("EPS") of 7.49 sen in 2015. With its 2015 financial performance, the EA Tech Group has achieved a track record of nine (9) consecutive years of profitability since its acquisition by Sindora Berhad.

EA Tech's solid financial performance was achieved in a highly competitive business environment. The company has not only maintained its market in the shipping business but also its superior asset quality. Its various business sectors – marine transportation, provision of port marine services and ship building, ship repair and minor fabrication works – all demonstrated resilience despite external volatility and intense market competition.

Throughout 2015, the Group continued to focus on the growth of its Clean Product Tanker ("CPT") business segment through the extension of its fleet size. As at the end of 2015, the EA Tech Group operated a total of four (4) CPTs, 17 tug boats, two (2) fast crew boats, two (2) Floating Storage Units and off-loading vessels ("FSU/FSO") and a chartered vessel by an external party. Through the continued support of its customer base, the Group has maintained its leadership position in the domestic shipping business.

The year under review also saw EA Tech securing several new contracts. In February 2015, EA Tech was awarded a USD191.8 million contract by Hess Exploration and Production Malaysia B.V. for the provision of engineering, procurement, construction, installation and commissioning ("EPCIC") of a floating storage and offloading ("FSO") facility for a Full Field development Project in the North Malay Basin. The project is expected to be completed in August 2016, followed by a two-year warranty.

EA Tech has also been awarded a 4-year contract with Vestigo Petroleum Sdn Bhd for a Floating Storage Unit/Offloader ("FSU/FSO") fleet - MT FOIS Nautica Tembikai, with another two (2) years optional extension period. It is the second FSU/FSO fleet by EA Tech after MT Nautica Muar, which is now stationed at Anjung Kecil Field, Sarawak. MT FOIS Nautica Tembikai sailed to its location at Block 314, Tembikai Field, 150km east of Kuala Terengganu in early May 2015. It received its first oil in June 2015 and its first offtake was successfully done on 6 October 2015 totalling 196,000 barrels.

In partnership with Libra Perfex Precision Sdn Bhd, E.A.Technique won the tender to provide tug boat services for the operations of PETRONAS Floating LNG1 ("PFLNG1") facility. On track for commissioning in 2016, PFLNG1 will be deployed at the Kanowit field, 200 kilometres offshore Bintulu in Sarawak. To undertake this project, EA Tech has commissioned four (4) new tug boats, three (3) of which will be built by its subsidiary, Johor Shipyard and Engineering Sdn Bhd and one (1) by external party. With daily charter rates of USD4,500 to USD5,420, this will ensure EA Tech of a steady revenue stream over the contract period of 60 months.

> EA TECH WAS AWARDED A USD 191.8 MILLION CONTRACT FOR PROVISION OF EPCIC OF A FSO FACILITY FOR A FULL FIELD DEVELOPMENT PROJECT IN THE NORTH MALAY BASIN.

Danamin's pipe rolling mill operation at Bandar Penawar, Kota Tinggi

DANAMIN (M) SDN BHD ("DANAMIN")

Danamin provides Non-Destructive Testing ("NDT"), Quality Assurance, Integrity Management and Inspection services to the O&G industry in Malaysia and global markets. The company's Marine and Maintenance activities are still at a stage of infancy and are being nurtured to reach their full potential.

Since its incorporation in 1994, Danamin has aspired not only to meet but surpass its clients' expectations with the highest degree of professionalism. In its continual pursuit of excellence, the company has earned certification to the internationally recognised ISO 9001:2008 quality management system as well as class-certified bodies such as DNV 402B for NDT and the Industrial Rope Access Trade Association ("IRATA"). Backed by a solid track record, Danamin has established itself as one of the leading market players, setting new technology standards for electrical engineering works and NDT services.

The company derives most of its revenue from its NDT and fabrication activities. For 2015, Danamin reported revenue of RM33.3 million.

To broaden its revenue base, taking advantage of its proximity to the RAPID project in Pengerang, Johor and rapport it has established with Malaysia Marine and Heavy Engineering ("MMHE"), Danamin is venturing into the business of manufacturing pipes for the O&G industry. To this end, it is investing about RM25 million on the expanded facility and new machineries, constructed at Bandar Penawar, Kota Tinggi. Once completed, the facility will have the capacity to produce 7,000 tonnes of tubular pipes per month. These pipes are used in the offshore O&G industry for the construction of platforms and other infrastructures.

Based on the projected demand, Danamin's pipe manufacturing business is expected to surpass its present NDT and fabrication businesses in the near future. Presently, Danamin has RM6.9 million worth of booked orders for its fabrication business.

The company, through Kulim's newly-incorporated R&D company, Kulim Smart Technologies Sdn Bhd, is currently constructing the prototype Intelligent In-Line Inspection System ("ILIS"), a pipe–inspection device used in detecting metal fatigue in vessels and pipelines.

SECTION 05

SUSTAINABILITY

130 Sustainability Report

- People
- Planet
- Profit

Leopard Cat ("Prionailurus Bengalensis") at Selai Estate, Kluang

As we move ahead in the 21st Century, we believe that the success of an organisation will be driven by the principles of long-term sustainable development. The sustainability of a business has gone beyond the traditional measures of profits return on investment and shareholder's value to include the inter-related dimensions of the Triple Bottom Line ("TBL") of People, Planet and Profit ("3Ps").

The three (3) main pillars of sustainability, commonly referred to as the "3Ps", have become increasingly compelling in today's business world. The complexity of global markets, sophistication of consumers, and the increased importance of environmental and social impacts have changed the way organisations look at what positively impacts their bottom line.

More than growing pressure to deliver wider societal value, evidence is also building that sustainability initiatives such as the 3Ps are important factors in creating value and a source of long-term competitive advantage. According to a survey conducted by McKinsey, a global management consulting firm, more companies than ever before are now integrating sustainability into their businesses to improve processes, pursue growth and add value rather than focusing on reputation alone.

OUR SUSTAINABILITY POLICY

The Kulim Group aspires to be a leader in sustainable development. While aiming for top financial performance and growth, we believe that this must be achieved by adhering to the highest standards of corporate and social responsibility and putting the 3Ps into practice. Taking our direction from the United Nation's definition of sustainability, we strive to meet "the needs of the present without compromising the ability of future generations to meet their own needs". As we continue on our transformation journey, we must consider the future in making our decisions about the present.

The Group's Sustainability and Initiative Council ("SIC") has the responsibility in ensuring a workplace and a workforce that are fully aligned to our Corporate Responsibility ("CR") strategies and activities. These are closely monitored by the SIC against agreed targets and metrics.

CORPORATE VISION & MISSION

SUSTAINABILITY POLICY

PEOPLE
- People Policy
- Core Labour Standards
- OSH Policy
- Workplace Drug Policy
- Sexual Harassment Policy
- Grievance Procedure

PLANET
- Environmental Policy
- Malaysian Palm Oil Association
- Environmental Charter

PROFIT
- Business Policy
- Ethics Policy
- Social Contributions
- Profits with Responsibility
- Fraud Policy
- Quality Policies for Estates and Mills
- Production Charter (30:30)

As a member of the Roundtable on Sustainable Palm Oil ("RSPO") since 8 August 2004, Kulim has developed a Sustainable Management System ("SMS") based on defined structures, practices and responsibilities set out in the RSPO Principles and Criteria. The SMS has helped strengthen the Group's strategic approach in sustainability management by setting out the key performance indicators and a system for monitoring and reporting on our performance. For 2015, the Group's key priorities for a Sustainable Development Performance were as follows:

Sustainability and Initiative Council ("SIC")

SUSTAINABLE DEVELOPMENT PERFORMANCE PRINCIPLES

1. The SMS places priority on maintaining a safe, healthy and viable work environment in compliance with all applicable national and international legislations.
2. Invest in the training and development of employees to improve their knowledge, skills and competency to enhance performance and advance their career.
3. Promote optimal land use to ensure its long-term sustainability and productivity for agricultural use.
4. Building 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. Uphold the principles of Free, Prior and Informed Consent ("FPIC") in all negotiations and interactions with stakeholders.
6. No new development in primary forests or High Conservation Value ("HCV") areas. In any development, Kulim will also take into account the conservation of biodiversity and the protection of cultural and customary land use within the context of a sustainably managed landscape.

PEOPLE

Kulim Group adheres to a policy of treating all its employees with fairness and dignity. In this respect, our human resource policies are governed by Malaysia's labour legislation and the International Labour Organisation's ("ILO") Declaration on Fundamental Principles and Rights at work.

We begin with our employees, who are our major asset. Ultimately, they are the ones who will help us deliver our business and sustainability goals. Our people are the source of our ideas, actions and performance. We are, therefore, determined to foster a workplace culture and environment that attracts, retains and develops talented people so that they can reach their full potential and deliver value to our stakeholders.

STAFF STRENGTH

At the end of 2015, we had a total staff strength of 6,979 full-time employees in Malaysia, of which 5,782 or 82.85% were categorised as workers. Another 17.15% comprised management and staff. About 78.6% were foreign workers, predominantly from Indonesia, India and Bangladesh. In 2015, our turnover rate was 25.98% compared to 27.2% recorded in the previous year. This was mainly attributed to the repatriation of 676 (2014: 801) foreign workers on completion of their contractual obligations.

HUMAN RESOURCE POLICIES

Kulim adheres to a policy of treating all its employees with fairness and dignity. In this respect, our human resource policies are governed by Malaysia's labour legislation and the International Labour Organisation's ("ILO") Declaration on Fundamental Principles and Rights at Work. In addition, we are guided by the Code of Conduct for Industrial Harmony which lays down the "principles and guidelines to employers on the practice of industrial relations for achieving greater industrial harmony".

As guardians, we have a duty to protect our employees from unethical conduct. The Ethics Declaration Form serves as an important tool to inculcate an ethical workplace culture. In our efforts to promote a culture of integrity, the Group has put in place a Whistle-Blower Policy that encourages staff to come forward with credible information on illegal practices or violations of the policies in the Company. In the interest of its employees, the Group adopts a zero-tolerance stance on the use of illegal drugs, banned substance and alcohol in the workplace.

POLICY OF NON-DISCRIMINATION

We strive to create an inclusive work environment, where we practice non-discrimination against women, ethnic or religious minorities and foreign workers. We have equal pay for equal work for all field, office and management workers based on predefined grades. We have guidelines on HIV/AIDS where workers who have the disease are guaranteed confidentiality and retained in employment as long as they are healthy and able to perform.

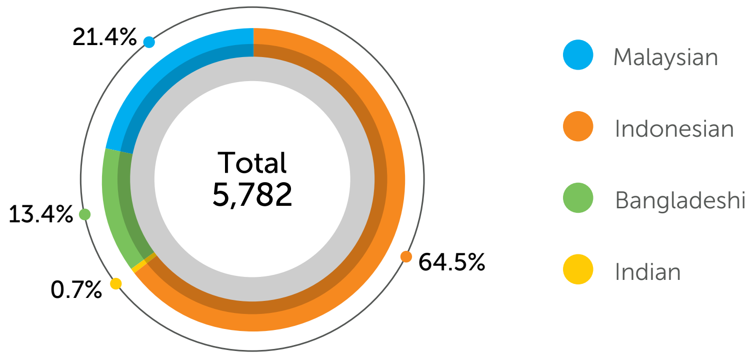
FAIR WAGES

As of 1 January 2014, we have adopted the Minimum Wages Order 2012 that has raised the minimum wage of RM900 in Peninsular Malaysia and RM800 in Sabah, Sarawak and Labuan respectively.

LIVING CONDITIONS

Workers are typically accommodated in a two (2) or three (3)-bedroom house that meets the minimum standard of the Housing and Amenities Act 1990.

WORKERS BY COUNTRIES



TERMINATION OF EMPLOYMENT

Local workers also have the right to resign without penalty, while foreign workers have to fulfil their three (3)-year contracts as part of the terms and conditions of employment.

MANAGING OVERTIME

During the peak harvesting season, mill workers tend to work longer hours to ensure that the fruits are processed before its quality deteriorates. However, care is taken to ensure that workers do not exceed the overtime limits in compliance with the regulatory guidelines issued by the Department of Labour.

CHILD AND BONDED LABOUR

Despite the fact that child and bonded labour is illegal, this modern form of slavery flourishes in many Third World countries. As a matter of policy, Kulim does not employ anyone below the age of 16. Many of our workers have their families staying with them and their children have access to schools and amenities provided by Kulim.

Workers' housing facilities at Basir Ismail Estate, Kota Tinggi

PEOPLE

Hi-Tea programme to raise As-Sajadah Fund

EMPLOYEE DEVELOPMENT

A skilled workforce is essential for the continued success of our business. In 2015, our emphasis was on strengthening our organisational capabilities. Through a Performance Management System ("PMS"), we strive to promote and improve employee effectiveness to accomplish the Group's vision and business expansion plans.

More than ever in a highly competitive business landscape, the quality of our people is our greatest competitive advantage. Employing outstanding people and providing opportunities for them to apply their talents and improve their careers is critical to our sustainability.

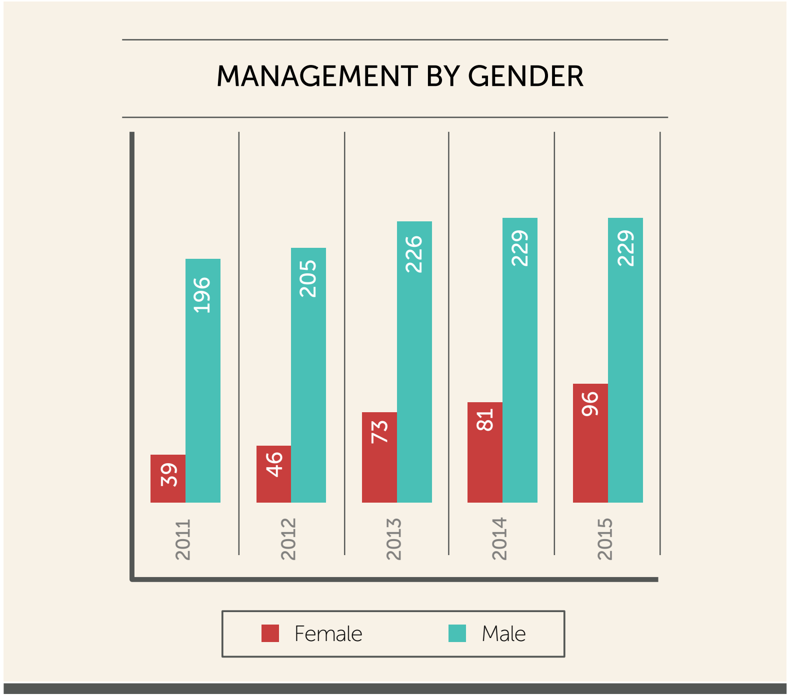
Kulim has structured job-specific as well as generic training programmes tailored to bridge the skill gaps of staff at all levels. These programmes are structured around formal courses, seminars and workshops and are conducted internally or by external consultants.

Building a strong pipeline of leaders is a fundamental part of our sustainability strategy. This has been among the concerns raised by some of our younger employees at one of our staff engagement sessions. While we appreciate the concerns of the so-called 'millennial generation', we are giving succession planning the due attention it deserves. Each year, we assess the potential and performance of identified candidates through the Johor Corporation Leadership Programme ("JLP"). The JLP is a two (2)-year structured leadership programme designed to enable participants to improve their decision-making skills and expand their leadership capacity. Participants will be exposed to business challenges from different angles and will have the opportunity to share leadership experiences. In 2015, a total of nine (9) employees were selected for the JLP, joining an early batch of five (5) candidates.

To accelerate the development of our people, we also draw upon the resources of *Pembangunan Sumber Manusia Berhad* ("PSMB"), an agency under the Ministry of Human Resources. The PSMB aims to develop quality human capital and a world-class workforce. During 2015, we beefed up our in-house training capabilities with 14 additional trainers, bringing our total of 30 PSMB-certified internal trainers to enhance our subject matter experts especially in the Operational Management. Meanwhile, we continued to collaborate with PUSPATRI (Johor Skills Development Centre) to conduct technical courses for our employees.

EMPLOYEE CLIMATE SURVEY

We seek to continually improve the level of engagement with our people through an Employee Climate Survey ("ECS"), which is one of the tools at our disposal to build positive employee relations and a conducive work environment. In the most recent ECS conducted in 2015, it is gratifying to learn that our employees are generally happy with the work environment and are proud to be a part of the Kulim Group. The ECS also provides valuable insights on sustainable staff engagement, measuring critical contributing factors such as the internal environment as an enabler of high performance and employee value proposition.



CARING FOR PEOPLE

Social activities are a regular feature on our calendar of events. A hi-tea organised in attendance of two (2) well known Ustaz sharing their knowledge and wisdom, attracted 312 participants who contributed RM86,000 in support of the Group's corporate social responsibility activities. The money was utilised to buy food and groceries which were distributed to needy families during the holy month of Ramadhan. Apart from food aid, the Group's Value Unit also supports other worthy causes such as education and for people in need of medical assistance.

ENGENDERING GENDER QUALITY

Kulim's commitment to promote gender equality is seeing positive results. Various initiatives rolled out to empower women have been gaining traction. As at 31 December 2015, women made up 11.2% of our workforce and 12.31% of them are at the management level. Notwithstanding the challenges that are involved, we do not discourage nor discriminate against women working on our estates.

WOMEN ONWARDS

Women OnWards ("WOW"), originally called *Panel Aduan Wanita* or Women's Grievance Panel, came into being as part of a larger women employee outreach programme. It has been endorsed by management and its activities are fully funded by the Company. WOW also promotes gender equality and empower women's knowledge and skills.

Over the past five (5) years, WOW has been actively providing entrepreneurship opportunities for the women folk of Kulim through a programme known as *Jejari Bestari*. There is now a WOW Unit at each estate, with each one developing a unique product or service, such as tailoring, baking, arts and handicraft. These products or services are sold to staff and the public during the festive season such as *Hari Raya Aidilfitri* and company events such as JCorp Carnival, Kota Tinggi Eco Boat Fishing Challenge, Kota Tinggi MTB Jamboree, Kota Tinggi Paintball Championship and others. In 2015, WOW generated income amounted to approximately RM52,000 of which the proceeds were ploughed back into their fledgling businesses.


Women OnWards ("WOW")

PEOPLE

For the past five (5) years, we also joined the global movement to celebrate International Women's Day ("IWD"). Each year a different theme is chosen to celebrate the economic, political and social achievements of women in the past, present and future. In 2015, IWD was celebrated with the theme of *"Indah Nurani, Anggun Peribadi"*. This year's event, with a thematic seminar concept gave the women opportunity to gain knowledge about social etiquette table setting *(Pramusaji)*, breast cancer, menopause and ethics.

We collaborated with MAKNA, Ministry of Health, Ministry of Education, Ministry of Women, Family and Community Development ("LPPKN") as well as Training Consultant to make the event more meaningful for the attendees.

SEXUAL HARASSMENT

We continue to make headway in reducing the number of reported cases of sexual harassment. In 2015, there were two (2) cases reported. This is a result of ongoing efforts to create awareness among employees of what constitutes inappropriate behaviour and this is reinforced from time to time. Through a concerted campaign, women are also more aware of their rights and are more receptive to reporting cases of sexual harassment.

MATERNITY LEAVE

All our female employees are entitled to 60 consecutive days of paid maternity leave, in accordance with Malaysia Employment Act 1955 Part IX Maternity Protection. In 2015, 26 employees took maternity leave and on returning to work, continued to remain employed with the Company. We are proud of the 100% retention rate as employment patterns suggest that women with a new baby are most likely to leave their jobs after one (1) year. No work with pesticide shall be undertaken by pregnant or nursing female workers.

Kulim Safety Training and Services Sdn Bhd; one of our Intrapreneur Ventures involved in OSH-related services.

OCCUPATIONAL SAFETY AND HEALTH ("OSH")

Every employee has the right to work in a safe and healthy work environment. We take our responsibilities regarding health and safety at the workplace very seriously and is critical to the success of our business.

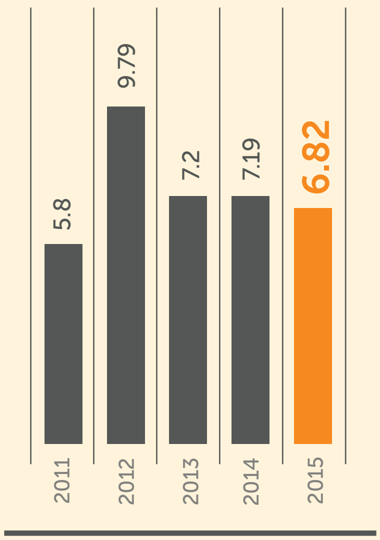
We want to include among our many accomplishments, an occupational health and safety record that sets us apart from the others. Our mission is to manage OSH effectively through the implementation of efficient oversight and regulatory action. This is enforced at all our mills and estates, where a dedicated OSH Officer ensures the effective implementation of the Group's OSH system. Apart from organising safety training, tool-box safety briefings and OSH quarterly meetings, the Officer's responsibilities include conducting investigations and reporting all accidents to the OSH Manager.

However, one (1) person on his own cannot effectively carry the safety message or handle the multitude of tasks that crop up every single day. That is why we make OSH everybody's concern and managers and employees work closely to build an effective safety and health programme. Each worker undergoes an average of 40 hours or five (5) man-days of safety training, which covers the handling, application and safe disposal of chemicals. In addition, tractor, lorry and Mechanical Buffalo driver will have to complete 16 hours or two (2) man-days of training under supervision as well as passing the respective practical exam to be a certified driver and granted to operating the machine independently.

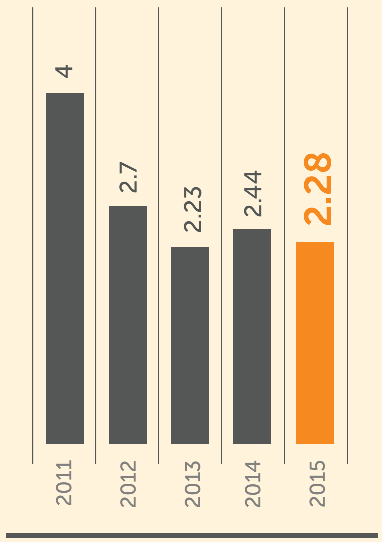
After recording two (2) deaths in 2014, important lessons were learnt and we are pleased to report we achieved our goal of zero fatalities for 2015. The year under review also saw a marked improvement in the Lost Time Accident Rate ("LTAR") which was recorded at 6.82 compared to 7.19 posted in the previous year, bringing us closer to our target of below 10. Our injury severity rate of 2.28 is a marginal improvement, from the target of below 3.5. The increase in the number of road accidents remains a concern despite road safety campaigns and stricter enforcement of traffic regulations. For 2014, the Group was slapped with two (2) compound fines due to non-compliance to *Jawatankuasa Keselamatan dan Kesihatan Pekerjaan* ("JKKP") procedures. Comparatively, no case has been recorded in 2015.

PEOPLE

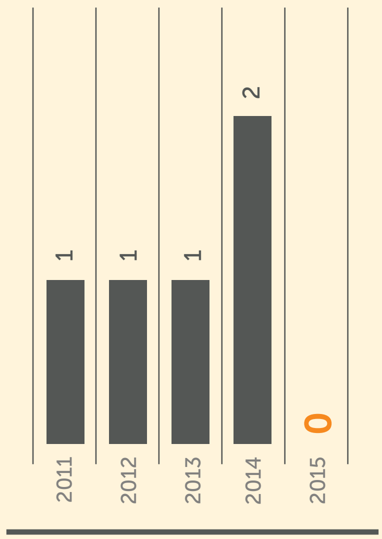
LOST TIME ACCIDENT RATE
Target below 10



SEVERITY RATE
Target below 3.5



FATALITY RATE
Target at zero



This is another important lesson and a reminder that there is still room for improvement. We will continue to step up efforts in identifying, minimising and managing key occupational health and safety risks.

The Group has long put in place an OSH plan to look into the welfare and health of employees. Our workers benefit from amenities such as crèches, clinics, canteens and workers. As part of our health surveillance programme, regular fogging is carried out to reduce the threat posed by mosquitoes while proper water treatment facilities have recently been installed. The OSH Plan also covers various environmental aspects, most critically the adoption and enforcement of the "Environmental Quality Act 1974".

Kelab Sukan & Rekreasi Tiram ("KSRT") Commitee

COMMUNITY DEVELOPMENT

Kulim strives to build good relationships with the communities wherever we operate. Being active in the community has always been central to our values and our business strategy. We have long been a supporter of various charitable organisations and worthy causes throughout the country. Rallying under the banner, "We Care, We Share" our community investment programme is built on five (5) main pillars : community sports, welfare, education, health and infrastructure development. Naturally charity begins at home and we have set up the *As-Sajadah* Fund to provide assistance to our staff.

Our contributions to the community go beyond financial donations. Management and staff are encouraged to participate in the various activities and initiatives that Kulim supports. And they have always been quick to respond; volunteering their time and effort and making personal donations when the need arises. During the year, our people joined local communities to clean up mosques, suraus and schools. They have also been involved in awareness activities related to our wildlife conservation programmes. It is in ways like these that we plant roots deep in the communities in where we operate, earning their trust as a valued friend and neighbour.

KSRT Inter Region Sports Carnival, a yearly sporting event at Kulim

As-Sajadah Fund, an internal charity fund set up to assist our staff in need

PEOPLE

In 2015, Kulim was involved in the following community investment activities:

INSTITUTION/ PROGRAMME	PURPOSES	APPROXIMATE CONTRIBUTIONS (RM'000)
Persatuan Bola Sepak Negeri Johor	National sports sponsorship to support the development of football in Malaysia.	5,500
Tabung Tijarah Ramadhan	To improve the living condition of the under-privileged community.	100
Bistari Young Entrepreneur	Sponsorship for *Tunas Bistari* and entrepreneurship programmes.	300
PINTAR Foundation	Sponsorship for tuition programme and provide school essentials for three (3) Kulim's adopted schools.	86
Bandar Dato' Onn Mosque	Contribution for the development of Bandar Dato' Onn Mosque.	4,000
Johor Clay Target Shooting Association	Sponsorship for clay target shooting event.	800

PROGRAM ASSALAMUALAIKUM DUNIA 1436H

During the holy month of Ramadhan, the Group's Sports and Recreational Club ("KSRT") along with *As-Sajadah* took the initiative to provide humanitarian assistance to the homeless in Johor Bahru. From 12.30am until 4.00am, around 60 staff members went around Johor Bahru City Centre to distribute food and other essentials to the approximately 60 to 70 homeless people.

JOHOR CLAY TARGET SHOOTING ASSOCIATION ("JCTSA")

The Group has long championed sporting activities as one of the ways to promote a healthy lifestyle. Established in 1997, JCTSA organises monthly shooting clinics and provides a platform for training conducted by the Malaysian Practical Shooting Confederation ("IPSC"). JCTSA's shooting range is located within Kulim's REM Estate in Kota Tinggi and is equipped with 24 lanes complete with target boards and training materials. In 2010, the shooting range was the venue for the Australasia 2010 IPSC Level IV Competition.

In 2015, JCTSA and the IPSC were given the honour to organise the Far East Asia Handgun Championship 2015 IPSC Level IV. Kulim contributed RM800,000 to JCTSA, which went towards the purchase of protective clothing as well as sponsorship of various shooting tournaments planned for the year.

PINTAR FOUNDATION

The PINTAR Foundation is a school adoption programme with the mandate to contribute towards nation building agenda by targeting under-performing and under-served schools. In the year under review, Kulim had adopted two (2) primary and one (1) secondary school under the PINTAR programme. One of these schools are located within Kulim's estates. Throughout the year, Kulim sponsored tuition classes, daily newspaper and motivational course for the school children. We are equally excited and encouraged to see the academic scores attained by the students in the national examinations which showed a marked improvement from the previous year.

We will continue to support the programme in 2016 with the hope that our small contributions would transform into a larger positive impact to our younger generations.

PLANET

Like many corporations all over the world, Kulim is taking proactive actions to address climate change issues in its investments and business planning. As part of our commitment to continuous improvement, we have action plans and targets for a range of sustainable development metrics. By focusing on resource management, waste management as well as pollution and emission monitoring, we minimise the environmental impact from our daily operations.

CONSERVING BIODIVERSITY

Kulim is well aware of the essential role it plays in protecting biodiversity and maintaining natural habitats. Our plantations in Johor borders the Endau-Rompin National Park and the Labis Forest Reserve. The last survey to assess the state of flora and fauna bordering our estates was undertaken in 2008 and according to the International Union for Conservation of Nature ("IUCN"), the biodiversity of wildlife on its Red List of Threatened Species has become even more precarious. We continue to work closely with the government and Non-Governmental Organisation ("NGO") to strengthen our internal monitoring and control mechanisms to prevent poaching.

HCV TOOLS

The RSPO is committed to HCV within the context of sustainably managed landscape through the RSPO Principles and Criteria. There are various HCV definitions, including endemic, rare, threatened or endangered species. Kulim's man-made reservoir has become a haven for a variety of wildlife. The Wildlife Conservation Society has also recorded two (2) species of migratory birds that come under the HCV category.

SAVING OUR NATURAL HERITAGE

Kulim is committed to protect the national biodiversity and endangered species. From time to time, incidences of human-elephant conflict have been reported at the Sindora, Sungai Tawing, Siang, Basir Ismail and REM Estates. In 2015, only two (2) incidences of elephant encroachment were reported at the Sindora and Siang Estates. A more serious growing problem is that of elephants encroaching into residential areas resulting from increasing habitat loss.

We continue to collaborate with the Wildlife Conservation Society to consider a permanent solution to the problem of encroachment. The Group is determined to put a stop to animal poaching and is also striving for biodiversity conservation. To this end our Kulim Wildlife Defenders ("KWD") joins 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.

ORANGUTAN LAND TRUST

With our expanding footprint in Indonesia we are supporting another wildlife conservation project – to save the orangutan. Kulim's contribution of USD500,000 million to the Orangutan Land Trust ("OLT") will go towards conservation initiatives in Indonesia, notably in the Central Kalimantan where the Sebangan National Park is home to one of the largest orangutan populations in the wild.

OLT is an organisation that supports the preservation, restoration and protection of forests for the survival of the orangutan. With the contribution from Kulim, the OLT can run sustainable orangutan conservation projects to protect habitats and biodiversity. Our contribution will also help in the development of communities, support outreach and educational programmes for preserving forests and wildlife and facilitate the return of orphaned or displaced orangutan from deforested areas back to forest reserves.

ENHANCING BIODIVERSITY AREAS

As at 31 December 2015, Kulim has set aside 52.46 hectares of land for buffer zones. Another 32.67 hectares of jungle patches within our estates will be preserved as full-fledged HCV forests.

Five (5) years ago, Kulim launched the Natural Corridor Initiative, that links natural habitats separated by human modified landscapes. These corridors are critical for the maintenance of ecological processes including allowing for the movement of animals and the continuation of viable populations. To create these natural corridors we have an annual tree planting event rebranded as *Infaq 1 Warisan*, which brings together employees as well as members of the public to play their part in enhancing biodiversity in our estates. Between 2010 and 2015, over 3,600 trees of more than 30 different native species have been planted.

PLANET

MITIGATING IMPACTS

Kulim acknowledges that the establishment of monoculture oil palm plantations has a number of environmental impacts. Among the most serious are large-scale forest conversion, loss of critical habitat for endangered species, soil, air and water pollution and possible social impacts if the livelihoods of local communities are ignored. The Group has therefore initiated several measures to mitigate the negative impacts of its operations:

- 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.
- Buffer zones have been established at major water bodies in or around the estates and adjacent to forest reserves. Regular Rapid Biodiversity Monitoring on the identified hotspot area within the vicinity of our operating units and any land encroachment within our conservation areas (hotspots) are closely monitored.
- To minimise soil erosion, our roads have been realigned and silt traps constructed for rains. In addition, keeping soft grasses and planting mucuna and natural cover crops for young palm are also initiated. We also encourage the planting of *vertivar* and *guatemala* in areas where erosion is severe to minimise the impact.
- Hunting, fishing and taking of fauna within our estates and adjacent protected areas are prohibited.

The Group's Environmental and Biodiversity Unit serves as a point of reference for all matters concerning environmental issues, notably in the areas of biodiversity protection and pollution control. It collates and analyses environment and wildlife data, publishing its findings and outcome in environment and biodiversity bulletins.

BEYOND OUR ESTATE'S BOUNDARIES

Our work in biodiversity conservation sometime extends beyond our estate's boundaries. Incidents of humans coming into contact with wildlife happened occasionally, as when wild elephants encroached into the Sungai Tawing and more recently, the Sindora Estate. The incursion into the Sindora estate damaged 658 palms at a cost of approximately RM53,000. We work closely with the Wildlife Conservation Society ("WCS") and the Johor Department of Wildlife to mitigate the possibilities of human-wildlife conflicts. In our effort to find a solution to the problem, we also participate in dialogues and meetings with the State Government and out-growers land.

Through our work with WCS, we are also looking into the protection to conserve worldlife and forest in Johor. The Johor Wildlife Conservation Project ("JWCP") has brought together several agencies in a concerted effort to eliminate poaching through intervention and enforcement. We have assigned 48 security guards to assist in JWCP's patrolling efforts through the KWD programme.

RAJA ZARITH SOFIAH WILDLIFE DEFENDERS CHALLENGE

WATER CONSERVATION

The materiality matrix we have updated has identified water usage by the Group's estates and mills and the risk of contamination by chemicals as one of the primary issues of concern raised by our stakeholders.

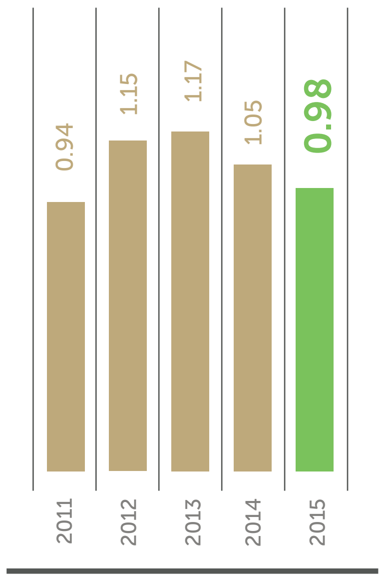
Water is used by our mills mainly for its boilers and in 2015, we have successfully reduced water consumption to 0.98 m^3 per tonne of FFB from the previously recorded 1.05 m^3 per tonne. This was despite higher FFB processed in 2015. We have also taken measures to restrict water usage for cleaning floors. Blessed with plentiful rainfall in the southern part of the peninsula, water consumption at our estates are within the norm. Water is mainly used to maintain our nurseries or for domestic consumption. To ensure that the processed water that is supplied to our workforce is safe for consumption, water quality is closely monitored to ensure it meets the parameters set out by the National Water Services Commission ("SPAN").

Under the patronage of HRH Raja Zarith Sofiah, the Raja Zarith Sofiah Wildlife Defenders Challenge was launched in August 2013 to increase awareness of wildlife conservation issues among students. The three-stage competition is open to all educational institutions in Johor. A long-term objective of the biennial programme is to instill a life-long spirit of volunteerism among students, carried well beyond their formative years into adulthood.

The latest edition of the Challenge will be held from December 2015 until June 2016 based on the theme "Symbiosis within Mangrove Forests and Eco-Development". A total of 13 secondary schools and 11 primary schools have registered for their participation in the competition.

WATER USAGE

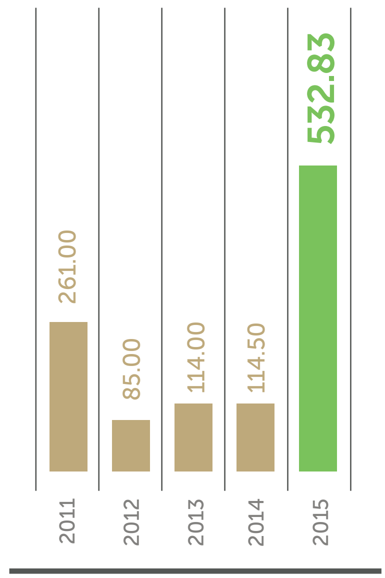
(M^3 Per tonne FFB)



*excluding Pasir Panjang Palm Oil Mill

BOD LEVEL

(PPM)



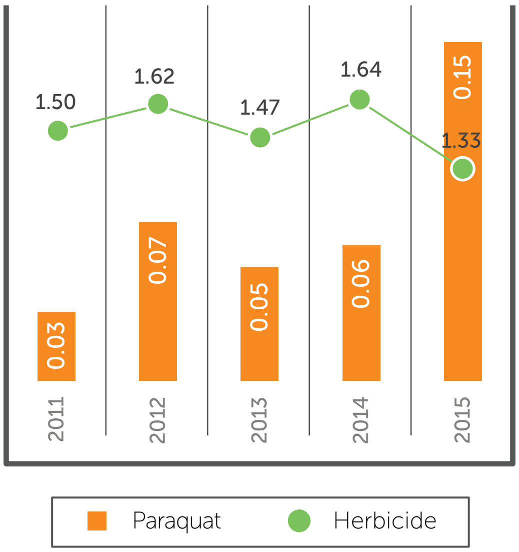
ERODED SOIL PARTICLES

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 fertilizers will also pollute rivers and underground water sources. To reduce pollution from heavy metals and wherever feasible, the Group has switched from using synthetic fertilizers to organic fertilizers derived from Empty Fruit Bunches ("EFB"), a waste product of the milling process. The utlisation of effluents for land application raises the concern of 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 increased significantly by 104% compared to 2011. This is due to the desilting process that has been undertaken at our Tereh Palm Oil Mill i.e. at one of the anaerobic ponds, with the approval from Department of Environment ("DOE"). During the process, the final discharges will normally be high for about three (3) months but it is still below the license limit as approved by DOE.

The Group also has a growing Agrofoods business and as at December 2015, we had 7,452 heads of cattle. We are closely monitoring the problems associated with cattle rearing, which include soil compaction, over-grazing and soil erosion. The challenge is to ensure that our business targets are in line with good agricultural practices.

PLANET

USE OF HERBICIDE AND PARAQUAT
(Active ingredients in litre/hectare)



REDUCING CHEMICAL USAGE

Waterways are contaminated by the use of chemicals such as pesticides and herbicides. Kulim has long endeavoured to find an alternative to pesticides and in 2008, we introduced cattle rearing as part of our effort to reduce chemical usage in our operations. In lieu of using pesticides, we have also adopted Integrated Pest Management ("IPM") techniques to control pests, diseases, weeds and introduced invasive species. IPM techniques include the use of barn owls, which were introduced to our estates to control the rodent population.

Barn owl box in an oil palm estate

Paraquat has been banned or its use disallowed in 32 countries, mainly for health reasons. The herbicide is acutely toxic and corrosive and apart from causing health problems, paraquat is not readily biodegradable and has the potential to contaminate groundwater. Even though paraquat is one of the most cost-effective herbicides, the Management of Kulim has decided to eliminate the use of the chemical weed killer on all its estates as of March 2015, and no new purchases have been allowed. In the meantime, the RSPO has commissioned a study on Integrated Weed Management and Alternatives to Paraquat and we are closely following developments.

MINIMISING SOLID WASTE

The Group has put in place standard operating procedures for the disposal of solid waste. EFB is used as biocompost, while more than half of the palm fibres and shells are used as biomass at our mills. The other half is used as biocompost (fibres) while the shells are sold. A small amount of boiler ash is produced when the biocompost is burned, and this can be recycled into the soil to reduce acidity levels. An authorised agent transports the small amounts of hazardous scheduled waste that is produced for safe disposal at designated facilities.

ADDRESSING CLIMATE CHANGE

At the Paris Summit in December 2015, 196 countries met to sign a new climate change agreement. A strong climate agreement is needed to protect the planet's ecosystems and biodiversity. According to the Intergovernmental Panel on Climate Change, key greenhouse gases in the atmosphere has reached unprecedented levels; heat waves will occur more frequently for extended periods; the oceans will continue to warm and acidify and sea levels are predicted to continue to rise; and climate change will amplify existing risks and create new ones for natural and human systems.

In a report by the National Oceanic and Atmospheric Administration ("NOAA"), 2015 was by far the hottest year in modern times, raising new concerns about the accelerating pace of climate change. The temperature changes are largely driven by increased carbon dioxide and other human-made emissions into the atmosphere. In December 2015, Malaysia submitted its action plan to the UN Framework Convention on Climate Change ("UNFCCC"), pledging to reduce its Greenhouse Gas ("GHG") emissions by 45% by the year 2030. The RSPO Principles and Criteria requires palm oil growers to monitor, manage and reduce GHG emissions across their entire operations.

BIOGAS PLANTS

The Group is establishing biogas facilities to make use of methane capture technologies to convert Palm Oil Mill Effluents ("POME") to electricity. Two (2) plants have already been commissioned at Sedenak and Pasir Panjang Palm Oil Mill, while another under construction at the Sindora Palm Oil Mill is expected to be commissioned by 2016. These two (2) projects are expected to result in an overall carbon reduction of about 58% by year-end 2019. Kulim is targeting to install biogas plants at all its five (5) mills by 2017.

Palm Oil Mill Effluent ("POME") for biogas production; Pasir Panjang Palm Oil Mill, Kota Tinggi

CARBON EMISSION BASELINE

In November 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 in order that palm oil producers can estimate the net GHG emissions produced during oil palm production. In November 2015, Kulim produced its Second Biennial Carbon Footprint report using the PalmGHG Calculator Beta Version 2.1.1, a new and improved version.

Using the standard unit for measuring carbon footprint, our net GHG emissions for 2014 amounted to 220,000 tonnes CO_2e or carbon dioxide equivalent. With a total CPO production of 257,881 tonnes and PK production of 69,681 tonnes, this is equivalent to a carbon footprint of 0.71 tonnes CO_2e per tonnes CPO/PK if we use PalmGHG Version 1a or 1.15 tonnes CO_2e per tonnes CPO/PK using PalmGHG Version 2.1.1. These figures show the average amount of CO_2 produced per tonne of CPO for Kulim mills.

Comparatively in 2015, our net GHG emissions amounted to 482,809 tonnes CO_2e using Palm GHG Version 2.1.1 with total CPO and PK production of 253,471 tonnes and 68,122 tonnes respectively. This is equivalent to a carbon footprint of 1.49 tonnes CO_2e per tonnes CPO/PK (excluding Pasir Panjang Palm Oil Mill). These has been communicated voluntarily to RSPO as part of monitoring of our GHG emissions.

Kulim's largest contribution to gross carbon emissions comes from land clearing, which accounts for 66% of total emissions. However, carbon sequestration by planted oil palms actually offsets land clearing, with a carbon positive estimated at 113,084 tonnes CO_2e. Only 1.8% of the land cleared consisted of peat, that accounted for 75,395 tonnes CO_2e.

PALM KERNEL SHELLS

In 2015, about 60,000 tonnes of palm kernel shells were produced, of which 76% was used internally for power generation, with the remainder sold for third party consumption. We were able to incorporate a carbon credit of 37,234 tonnes CO_2e because of ongoing tracking and monitoring of sold palm kernel shells.

FERTILIZER REDUCTION

GHG emissions from the production, transportation and use of chemical fertilizers are among concerns that Kulim will have to address in its efforts to reduce the impact of its operations on the environment. Excessive use of chemical fertilizers can pollute river and underground water resources. In order to mitigate this without affecting FFB yields, Kulim has embarked on a long-term organic fertilizer programme, with field data collection underway to optimise the use of both types of fertilizers. In addition, all our mills have established composting projects to recycle the nutrients from EFB and POME back to the fields.

OUTGROWER ENGAGEMENT

In preparation for our 2012 Carbon Footprint Report, we began a long-term engagement process with all of our independent outgrowers, who we found to account for more than 30% of our total footprint. This work has continued through 2015 and is now evolving into a full-scale programme to assist these outgrowers in achieving RSPO certification. So far, two (2) outgrower groups have achieved certification and we continue to work with other outgrowers. We believe that good agricultural practices, including the efficient use of fertilizers will help to reduce emissions from third-party FFB.

INTERNATIONAL SUSTAINABILITY AND CARBON CERTIFICATION ("ISCC")

ISCC is a multi-stakeholder initiative oriented towards the reduction of GHG emissions, sustainable use of land, the protection of natural biospheres and social sustainability.

During the year under review, our Sindora, Tereh and Sedenak Palm Oil Mill were audited and successfully re-certified to the ISCC standard. For 2016, our target is to achieve ISCC for Pasir Panjang Palm Oil Mill followed by Palong Cocoa Palm Oil Mill.

PROFIT

Long-term sustainable growth is the goal of any organisation. Clearly, making money is essential to business success. However, Kulim recognises that its own sustainability rests on its ability to work harmoniously within its social and environmental settings. Thus, while we owe it to our shareholders to be profitable, we are also responsible to our other stakeholders. For this reason, the costs of reducing our environmental footprints and other social factors must be factored into our profit calculations.

RSPO CERTIFICATION

There is increasing concern globally that commodities must be produced without harming the environment or society. Certification to RSPO is an assurance to the customer that the production of palm oil is sustainable through strict verification of the production process to the stringent RSPO Principles & Criteria ("RSPO P&C") for Sustainable Oil Palm production by accredited certifying bodies. The certification can be withdrawn at any time in the event of an infringement of the rules and standards.

In 2014, RSPO-certified growers accounted for 18% of global palm oil production. The demand for sustainability is growing. Environmentally and socially responsible buyers are willing to pay a premium for responsibly produced products.

Kulim was among the first palm oil companies to sign up for RSPO certification. This was achieved in January 2009. Since then, all our operating units have undergone the pre-requisite re-certification audits in December 2013 and the new certification was received in April 2014. As at the end of December 2015, four (4) of our mills have earned RSPO certification except for the Pasir Panjang Palm Oil Mill, which is expected to be certified in 2016.

In a meeting held on 6 March 2016, the RSPO Board of Governors has recently endorsed the revision of the Malaysian National Interpretation ("MYNI") document. MYNI 2014, as it is known, is based on the RSPO P&C and supersedes MYNI 2010 which has been used for certification of plantations and mills in Malaysia. All audits and annual surveillance audits carried out from 1 May 2015 will be based on the MYNI 2014.

The RSPO has also developed a mechanism for supply chain palm oil 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 most simplified method for a buyer to obtain CSPO without high administrative costs and complex logistics. In the "Identity Preserved" option, CSPO from a single, identifiable source is kept separate from conventional palm oil and is tracked throughout the supply chain. Only CPO from the Tereh Palm Oil Mill is sold under "Identity Preserved", while CPO from three (3) other mills is sold under the "Mass Balance" mechanism, where CSPO is mixed with conventional CPO and tracked throughout the supply chain. An equivalent volume may be sold as CSPO to customers. (Source: Sustainable Sourcing Guide for Palm Oil Users, published by Conservation International and World Wildlife Fund, May 2015.)

STAKEHOLDERS' ENGAGEMENT

Stakeholders' engagement is a key part of CSR in achieving the triple bottom line. To compete successfully in an increasingly complex and ever-changing business environment, stakeholders' engagement provides opportunities to align our business practices with societal needs and expectations, helping to drive long-term sustainability and shareholders' value. Engagement and cooperation with our stakeholders is therefore pursued strategically and in sync with our business strategies to ensure the long-term success of the Group.

We strive to build good relationships and productive rapport with our employees, business partners, investors, members of the media, suppliers, community at large, government agencies, Non-Governmental Organisations ("NGOs") and unions. The Group engages with its broad spectrum of stakeholders through regular and systematic forms of dialogue, such as meetings and road shows. By listening to stakeholders' needs, engaging in serious discussions, and striving for integrity and transparency in all our dealings, we endeavour to build and strengthen trust-based relationships.

In November 2015, our Board of Directors received a letter from its major shareholder, Johor Corporation ("JCorp") requesting Kulim to undertake a Selective Capital Reduction and Repayment ("SCR") exercise. The exercise, if approved by shareholders at an Extraordinary General Meeting ("EGM"), will result in the privatisation of Kulim and its delisting from the Main Market of Bursa Malaysia Securities Berhad. Prior to the EGM, Kulim has plans to meet its various stakeholders and address queries or concerns they may wish to raise. We have also kept our employees abreast of the Company's current corporate developments and during the year, no less than five (5) Employees' Engagement programmes were organised.

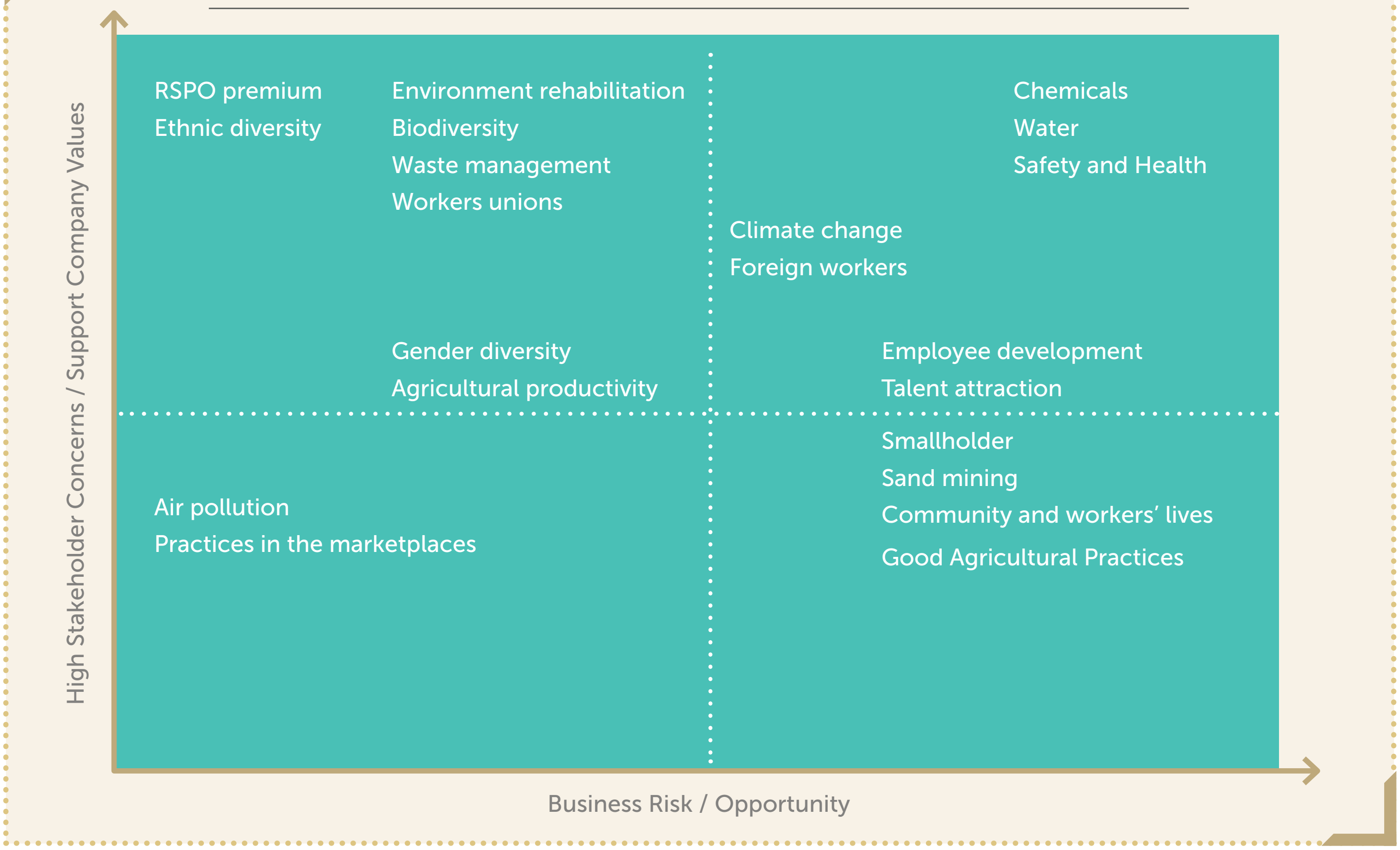
PROFIT

At Kulim, we realise that stakeholder issues cannot be treated in isolation. Since 2008, we have adopted a more systematic approach in developing a materiality matrix to analyse and prioritise the topics that are important to our stakeholders. By presenting materiality in this manner, we can not only identify the issues that are important to our business and stakeholders, but also improve our ability to consider them from multiple view-points and ultimately, to address them.

The materiality matrix presented here lays out the business, social and environmental issues that affect our business activities and can be used to help guide our decisions and prioritise our actions.

Employees' engagement programme at Mungka Estate, Segamat

MATERIALITY MATRIX



From the materiality analysis and our engagements with stakeholders, we have determined that the material issues that are of highest concern to us and our stakeholders are as follows:

- Use of chemicals such as paraquat, herbicides and pesticides in our estates
- Water usage at our estates and mills
- Safety and health standards at the workplace

Kulim is continually finding new ways to improve its performance and our materiality matrix is reviewed and adjusted annually to reflect the current realities and concerns. This will ensure its relevance in identifying and prioritising key issues and help us determine how best to allocate resources in strategic planning and programme implementation.

WORKING HARDER

The Kulim Group has made significant progress in its CR efforts over years. Admittedly, there still remains much that we can do. As part of our commitment to continuous improvement, we need to continually raise our ambitions, set new targets and goals and generate new ideas and initiatives that are relevant to the needs of today.

Kulim aspires to be a Group that is admired and respected not only for delivering superior business value but one that plays a leading role in delivering results sustainably. This is the challenge before us, but we are still on a learning curve to see where we can improve. We will persevere in our efforts to try and build a better world for all of us.

Oil Palm nursery at Basir Ismail Estate managed by Kulim Nursery Sdn Bhd, an intrapreneur company

SECTION 06

GOVERNANCE STATEMENT

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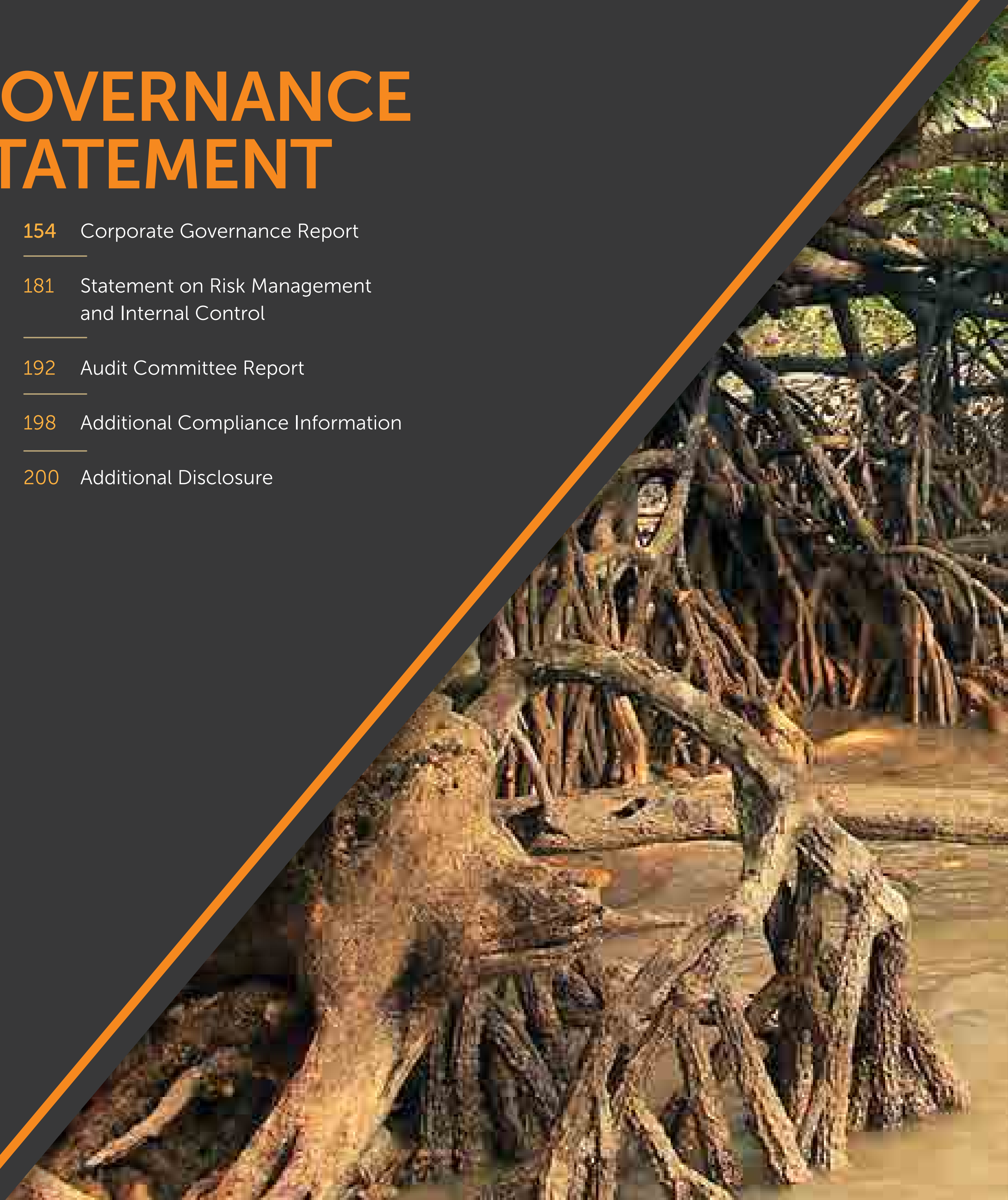


Riverside mangrove at Pulau Tg. Lena, located just South-East corner of Basir Ismail Estate, Kota Tinggi

CORPORATE GOVERNANCE REPORT

INTRODUCTION

CORPORATE GOVERNANCE APPROXIMATELY REFERS TO THE MECHANISMS, PROCESSES AND RELATIONS BY WHICH THE GROUP ARE ORGANISED AND DIRECTED. GOOD CORPORATE GOVERNANCE PRACTICES SHOULD ENCOMPASS BEYOND MERE COMPLIANCE AND SHOULD ATTAIN THE HIGHEST STANDARDS OF BUSINESS ETHICS, ACCOUNTABILITY, INTEGRITY AND PROFESSIONALISM ACROSS ALL THE GROUP'S ACTIVITIES AND CONDUCTS. IN ADDITION, THE BOARD CONSIDERS STRONG GOVERNANCE AS ONE OF THE KEY STRATEGIC DETERMINANTS IN BUILDING A COMPETITIVE ORGANISATION, ACHIEVING ITS SET OF CORPORATE AND BUSINESS OBJECTIVES AND ULTIMATELY IN REALISING INVESTORS' CONFIDENCE AND SHAREHOLDERS' VALUE, WHILST TAKING INTO ACCOUNT THE INTERESTS OF OTHER STAKEHOLDERS.

The Group is fully committed in fair corporate governance by being transparent throughout the organisation and continuously strengthen the foundations of governance that has been established and uphold the highest standards of ethics, transparency and good governance.

The Board of Directors plays a key role in the governance process through its review and approval of the Group's direction and strategy, its monitoring of professional standards and business performance, its review of the adequacy and integrity of the Group's internal control systems, including the identification of principal risks and ensuring the implementation of appropriate systems to manage those risks, and the acceptance of its underlying duty to ensure that the Company and the Group meet its responsibilities to its shareholders.

The Board of Directors of Kulim (Malaysia) Berhad subscribes to and supports the following guidelines and regulatory requirements as a basis for practices and enhancement of corporate governance:

- *The Malaysian Code on Corporate Governance 2012 ("MCCG 2012")*
- *The Main Market Listing Requirements*

The Board is pleased to report that it had continued to practice good corporate governance throughout the Group in strengthening Board's structure and composition, recognising the role of Directors as active and responsible fiduciaries. The Board believes that the Group has provided a narrative statement on corporate governance practices for shareholders benefit which conveyed the key elements and the state of the Group's Corporate Governance.

Pursuant to Paragraph 15.25 of the Main Market Listing Requirements and except for the matters specifically identified, the Board, to the best of its knowledge, confirms that the Group has applied the Principles set out in the MCCG 2012 together with the Recommendations stated under each Principle.

Kulim's effort towards strong governance and the continual enhancement of shareholders' value is substantiated by the following recognition and accreditations conferred on the Group in 2015 and up to the reporting date in 2016:

- National Annual Corporate Report Awards ("NACRA") 2015
  - » Kulim's Integrated Annual Report 2014 - Certificate of Merit
- ACCA Malaysia Sustainability Reporting Awards ("MaSRA") 2015
  - » Kulim's Integrated Annual Report 2014 - Shortlisted for the Best Reporting within an Annual Report
- Asia Sustainability Reporting Awards ("ASRA") 2015
  - » Kulim's Integrated Annual Report 2014 - Finalist for Asia's Best Integrated Report
  - » Kulim's Carbon Footprint Report 2014 - Highly commended for Asia's Best Carbon Disclosure Report

Being amongst the earliest plantation companies in the world to be certified as a sustainable palm oil producer under RSPO serve as a testament to the Group's commitment towards enhancing its governance standards. The Group took its sustainable commitment to the next level when it became the first within the plantation industry to publish sustainability report. This report emphasized the Group's commitment towards subscribing to the RSPO Principle and Criteria. The Group produced its inaugural Sustainability Report 2007/2008 in October 2008, published separately for both its Plantation operations in Malaysia and Papua New Guinea. The Group continuously produced the biennial Sustainability Report as an effort in fulfilling its responsibilities towards promoting sustainable palm oil practices. The publication year of the reports was listed as follows:

	YEAR	THEME	GUIDELINES
1st Sustainability Report	2007/2008	Embracing the Challenge Ahead	GRI G3.0
2nd Sustainability Report	2009	We C.A.R.E – Unlocking Sustainable Value	GRI G3.0
3rd Sustainability Report	2010/2011	A New Road for Sustainable Growth	GRI G3.1
4th Sustainability Report	2012/2013	Expanding Horizon, Affirming Commitments	GRI G4.0

Note: The 5th Sustainability Report for 2014/2015 is expected to be published in 2016

The reports which are benchmarked against the international Global Reporting Index ("GRI") guidelines seek to present transparent overview, performance evaluation and the Group's target towards Sustainable Palm Oil ("SPO") practices. It also forms the basis of additional communications and engagement with Kulim's broader stakeholder groups. The Report is available upon request and can also be downloaded from the Company's website.

Kulim has been certified with the International Sustainability and Carbon Certification ("ISCC") in February 2013 and all the certified Palm Oil Mills will be audited every year for re-certification. The ISCC standard is for biomass and bioenergy and meets the Renewable Energy Directive of the European Union. Report on ISCC is contained on pages 147 of this Integrated Annual Report.

The Group continuously maintained its commitment towards sustainability and transparency and was the first Malaysian Plantation Company to use RSPO's PalmGHG Calculator in the Carbon Footprint Report 2012. The report was published in November 2013. The second biennial Carbon Footprint Report has been published in November 2015 and it covers Kulim's oil palm operations in Malaysia in 2014, excluding Kulim's operations in Indonesia. The report showed a significant reduction of GHG's emissions as compared to the 2012 reporting.

CLEAR ROLES AND RESPONSIBILITY

BOARD OF DIRECTORS

SIZE AND COMPOSITION OF BOARD

Kulim (Malaysia) Berhad is led by an effective Board of Directors. The Board, as at the date of this Statement, consists of:

Executive Directors

Ahamad Mohamad
Jamaludin Md Ali
Abdul Rahman Sulaiman

Non-Independent Non-Executive Directors

Dato' Kamaruzzaman Abu Kassim
Zulkifli Ibrahim
Rozaini Mohd Sani

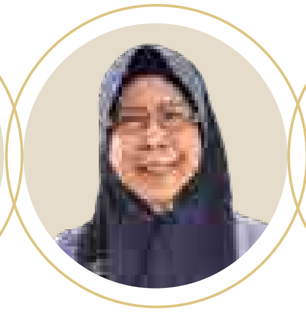
Independent Non-Executive Directors

Tan Sri Dato' Seri Utama Arshad Ayub
Tan Sri Datin Paduka Siti Sa'diah Sh Bakir
Dr. Radzuan A. Rahman
Datuk Haron Siraj
Leung Kok Keong

All five (5) of the Independent Non-Executive Directors are independent as defined under the Listing Requirements.

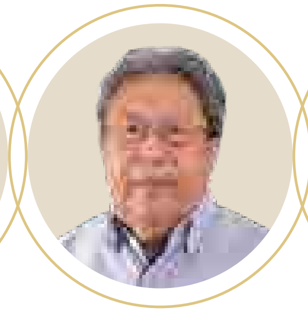
THE INDEPENDENT NON-EXECUTIVE DIRECTORS

Tan Sri Dato' Seri Utama Arshad Ayub



Tan Sri Datin Paduka Siti Sa'diah Sh Bakir

Dr. Radzuan A. Rahman



Datuk Haron Siraj

Leung Kok Keong

Chairman of the Board shall be an Independent Director

Recommendation 3.5 of the MCCG 2012 states that where the Chairman of the Board is not an Independent Director, the Board must comprise a majority of Independent Directors.

Although Kulim has yet to be in line with recommendation 3.5, the Board believes that the interests of shareholders would be better served by a Chairman and a team of Board members who act collectively in the best overall interests of shareholders with a balance that consist of Executive Directors and Non-Executive Directors (including Independent Non-Executive) such that no individual or small group of individuals can dominate the Board's decision making.

The approach is not an uncommon practice among global companies and leading multi-national corporations. The prime consideration is the strategic advantage that Kulim, being part of JCorp's larger group, is provided with wider access and greater reach to a much larger pool of talent, skills and expertise. Collectively, the Directors bring to the Board a wide range of business, financial and technical experience for the effective management of Kulim diversified businesses.

Tenure of Independent Director

The Tenure of an Independent Director shall not exceed a cumulative term of nine (9) years. However upon completion of the nine (9) years, the Independent Director may continue to serve the Board subject to the Directors re-appointment where the Board shall first justify and obtain shareholders' approval.

Gender Diversity Policy

The Company does not presently have a formal gender diversity policy. The Board is of the opinion that it is important to recruit and retain the best available talent regardless of gender, to maximise the effectiveness of the Board; taking into account the balance of skills, experience, knowledge and independence, and based on the Group's need and circumstances.

Board's Assessment

The Board strives to achieve a balance of skills, experience, diversity and perspective among its Directors. The Nomination Committee conducts an annual review of the size and composition of the Board, taking into consideration the required mix of skills, competencies and experience relevant to the business of the Kulim Group.

An assessment of the Board's performance is carried out every year, including the Independent Directors' performance. For the year under review, the Board is satisfied with the existing number and composition of its members and is of the view that with the current mix of skills, knowledge, experience and strengths, the Board is able to discharge its duties and responsibilities effectively.

On 15 January 2015, Rozaini Mohd Sani was appointed to the Board as a Non-Independent Non-Executive Director and, Tan Sri Datin Paduka Siti Sa'diah Sh Bakir was re-designated as an Independent Non-Executive Director of Kulim (Malaysia) Berhad on 1 May 2015.

PRINCIPAL DUTIES AND RESPONSIBILITIES

Kulim recognised the value of good governance and that is the reason that the Company is committed on promoting and sustaining a strong culture of corporate governance. Kulim has embarked on a journey to continuously improve its corporate governance framework by gradually adopting the recommendations in the MCCG 2012.

The Board, representing the shareholders, is entrusted with the power and authority to make decisions in running the company to ensure proper management of the entity, including optimising long-term financial returns. The Board is responsible for ensuring that the Group is managed to achieve this result.

In addition to fulfilling its obligations for increased shareholders' value, the Board has responsibility to the Group's customers, employees and suppliers, and to the communities where it operates, all of whom are fundamental to a successful business. All of these responsibilities are founded upon the successful continuation of the business.

The Board assumes the following responsibilities:

1. **Reviewing and adopting a strategic plan for the Company**

   The Board will review and approve the annual budget and strategic plan for the Group.

   It has in place an annual strategy 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.

   The Group's annual budget 2016 was tabled and discussed by the Board in its meeting on 5 November 2015, and approved in its meeting on 25 February 2016.

   Additionally, on an ongoing basis, the Board will assess whether 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. Details on the Group's Business Strategies are on pages 6 to 11 of this Integrated Annual Report.

2. **Overseeing the conduct of the Company's business to determine whether the business is being properly managed.**

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

   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 national trends and performance of similar companies.

   The Group uses Key Performance Indicators ("KPI") system as the primary driver and anchor of its performance management system, of which is continually refined and enhanced to reflect the changing business circumstances.

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

   The Group has set up a Risk and Issues Management Committee ("RIMC") in order to assist the Board in identifying, evaluating, reviewing and managing the principal risks.

   The RIMC met four (4) times in 2015 to review the Group's risks. Details on RIMC are on pages 181 to 186 of this Integrated Annual Report.

4. **Succession planning**

   The Board's responsibility in this aspect is being closely supported by the Human Resource Department. More importantly, after several years of continuous effort in emphasising and communicating the importance of succession planning, the subject has now become an ongoing agenda being reviewed at various high-level management and operational meetings of the Group.

   During the year 2015, the Group has identified and sent its qualified potential successor to a Leadership Programme organised by Johor Corporation where nine (9) of our young Executives with high performance have been undergoing the programme.

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

   Various strategies and approaches are employed by the Group so as to ensure that investors and shareholders are well-informed about the Group's affairs and developments. Information on our shareholders' communication activities is on page 180 of this Integrated Annual Report.

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

   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 Company's internal controls. Details on the Internal Audit functions are further discussed in the Statement on Risk Management and Internal Control and Audit Committee Report in this Integrated Annual Report.

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 based on recommendations of the Board Nomination and Remuneration Committee;
   - Appointment and resignation of Company Secretaries;
   - Appointment and resignation of Board Members in Board Committees are based on the recommendations of the Board Nomination and Remuneration Committee;
   - Approval on terms of references of Board Committees and amendments to such items;
   - Appointment and resignation of Senior Executive positions, including the Managing Director, 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 Directors and key executives based upon recommendations of the Board Nomination and Remuneration Committee;
   - Approval of remuneration packages for Executive Directors and Senior Executives;
   - Approval of any proposed new Employees' Share Option Scheme ("ESOS"); and
   - Approval of allocation and share grants in ESOS.

3. Operational

   - Approval of business strategy and Group's operational plans and budgets;
   - Ongoing 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 release of financial announcements;
   - 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 Memorandum and Articles of Association 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;
   - Any other significant business decision; and
   - Any other matters requiring the convening of a general meeting of shareholders or any class of shareholders.

BOARD COMMITTEES

The Board Committees are essentially the cornerstone in governing the direction of the Group strategies and operations in line with the regulatory guidelines and requirements. The Board delegates its responsibility for specified matters to individual members or committees of the Board. The Board Committees were supported by several committees to facilitate the operations of the Group. Each committee has written terms of reference which state clearly the extent and limits of their responsibilities and authority and whether they act on behalf of the Board or report back to the Board. The committees are reviewed regularly and changes are approved by the Board. Apart from the Board Committees, there are internal/management committees established at Kulim Corporate Office level and within the Group's significant/strategic subsidiaries which facilitate the functions of Board of Kulim as well as the respective companies. These internal/management committees and their primary functions are set out on pages 186 to 188 of this Integrated Annual Report.

The list of Board Committees includes:

1

AUDIT COMMITTEE

The Audit Committee facilitates the Board of Directors to fulfil its corporate governance and overseeing responsibilities in relation to the Group's financial reporting, internal control system, risk management system and internal and external audit functions. The role of the Audit Committee is to provide advice and recommendations to the Board within the scope of its terms of reference.

Pursuant to paragraph 15.15 of the Listing Requirements, the Audit Committee Report for the financial year which sets out the composition, terms of reference and a summary of activities of the Audit Committee, is contained on pages 192 to 197 of this Integrated Annual Report.

2

BOARD OPTION COMMITTEE

The Board Option Committee was formed following the establishment of Kulim's ESOS on 31 December 2013. The ESOS was approved by the shareholders in the EGM held on 13 December 2013 and will expire on 30 December 2018.

The composition of the Board Option Committee is as follows:
- Dato' Kamaruzzaman Abu Kassim – Chairman
- Ahamad Mohamad
- Dr. Radzuan A. Rahman
- Zulkifli Ibrahim

* Notes : Rozan Mohd Sa'at resigned on 15 January 2015
: Zulkifli Ibrahim was appointed as a new member on 23 February 2015

Pursuant to the By-laws, the Committee shall administer the ESOS in such manner that in its discretion deem fit and with such powers and duties as conferred upon it by the Board including the powers:

CORPORATE GOVERNANCE REPORT

2

BOARD OPTION COMMITTEE (continued)

a. Subject to the provisions of the ESOS, to construe and interpret the ESOS and option(s) granted under it, to define the terms therein and to recommend to the Board to establish, amend and revoke rules and regulations relating to the ESOS and its administration. The Committee in the exercise of this power may correct and detect, supply any omission or reconcile any inconsistency in the ESOS or in any agreement providing for an option(s) in a manner and to the extent it shall deem necessary to expedite and make the ESOS fully effective; and

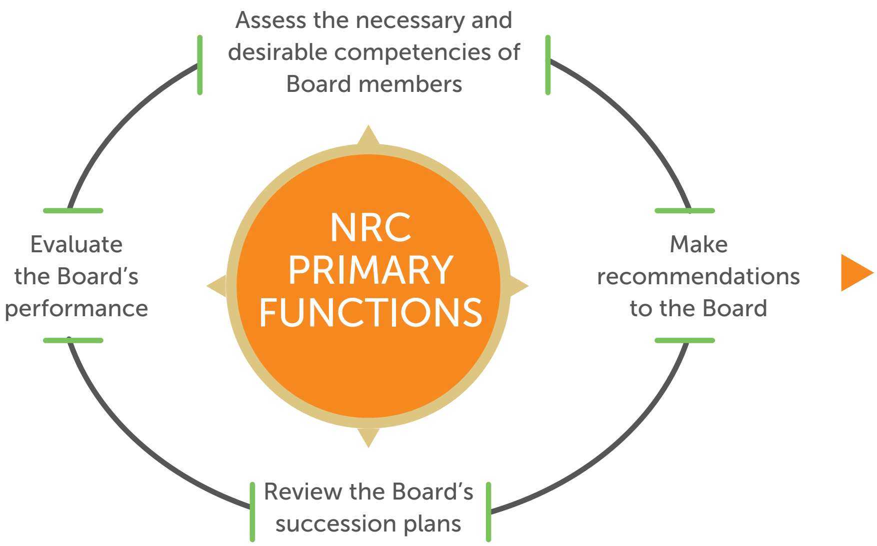
b. To determine all questions of policy and expediency that may arise in the administration of the ESOS and generally exercise such powers and perform such acts deemed necessary or expedient to promote the best interests of the Company.

3

NOMINATION AND REMUNERATION COMMITTEE

The Board of Directors of the Company established its own Nomination and Remuneration Committee ("NRC") in order to exercise Best Practices of Corporate Governance by assisting and advising the Board in connection with its responsibilities and obligations towards the Company's shareholders, employees and other stakeholders.

The NRC is accountable to the Board of the Company and not to the executive management of the Company. Subject to the Corporate Governance Principles, the primary functions of the NRC are to:



- Executive remuneration and incentive policies;
- Remuneration packages of senior management;
- The Company's recruitment, retention and termination policies for senior management;
- Incentive schemes
- Superannuation arrangements; and
- The remuneration framework for Directors.

In performing its duties, the NRC shall have direct access to the resources of the Company as it may reasonably require and shall seek to maintain effective working relationships with the management.

The compositions of the NRC of the Company are as follows:

NOMINATION COMMITTEE	REMUNERATION COMMITTEE
MEMBERS	
Dato' Kamaruzzaman Abu Kassim Chairman **Tan Sri Dato' Seri Utama Arshad Ayub** **Datuk Haron Siraj**	**Dato' Kamaruzzaman Abu Kassim** Chairman **Tan Sri Dato' Seri Utama Arshad Ayub** **Dr. Radzuan A. Rahman**
REQUIREMENT	
Pursuant to the Main Market Listing Requirements Paragraph 15.08A : 1. Comprises exclusively of Non-Executive Directors, a majority of whom must be independent. 2. Must have written terms of reference dealing with its authority and duties which must include the selection and assessment of Directors. 3. A statement about the activities of the Nomination Committee in the discharge of its duties for the financial year. The Nomination Committee should develop, maintain and review the criteria to be used in the recruitment process and annual assessment of Directors in accordance to Principle 2, Recommendation 2.2 of MCCG 2012.	In accordance to Principle 2, Recommendation 2.3 of MCCG 2012, the Board should establish formal and transparent remuneration policies and procedures to attract and retain Directors. Fair remuneration is critical to attract, retain and motivate Directors. The remuneration package should be aligned with the business strategy and long-term objectives of the Company. Remuneration of the Board should reflect the Board's responsibilities, expertise and complexity of the Company's activities. The Group offered equitable Director's remuneration and the details are set out on pages 174 to 175 of this Integrated Annual Report.
PRIMARY PURPOSE	
1. Identify and recommend to the Board, candidates for board directorships of the Company; 2. Recommend to the Board, Directors to fill the seats on Board Committees; 3. Evaluate the effectiveness of the Board and Board Committees (including its size and composition) and contributions of each individual Director; and 4. Ensure an appropriate framework and plan for Board succession for the Company.	1. Provide assistance to the Board in determining the remuneration of Executive Directors and, if applicable, senior management and in particular the Managing Director/Chief Executive Officer where the person is not a member of the Board of Directors. In fulfilling this responsibility, the Committee is to ensure that Executive Directors and applicable senior management of the Company: • are fairly rewarded for their individual contributions to overall performance; • that the compensation is reasonable in light of the Company's objectives; and • that the compensation is similar to other companies.

NOMINATION COMMITTEE	REMUNERATION COMMITTEE
PRIMARY PURPOSE (continued)	
	2. Establish the Managing Director/Chief Executive Officer's goals and objectives; and 3. Review the Managing Director/Chief Executive Officer's performance against the goals and objectives set.
MEMBERSHIP	
The Nomination Committee shall have at least three (3) members, all of whom shall be Non-Executive Directors with the majority being Independent Directors. The quorum for the committee shall be two (2) members, of which one (1) should be Independent Director. The members and Chairperson of the Nomination Committee shall be appointed by the Board. The appointment of a Committee member terminates when the member ceases to be a Director, or as determined by the Board. In the event of equality of votes, the Chairperson of the Committee shall have a casting vote (except where two (2) Directors form the quorum). In the absence of the Chairperson of the Committee, the members present shall elect one (1) of their numbers to chair the meeting. The Nomination Committee shall have no executive powers.	The Remuneration Committee shall consist entirely of Non-Executive Directors. It shall have at least three (3) members and the quorum for the Committee shall be two (2) members. The members and the Chairperson of the Remuneration Committee shall be appointed by the Board based on the recommendations of the Nomination Committee. The appointment of a committee member terminates when the member ceases to be a Director, or as determined by the Board. In the event of equality of votes, the Chairperson of the Committee shall have a casting vote (except where two (2) Directors form the quorum). In the absence of the Chairperson of the Committee, the members present shall elect one (1) of their number to chair the meeting. The Committee members shall: • have a good knowledge of the Company and its Executive Directors, and a full understanding of shareholders' concern; and • have a good understanding, enhanced as necessary by appropriate training or access to professional advice, on areas of remuneration.
MEETINGS	
The Committee shall meet at least once a year. Additional meetings shall be scheduled as considered necessary by the Committee or Chairperson. The Committee shall have access to such information and advice, both from within the Group and externally, as it deems necessary or appropriate in accordance with the procedures determined by the Board and at the cost of the Group. The Committee may request other Directors, members of management, counsels, and consultants as applicable to participate in Committee meetings, as necessary, to carry out the Committee's responsibilities.	The Committee shall meet at least once a year. Additional meetings shall be scheduled as considered necessary by the Committee or Chairperson. The Committee may consult the Chairperson of the Board regarding proposals relating to the remuneration of Executive Directors. The Committee may consult other Non-Executive Directors in its evaluation of the Managing Director/Chief Executive Officer. The Committee may request other Directors and key executives to participate in Committee meetings, as necessary, to carry out the Committee's responsibilities.

NOMINATION COMMITTEE	REMUNERATION COMMITTEE
MEETINGS (continued)	
The Secretary of the Committee shall be appointed by the Committee from time to time. The Chairperson may also request the management to participate in this process. The agenda for each meeting including supporting information shall be circulated at least seven (7) days before each meeting to the Committee members and all those who are required to attend the meeting. The minutes of the Committee meeting shall be available to all Board members. The Committee, through its Chairperson, shall report to the Board at the next Board of Directors' meeting after each Committee meeting. When presenting any recommendation to the Board, the Committee will provide such background and supporting information as may be necessary for the Board to make an informed decision. The Committee shall provide such information to the Board as necessary to assist the Board in making a disclosure in the Integrated Annual Report in accordance to Principle 2 of MCCG 2012. The Chairperson of the Committee shall be available to answer questions about the Committee's work at the AGM of the Company.	The Committee shall have access to such information and advice, both from within the Group and externally, as it deems necessary or appropriate in accordance with the procedures determined by the Board and at the cost of the Company. The Committee is authorised by the Board to obtain external legal or other professional advice, as well as information about remuneration practices elsewhere. The Committee may, if it thinks fit, secure the attendance of external advisers with relevant experience and expertise, and shall have the discretion to decide who else other than its own members, shall attend its meetings. The Secretary of the Committee shall be appointed by the Committee from time to time. The Chairperson may also ask the management to participate in this process. The agenda for each meeting shall be circulated at least seven (7) days before each meeting to the Committee members and all those who are required to attend the meeting. Written materials including information requested by the Committee from the management or external consultants shall be received together with the agenda for the meetings. The minutes of the Committee meeting shall be available to all Board members. The Committee, through its Chairperson, shall report to the Board at the next Board of Directors' meeting after each Committee meeting. When presenting any recommendation to the Board, the Committee will provide such background and supporting information as may be necessary for the Board to make an informed decision. The Committee shall provide such information to the Board as necessary to assist the Board in making a disclosure in the Annual Report in accordance with Principle 2 of MCCG 2012. The Chairperson of the Committee shall be available to answer questions about the Committee's work at the AGM of the Company.
SCOPE OF ACTIVITIES	
1. To determine the criteria for Board membership, including qualities, experience, skills, education and other factors that will best qualify a nominee to serve on the Board.	1. To establish and recommend the remuneration structure and policy for Executive Directors and key executives, if applicable, and to review changes to the policy, as necessary.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE	REMUNERATION COMMITTEE
SCOPE OF ACTIVITIES (continued)	

NOMINATION COMMITTEE

2. To review annually and recommend to the Board with regards to the structure, size, balance and composition of the Board and Committees including the required mix of skills and experiences, core competencies which Non-Executive Directors should bring to the Board and other qualities to function effectively and efficiently.

3. To consider, evaluate and propose to the Board any new board appointments, whether of executive or non-executive position. In making a recommendation to the Board on the candidate for directorship, the Committee shall have regard to:

   - Size, composition, mix of skills, independence and diversity (including gender diversity) required to meet the needs of the Board;
   - The Board's nomination and election process of the Directors and criteria used by the Nomination Committee in the selection process; and
   - The assessment undertaken by the Nomination Committee in respect of Board, committees and individual Directors together with the criteria used for such assessment.

4. To propose to the Board the responsibilities of Non-Executive Directors, including membership and Chairperson of Board Committees.

5. To evaluate and recommend the appointment of Senior Executive positions, including the Managing Director/ Chief Executive Officer and their duties and the continuation of their service.

6. To establish and implement process for assessing the effectiveness of the Board as a whole, the Committee of the Board and for assessing the contribution of each director.

7. To evaluate on annual basis:

   - the effectiveness of each Director's ability to contribute to the effectiveness the Board and the relevant Board Committees and to provide the necessary feedback to the Directors in respect of their performances;

REMUNERATION COMMITTEE

2. To ensure that a strong link is maintained between the level of remuneration and individual performance against agreed targets, the performance-related elements of remuneration setting formed a significant proportion of the total remuneration package of Executive Directors.

3. To review and recommend the entire individual remuneration packages for each of the Executive Directors and, as appropriate, other Senior Executives, including: the terms of employment or contract of employment/service; any benefit, pension or incentive scheme entitlement; any other bonuses, fees and expenses; and any compensation payable on the termination of the service contract by the Company.

4. To review with the Managing Director/Chief Executive Officer, his/her goals and objectives and to assess his/ her performance against these objectives as well as contribution to the corporate strategy.

5. To review the performance standards for key executives to be used in implementing the Group's compensation programmes where appropriate.

6. To consider and approve compensation commitments/ severance payments for Executive Directors and key executives, where appropriate, in the event of early termination of the employment/service contract.

7. To consider other matters as referred to the Committee by the Board.

NOMINATION COMMITTEE	REMUNERATION COMMITTEE

SCOPE OF ACTIVITIES (continued)

Nomination Committee

- the effectiveness of the Board Committees; and
- the effectiveness of the Board as a whole.

8. To recommend to the Board:

   - whether Directors who are retiring by rotation should be put forward for re-election; and
   - termination of membership of individual Directors in accordance with policy, or other appropriate reasons.

9. To establish appropriate plans for succession at Board level, and if appropriate, at senior management level.

10. To provide for adequate training and orientation for new Directors with respect to the business, structure and management of the Group as well as the expectations of the Board with regards to their contribution to the Board and Company.

11. To consider other matters as referred to the Committee by the Board.

COMPLIANCE

Nomination Committee

	Requirement	Compliance
Term of Reference	Available	✔
Number of members	At least 3	✔
Quorum	Majority Independent Directors	✔
Meeting Frequency	At least once a year	✔ 23 February 2015

Remuneration Committee

	Requirement	Compliance
Term of Reference	Available	✔
Number of members	At least 3	✔
Quorum	Non-Executive Directors	✔
Meeting Frequency	At least once a year	✔ 23 February 2015

FORMALISED ETHICAL STANDARDS THROUGH CODE OF ETHICS

In general, the Code of Ethics defines the standards of conduct in assisting the employees to make the right decision at the highest standards of ethic, integrity and governance as per stated on pages 190 to 191.

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 duty that cover:

Corporate Governance

Relationships:
Shareholders, Employees, Creditors, Customers

Social Responsibilities & 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.

In the context of this Code, a Company's Director means any person occupying the position of Director of a corporation by whatever name called, and includes a person in accordance with whose directions and instructions the Directors of a corporation are accustomed to act, and an alternate or substitute Director. A Director also includes both Executive and Non-Executive Director as well as Executive and Non-Executive Chairman.

The Group is strongly committed to an environment of sound governance, sound internal controls and a culture that will safeguard shareholders' investments, stakeholders' interests and the Group's assets. The safeguarding against loss by fraud or negligence and establishing an environment which effectively minimises fraud risk is a key responsibility of the management. All employees have an obligation to support the effort.

The Group also upholds the principles of integrity, respect and accountability which includes the maintenance of a workplace that is free from fraud. This involves embedding fraud control into the organisation's decision making culture and practices through the following policies and exercises:

1

WHISTLEBLOWING POLICY

In 2013, the Whistleblowing Policy was introduced by the Group to support transparent ethical conduct. The policy is intended to provide guidance to employees on how to report and deal with fraud and misconduct.

The detail of Whistleblowing Policy is contained on page 190.

2

ETHIC DECLARATION FORM

The Group has also long established a formal avenue for all employees to report directly to the Managing Director of any misconduct or unethical behaviour conducted by any employees of the Group through a declaration in the Ethic Declaration Form.

This emphasises active participation and dialogues on a structured basis involving key people at all levels, as well as ensuring accessibility to information and transparency on all executive action.

3

GRIEVANCE POLICY AND PROCEDURE

Kulim has established a Grievance Policy and Procedure as well as Women OnWards to ensure that throughout the Group, there is a transparent process for ensuring stakeholders' grievances and complaints are dealt with fairly, consistently and promptly. The corporate climate is also continuously nourished by value-centred programmes for team-building and active subscription to core values.

4

CORPORATE INTEGRITY PLEDGE

The Group has made a commitment to uphold the Anti-Corruption Principles through the Corporate Integrity Pledge that was signed in January 2014. The Group will work toward creating a business environment that is free from corruption, protect the interests of the Company and the Board of Directors and will uphold the Anti-Corruption Principles in the conduct of its business.

5

NO GIFT POLICY

As part of the Group's continuous effort to uphold the Anti-Corruption Principles through the Corporate Integrity Pledge, the No Gift Policy was established in July 2014 with the primary objective to avoid conflict of interest and to indicate the Group's commitment to accord equal treatment to all individuals and organisations in their dealings with the Group.

The detail of No Gift Policy is contained on page 190.

BOARD MEETINGS AND SUPPLY OF INFORMATION

All Board meetings for the ensuing year are scheduled by December in the year before, so as to allow Directors to plan ahead. Board meetings are held at least four (4) times a year. Apart from the regular scheduled meetings, additional meetings are convened as and when necessary to deliberate and approve ad-hoc, urgent and important issues.

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 is 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 Managing 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.

In conjunction with the scheduled meetings or on separate occasions, the Directors also visit locations of operating units, sites of new projects and other operations sites to allow them to have better assessments of the operational progress, status of developments and any important issues to be addressed on new proposals. In between meetings, the Managing Director meets regularly with the Chairman and other Board members to keep them abreast of current development. Circular Resolutions are used for determination of matters arising in between meetings. This is in accordance with Principle 1 of the MCCG 2012.

CORPORATE GOVERNANCE REPORT

The Directors, in the event that they have interest in proposals considered by the Board, will be required to make declaration to that effect. The interested Directors will thereupon abstain from deliberations and decisions of the Board on the said proposals.

The Board met seven (7) times during the financial year 2015 and all Directors have complied with the minimum 50% attendance as required by Paragraph 15.05 of the Listing Requirements. The members of the Board of Directors and their attendances at Board meetings in 2015 are set out below:

	281st BOD 23.2.2015	282nd BOD 19.5.2015	Special BOD 2.6.2015	283rd BOD 24.8.2015	Special BOD 5.11.2015	Special BOD 17.11.2015	284th BOD 14.12.2015	%
Dato' Kamaruzzaman Abu Kassim	/	/	/	/	/	/	/	100
Ahamad Mohamad	/	/	/	/	/	/	/	100
Tan Sri Dato' Seri Utama Arshad Ayub	/	/	/	/	/	/	/	100
Tan Sri Datin Paduka Siti Sa'diah Sh Bakir	/	/	x	/	/	/	/	86
Zulkifli Ibrahim	/	/	/	/	/	/	/	100
Jamaludin Md Ali	/	x	/	/	/	/	/	86
Datuk Haron Siraj	/	/	/	/	/	/	/	100
Dr. Radzuan A. Rahman	/	/	/	/	/	/	/	100
Leung Kok Keong	/	/	/	/	/	/	/	100
Abdul Rahman Sulaiman	/	/	/	/	/	x	x	71
Rozaini Mohd Sani	/	/	/	/	/	/	/	100

Notes:-
- Rozaini Mohd Sani: appointed to the Board as Non-Independent Non-Executive Director on 15.1.2015.
- Tan Sri Datin Paduka Siti Sa'diah Sh Bakir: re-designated as Independent Non-Executive Director on 1.5.2015.

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. All Directors have unrestricted access to all information within the Company in furtherance of their duties. In addition, all Directors have access to the advice of the Company Secretary and where necessary, in furtherance of their duties, obtain independent professional advice at the Group's expense.

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 Directors 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 and Information

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 Managing 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.

Access to the Company Secretary

The appointment or resignation of Company Secretary or Secretaries of the Board shall be the prerogative of the Board as a whole.

The Secretary is responsible for ensuring that Board procedures are followed, that the application rules and regulations for the conduct of the affairs of the Board are complied with and for all matters associated with the maintenance of the Board or otherwise required for its efficient operation. The Secretary is also responsible for ensuring compliance by the Company with the relevant regulations affecting the Company, including but not limited to the Companies Act 1965 and the Listing Requirements.

All members, particularly the Chairman, have unrestricted access to the advice and services of the Secretary for the purposes of the Board's affairs and business.

Board discussions should be open and constructive, recognising that genuinely held differences of opinion could, in circumstances, bring greater clarity and lead to better decisions. The Chairman will, nevertheless, seek a consensus in the Board but may, where considered necessary, call for a vote. All discussions and their record will remain confidential unless there is a specific direction from the Board to the contrary or disclosure is required by law. Subject to legal or regulatory requirements, the Board will decide the manner and timing of the publication of its decisions.

STRENGTHEN COMPOSITION AND REINFORCE INDEPENDENCE

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The number and composition of Board membership are reviewed on a regular basis appropriate to the prevailing size, nature and complexity of the Group's business operations so as to ensure the relevance and effectiveness of the Board in accordance with Principle 2 of MCCG 2012 where the Board should have transparent policies and procedures that will assist in the selection of the Board members.

The composition of the Board will reflect the duties and responsibilities it has 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.

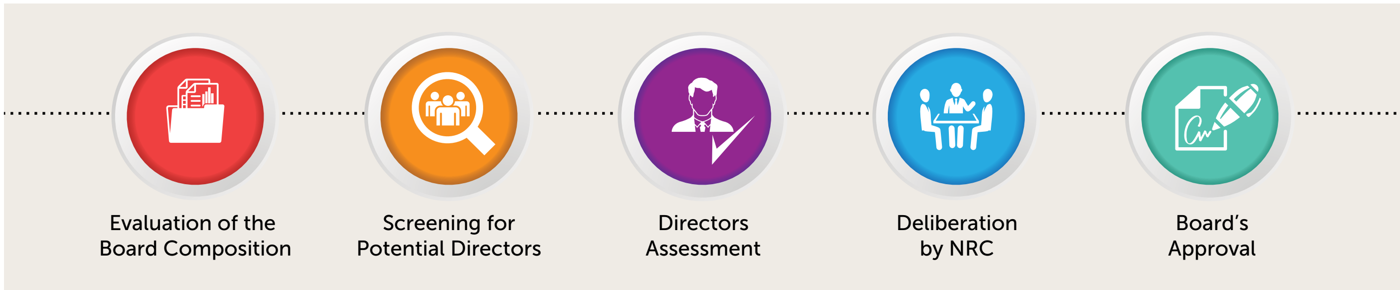
At least two (2) Directors or one third (1/3) of the Board, whichever is higher, shall be Independent Directors. The definition of Independent Director follows Listing Requirements Paragraph 15.02.

CORPORATE GOVERNANCE REPORT

The Board itself should be responsible for selecting its members and in recommending them for election by the shareholders. The Board delegates the screening and evaluation process for potential new directors and directors to be nominated for re-election to the Board Nomination and Remuneration Committee. In addition, the Chairman of the Board is to actively participate in the selection of Board members.

In the event of a need to appoint new member(s) of the Board, nominations will be tabled and deliberated in the Company's Nomination and Remuneration Committee ("NRC") meeting to assess the qualified candidate with the required core competency to effectively discharge his/her role as a Director of the Company. The NRC will then recommend their findings for consideration and approval by the Board. The power to appoint the director(s) nominated is vested wholly on the Board.

The appointment process involves the following stages:



The Board is responsible to the shareholders. All Directors appointed during the financial year resign at the Annual General Meeting ("AGM") of the Company in the period of appointment and are eligible for re-election. In compliance with Paragraph 7.26(2) of the Listing Requirements, all Directors shall retire once at least in every three (3) years.

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 and the 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:-

1. Group Organisation;
2. Board Organisation;
3. Board Responsibilities;
4. Board Procedures;
5. Board's and Director's Evaluation;
6. Managing Director's Evaluation; and
7. 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 selecting potential new directors and directors to be nominated for re-election, the Board Nomination and Remuneration Committee will consider the skills and industry knowledge that the candidate will be able to bring to the Board. As a guide, the Board Nomination and Remuneration Committee would be required to ensure that the proposed candidates meet the requirements on knowledge and skills as set out in the Director Assessment Form. In selecting new directors to replace a member who resigns or for any reason ceases to be a member of the Board, the Board Nomination and Remuneration Committee may consider the candidate nominated by the existing Board members.

In the event that an Executive Director's service contract with the Group terminates for whatever reason, the member is expected to resign from the Board, although the Board may, if it considers appropriate, and subject to shareholders' approval where necessary, re-appoint the member as a Non-Executive Member.

The Articles of Association provides for one third (1/3) of the Board, including the Chairman and the Managing Director to retire at each AGM and a retiring Director shall be eligible for re-election.

In addition, the Articles of Association 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, 1965;
- be convicted of any sizeable offences;
- 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.

In accordance with Article 97 of the Company's Article of Association, Zulkifli Ibrahim, Jamaludin Md Ali, Abdul Rahman Sulaiman and Rozaini Mohd Sani retire at the forthcoming AGM and being eligible, offer themselves for re-election.

Tan Sri Dato' Seri Utama Arshad Ayub, Dr. Radzuan A. Rahman and Datuk Haron Siraj, being above 70 years of age, retire in accordance with Section 129(2) of the Companies Act 1965 and have offered themselves for re-appointment in accordance with Section 129(2) of the said Act, to hold office until the conclusion of the next AGM of the Company.

In addition, in line with Recommendation 3.2 and 3.3 of the MCCG 2012, the Nomination Committee has conducted an assessment of independence under the nomination and election process of Independent Non-Executive Directors, particularly Tan Sri Dato' Seri Utama Arshad Ayub, Datuk Haron Siraj and Dr. Radzuan A. Rahman, whose tenure on the Board exceed a cumulative term of nine (9) years since their appointment to the Board on 31 January 1987, 9 January 2006 and 1 November 2006 respectively. The Nomination Committee is satisfied with the judgement, skills and contributions the Directors have provided to the Board.

In this regards, the Board supports and recommends the re-appointment of Tan Sri Dato' Seri Utama Arshad Ayub, Datuk Haron Siraj and Dr. Radzuan A. Rahman as Independent Non-Executive Directors, due to their wide knowledge and experience in the industry, as well as most pertinently, professionalism and objectivity, subject to the shareholders' approval at the Company's forthcoming AGM.

DIRECTOR EVALUATION PROCEDURES

Individual members of the Board (including the Managing Director but excluding the Chairman) will complete a Director Assessment Form ("Form") on an annual basis, assessing their individual contributions towards meeting the responsibilities of the Board and Committees, the extent of achievement of their personal development objectives, and identifying areas for improvement. The Form is then forwarded to the Chairman of the Board Nomination and Remuneration Committee. The Board Nomination and Remuneration Committee will discuss the evaluation and may consult with the other Directors and review relevant documents, for example minutes of meetings of Directors and committee.

Where the evaluation of one of the members of the Board Nomination and Remuneration Committee is being discussed, he/she will abstain from participating in the discussions.

The evaluation of the Chairman of the Board Nomination and Remuneration Committee will be forwarded to the Chairman of the Board who will discuss with the other members of the Board Nomination and Remuneration Committee. The assessment process will be led by the Chairman of the Board including discussions and providing feedback. Where the Chairman of the Board is also the Chairman of the Board Nomination and Remuneration Committee, the Board Nomination and Remuneration Committee will elect amongst its members, a Director to lead the evaluation process.

In addition, the Director should provide feedback on the assessment process and criteria to measure his or her effectiveness and responsiveness to changing needs, and to ensure the continued efficacy and appropriateness to the Chairman of the Board Nomination and Remuneration Committee.

The elements used in the Director Assessment process:

1. Integrity, Commitment and Ethics

   Behaving with integrity means behaving honestly in all dealings. Behaving ethically means behaving honourably at all times.

2. Governance

   This competence is about the ability to ensure Company's performance, and conformance. It refers to the outstanding and application of the principles surrounding good governance and the role of the Director. While ensuring compliance is critical, this competence is also about the ability to add value to the organisation, within the context of the stakeholders' interests.

3. Strategic Perspective

   A Strategic Perspective refers to the ability to understand the potential impact on the organisation of trends, opportunities, issues and events, manage priorities, and develop the optimum response consistent with the strategic capabilities of the business.

4. Business Acumen

   Business Acumen is the proven ability to increase the wealth of shareholders. This competency refers to the contribution the Director makes to the organisation to create significant value.

5. Judgement and Decision Making

   These competencies refer to the ability to understand a situation or key information, to be able to identify the principal issues, and use experience and sound judgement to make appropriate decisions.

6. Teamwork

   Teamwork refers to the way in which the Director interacts with fellow Board members and the organisation's executive team, and participates in the activities of the Board.

7. Communication

   This competence is about expressing oneself clearly and effectively, both in written and oral communications. It is also the ability to listen and absorb information, and express ideas and opinions in a way that ensures the message gets across effectively, and is appropriate to the audience, the situation, and the medium.

8. Leadership

   Leadership is the ability to inspire commitment to the organisation's vision and values, through the provision of a consistent and clear message to all stakeholders.

EFFECTIVENESS OF BOARD

The effectiveness of the Board is vital to the success of the Group that symbolises good governance. For that reason, a large portion of the Board Policy Manual is devoted to explaining and outlining the format and procedure for evaluating Board members' performance. The availability of the structured format for Board members' evaluation assists the members in discharging their duties effectively and efficiently.

The Group believes that the Board has carried out its duties and responsibilities in ensuring the Group is properly managed and constantly improved so as to protect and enhance shareholder's value, and to meet the Group's obligations to all parties with which the Group interacts – its stakeholders.

The Board views that the number and composition of the current Board members is sufficient and well-balanced for the Company to carry out its duties effectively, whilst providing assurance that no individual or small group of individuals can dominate the Board's decision making.

A statutory declaration is made to Bursa Malaysia Securities Berhad ("Bursa Malaysia") by all Independent Non-Executive Directors in their individual capacity to the effect that they are independent in compliance with the Listing Requirements.

The Position Description for the Chairman and for the Managing Director is prescribed in the Board Policy Manual. At the end of each financial year the Board will set Key Performance Indicators ("KPI") that should be achieved by the management for the next financial year.

There is clear segregation of duties between the Chairman and the Managing Director. The Board is led by the Chairman, Dato' Kamaruzzaman Abu Kassim whose principal responsibility is to ensure the effective running of the Board and independent of the management. The current Chairman has never held the post of the Managing Director of the Company.

The post of the Managing Director or the Chief Executive Officer of the Group is held by Ahamad Mohamad whose primary task is to report, communicate and recommend key strategic and operational matters and proposals to the Board for decision making purposes as well as to implement policies and decisions approved by the Board. The Non-Independent Non-Executive Directors are from varied business and professional backgrounds and bring with them a wealth of experience that bear favourably in Board's decisions and policy formulations. Together, the Directors bring a wide range of business and financial experience relevant to the direction of the expanding Group.

The independence of each Independent Non-Executive Directors is safeguarded as none is involved in the day-to-day management of the Group and they do not engage in any business dealings or have other relationships with the Group. The presence of five (5) Independent Non-Executive Directors, representing more than a third of the total members with necessary calibre, ensures that the Board is well-balanced and could carry sufficient weight on Board's decisions. Although all the Directors have equal responsibilities for the Group's operations, the role of these Independent Non-Executive Directors is particularly important in ensuring that all business strategies proposed by the executive management are fully and independently discussed and assessed, and take into account the long-term interest, not only of shareholders, but also employees, customers, suppliers, and the many communities in which the Group operates. The Board is satisfied that the size and composition of the Independent Non-Executive Directors has fulfilled its requirement adequately.

The profiles of the Directors' are set out in pages 70 to 80 of the Integrated Annual Report.

Recommendation 1.7 of the MCCG 2012 states that the Board should formalise, periodically review and make public its Board Charter. The Company has in place a Board Policy Manual or Board Charter to assist the Board in discharging its duties effectively. The revised Board Charter has been approved by the Board of Directors of Kulim (Malaysia) Berhad on 24 June 2014. The Board Charter will adopt any changes to the MCCG 2012, the Main Market Listing Requirements, the Companies Act 1965 or any other relevant rules and regulations from time to time for Best Practices.

Among others, the Board Policy Manual covers the following important scopes:

The Independent Directors provide broader views, and an independent and balanced assessment of proposals. The Board has appointed Tan Sri Dato' Seri Utama Arshad Ayub as the Senior Independent Non-Executive Director of the Board to whom concerns of the Group may be conveyed.

Over and above the issue of independence, each Director has a continuing responsibility to determine whether he has a potential or actual conflict of interest in relation to any material transaction or matter which comes before the Board. Such situation may arise from external associations, interests or personal relationships. Each Director is required to disclose any interest in a transaction. If so, the Director must abstain from the deliberations and decisions of the Board on the subject.

DIRECTORS' REMUNERATION

The Board believes that the levels of remuneration offered by the Group are sufficient to attract Directors of calibre and with sufficient experience and talents to contribute to the performance of the Group. Comparison with similar position within the industry and other major public listed companies is made in order to arrive at a fair rate of remuneration. The Board will determine the level of remuneration paid to members, taking into consideration the recommendations of the Board Nomination and Remuneration Committee.

Non-Executive members will be paid a basic fee as ordinary remuneration and will be paid a sum based on their responsibilities in Committees and the Board and/or special skills and expertise they bring to the Board. The fee shall be fixed in sum and not by a commission on or percentage of profits or turnover. Any fee paid to an alternate Director shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

Directors shall also be entitled to be paid all reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors, including any expenses incurred in attending Board meetings or a Committee of Directors or general meetings.

In determining the level of remuneration for non-executive members, the Board may commission a survey of the remuneration levels of the Non-Executive Directors, to be carried out either by external consultants or senior management. The survey should cover the remuneration level of Non-Executive Directors of an organization in a similar industry, size and location. This report shall be tabled and a presentation shall be made to the Board for deliberation. The considerations that the Board should take into account include:

- membership of Non-Executive Directors in committees;
- whether the Director is an ordinary member or chairman of the committee; and
- any special responsibilities that the Board has assigned to the member.

A review of the remuneration of Non-Executive Directors will be undertaken every year. The level of remuneration for each Director shall be ratified at the AGM of shareholders.

Executive members will receive no fees but will be paid as employees of the Company in accordance with their contracts of employment with the Company. The remuneration package for Executive members shall be reviewed by the Board Nomination and Remuneration Committee and may not include a commission on or percentage of turnover.

In determining the remuneration of Executive Members, the Board Nomination and Remuneration Committee should consider the contributions made by the Executive members, and the effectiveness of the Executive members in meeting established objectives and goals. The Board Nomination and Remuneration Committee should then recommend the remuneration package of the Executive members to the Board for approval.

The details of the remuneration of each Director paid by the Company during the year are as follows:

	Basic Salary	Fees / Allowances / ESOS / Other emoluments	Bonuses	Benefit in-kind	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Executive Directors					
Ahamad Mohamad	1,018	743	759	36	2,556
Abdul Rahman Sulaiman	337	145	281	40	803
Jamaludin Md Ali	563	697	400	22	1,682
Non-Independent Non-Executive Directors					
Dato' Kamaruzzaman Abu Kassim	-	185	-	33	218
Zulkifli Ibrahim	-	121	-	-	121
Rozaini Mohd Sani	-	96	-	-	96
Independent Non-Executive Directors					
Tan Sri Dato' Seri Utama Arshad Ayub	-	142	-	-	142
Tan Sri Datin Paduka Siti Sa'dah Sh Bakir	-	96	-	-	96
Dr. Radzuan A. Rahman	-	133	-	-	133
Datuk Haron Siraj	-	106	-	-	106
Leung Kok Keong	-	108	-	-	108
TOTAL	**1,918**	**2,572**	**1,440**	**131**	**6,061**

Notes: Total Directors' Remuneration of RM6,061,000 differs from those reported under Audited Financial Statement of RM6,622,000 mainly due to recognition of cost of ESOS pursuant to FRS2: Share-based Payment, which was determined by the fair value at the date when the grant is made using an appropriate valuation model.

On 31 December 2013, the Company established its second ESOS at Option Price of RM3.05, applicable throughout the 5-year ESOS tenure ending 30 December 2018. The Option price has been adjusted to RM2.69 pursuant to the distribution of special dividend with effect from 13 March 2015. The details of respective Director's entitlement of the ESOS are as follows:

	ESOS Entitlement	ESOS Exercised in 2014	ESOS Exercised in 2015	Total ESOS Exercised as at 15 March 2016	Balance
	Unit	Unit	Unit	Unit	Unit
Dato' Kamaruzzaman Abu Kassim	1,000,000	200,000	-	-	800,000
Ahamad Mohamad	500,000	-	-	-	500,000
Tan Sri Dato' Seri Utama Arshad Ayub	150,000	-	150,000	-	-
Tan Sri Datin Paduka Siti Sa'diah Sh Bakir	150,000	100,000	-	-	50,000
Zulkifli Ibrahim	150,000	-	150,000	-	-
Jamaludin Md Ali	250,000	50,000	50,000	-	150,000
Datuk Haron Siraj	150,000	-	60,000	90,000	-
Dr. Radzuan A. Rahman	150,000	-	150,000	-	-
Leung Kok Keong	150,000	-	-	150,000	-
Abdul Rahman Sulaiman	250,000	50,000	-	200,000	-
TOTAL	**2,900,000**	**400,000**	**560,000**	**440,000**	**1,500,000**

CORPORATE GOVERNANCE REPORT

BOARD PERFORMANCE EVALUATION

The purpose of the Board Evaluation is to assess the processes by which the Board fulfils its responsibilities, including those provided by the Malaysian Code on Corporate Governance and outlined by the Board Policy Manual. Regardless of whether all or some of these responsibilities have been delegated to Board Committees, the responsibilities still form part of the Board Evaluation as the Board is ultimately accountable.

The Board, through its Nomination Committee, undertakes a rigorous evaluation each year in order to assess how well the Board, its committees, the Directors and the Chairman are performing including assessing the independence of Independent Directors after taking into account the individual Director's capability to exercise independent judgement at all times. The evaluation covers the Board's composition, skills mix, experience, communication, roles and responsibilities, effectiveness as well as conduct. All Directors complete a questionnaire regarding the Board and Committees' processes, their effectiveness and where improvements may be considered. The process also includes a peer review in which Directors assess their fellow Directors' performance against set criteria, including the skills they bring to the Group and the contribution they make. The Company Secretary reported the outcome of the evaluation exercise to the Nomination Committee and then to the Board for review.

Following the performance evaluation process for 2015, which was conducted in January 2016, the Directors have concluded that the Board and its Committees operate effectively. Additionally, the Chairman has concluded that each Director continues to make an effective contribution to the work of the Board, is well prepared and informed concerning items to be considered by the Board, has a good understanding of the Group's business and their commitment to the role remained strong.

The elements used in the Board Assessment process:

ADDING VALUE

- The Board determines and periodically reviews the Company's purpose, values and core business and, the strategy to achieve its purpose.
- The Board regularly monitors and evaluates the implementation and success of strategies, governance matters and business plan.

MANAGEMENT DEVELOPMENT

- Communication with the Managing Director.
- Review the performance of the Managing Director
- Adequate training, effective performance-based pay and succession planning for the management and employees.

ACCOUNTABILITY

- The Board to comply with all regulations, laws, requirements, Code of Best Practices/Ethics and policies and procedures relating to the financial information in Board's meeting, open communication, shareholders value in decision making, auditing risk issues etc.

BOARD PROCESS

- The Board's capability - Board's performance assessment, new appointment, Director development, clear information on Board's meeting, etc.

SHAREHOLDER RELATIONSHIP

- The Board demonstrates and promotes the values of transparency, accountability and responsibility to relevant stakeholders.

FOSTER COMMITMENT

All new Directors who are appointed from among the Group's senior executives must attend an internally-administered Directors' course and pass the examination set prior to being eligible for appointment to the Board. All new Directors will be given comprehensive briefing of the Group's history, operations and financial control systems in order to provide them with first-hand knowledge of the Group's operations. In the light of increasing complexities in global markets as well as within the industry, in financial reporting and in shareholders' expectations, training is an ongoing process in an effort to help Directors to stay abreast of relevant new developments.

DIRECTORS' TRAINING

The Company complies with the requirements set out in the amendments to the Listing Requirements, that it regularly assesses the training needs of its Directors to ensure that they are equipped with the requisite knowledge and competencies to make effective contribution to the Board's functioning. Directors have devoted sufficient time to carry out the responsibilities, regularly update their knowledge and enhanced their skills as promoted in Principle 4 of the MCCG 2012.

All Directors have successfully completed the Mandatory Accreditation Programme ("MAP") prescribed by Bursa Malaysia. The Continuous Education Programme ("CEP") was repealed by Bursa Malaysia with effect from 1 January 2005 and Directors who were required to fulfil this programme complied with the deadline before the due date. Nevertheless, Directors are encouraged to continue attending various training programmes that are relevant to discharge their responsibilities.

Training programmes, seminars and briefings attended by the Directors during the year were, among others:

COURSE ATTENDED	DIRECTOR	DATE
Brilliant Investment Strategies in Current Economic Climate	Leung Kok Keong	13 November 2015
National GST Conference 2015 National Tax Conference 2015 MIA International Accountants Conference 2015	Rozaini Mohd Sani	20 January 2015 25 & 26 August 2015 26 & 27 October 2015
KPMG Corp – Balancing Rules & Practices Revisiting Directors Statutory Obligations Board Chairman Series Part 2 : Leadership Excellence From The Chair Board Chairman Series : Tone from the Chair & Establishing Boundaries CG Breakfast Series with Directors "Future of Auditor Reporting"	Tan Sri Dato' Seri Utama Arshad Ayub	11 May 2015 21 May 2015 27 July 2015 15 September 2015 21 September 2015
Participation in Financial Institutions Development Education ("FIDE") Forum FIDE Forum on Industry Consultation for Non-Executive Directors Insurance Industry Session with Honorable Sheila Bair Second Annual Malaysia's War on Corruption	Datuk Haron Siraj	5 February 2015 6 May 2015 28 October 2015 11 – 12 November 2015
Second Annual Malaysia's War on Corruption	Tan Sri Datin Paduka Siti Sa'diah Sh Bakir	11 – 12 November 2015

The Board is gratified with the time commitment given by all the Directors towards fulfilling their roles and responsibilities. This is evidenced by the attendance record of the Board meetings and number of directorship in Public Listed Companies ("PLC") held by the individual Directors which are at the maximum of five (5) PLCs. This will enable Directors to sustain their active participation in Board discussion and have a sufficient time to execute their responsibilities.

UPHOLD INTEGRITY IN FINANCIAL REPORTING

FINANCIAL REPORTING

In presenting the annual financial statements and quarterly announcements to the shareholders, the Directors aim to present a balanced and candid assessment of the Group's position and prospects. This is in accordance with Principle 5 of the MCCG 2012 and also applies to other price-sensitive public reports and reports to regulators. Timely release of announcements reflects the Board's commitment to provide up-to-date and transparent information on the Group's performance.

In the preparation of the financial statements, the Directors will consider compliance with all applicable Financial Reporting Standards, provisions of the Companies Act 1965 and relevant provision of laws and regulations in Malaysia and the respective countries in which the subsidiaries operate. The Board is assisted by the Audit Committee who reviews both annual financial statements and the quarterly announcements to ensure the reports reflect a true and fair view of the state of affairs of the Group and Company.

Pursuant to Paragraph 15.15 of the Listing Requirements, the Audit Committee Report for the financial year which sets out the composition, terms of reference and a summary of activities of the Audit Committee, is contained on pages 192 to 197 of this Integrated Annual Report.

STATEMENT OF DIRECTORS' RESPONSIBILITY IN PREPARING AUDITED FINANCIAL STATEMENTS

The Directors are required by Companies Act 1965 to prepare financial statements for each financial year which have been made out in accordance with the applicable approved accounting standards and give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and of the results and cash flows of the Group and Company for the financial year.

In preparing the financial statements, the Directors have:

- adopted suitable accounting policies and applied them consistently;
- made judgment and estimates that are reasonable and prudent;
- ensured that all applicable Financial Reporting Standards in Malaysia have been followed; and
- prepared the financial statements on the going concern basis as the Directors have a reasonable expectation, having made enquiries that the Group and Company have resources to continue in operational existence for the foreseeable future.

The Directors have responsibility for ensuring that the Group and the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Group and the Company which enable them to ensure that the financial statements comply with the Companies Act 1965.

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

RELATIONSHIP WITH THE EXTERNAL AUDITORS

The Board through the Audit Committee has maintained a formal procedure of carrying out an independent review of all quarterly reports, annual audited financial statements, External Auditor's audit plan, reports, internal control issues and procedures. The Committee meets with the External Auditors without the presence of the Executive Board and Senior Management at least once a year. During the year, two (2) meetings have been conducted without the presence of the management. Representatives from the External Auditors are also invited to attend every Annual General Meeting.

The role of the Audit Committee in relation to the External Auditors is described on page 195.

RECOGNISE AND MANAGE RISKS

The Group recognised that it is obliged to systematically managed and regularly review its risk profile at a strategic, financial and operational level. The Group has done this by developing and adopting risk management framework that determines the process and identifies tools for realising its objectives. Not only does it minimise its risk but also maximises its opportunities. It enhances the Company's capability to respond timely to the changing environment and its ability to make better decision. This is in accordance with Principle 6 of the MCCG 2012.

The Board has also established an internal audit function which is led by a Certified Internal Auditor ("CIA") who reports directly to the Board of Audit Committee and is responsible for providing independent assurance to the Board on the effectiveness of internal control.

The Group's Statement on Risk Management and Internal Control are set out on pages 183 to 191.

TIMELY AND HIGH QUALITY DISCLOSURE; AND STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

CORPORATE DISCLOSURE

In line with the Group's commitment as stated in Principle 7 of the MCCG 2012, the Group continually ensures that it maintains a high level of disclosure and communication with its shareholders and stakeholders through various practicable and legitimate channels. The Group is duty-bound to keep the shareholders and investors informed of any major developments and changes affecting the Group.

Communications are primarily effected through announcements via Bursa Securities Link, meetings, briefings, press releases and conference calls. In addition, the Group has established its official website at www.kulim.com.my which investors and shareholders can access for information. The website has been revamped in 2015 in conjunction with the issuance of Kulim's Integrated Annual Report 2014. It will be continuously improved to include more relevant information to investors and to better facilitate its navigation and reference from the Integrated Annual Report.

Meetings and briefings are held regularly with shareholders, investors, research analysts, bankers and the press to explain and expand on Group's latest performance results, current developments and future directions. During meetings, participants are encouraged to pose any question to the Board members or the senior management team of the Group to seek any clarification or explanation on any issues. Whilst these forms of communications are important, the Group takes full cognisance of its responsibilities to not disclose any price-sensitive information.

ANNUAL GENERAL MEETING ("AGM")

The AGM is a vital platform for dialogue and interaction with the shareholders of the Company. The shareholders are given sufficient time through an early notice of AGM which allows them to make necessary arrangements to attend, participate and to vote on the regular businesses of the meeting by show of hands. Each item of special business included in the notice of the meeting will be accompanied by detailed explanations. Separate resolutions are proposed for substantially different issues at the meeting and the Chairman declares the number of proxy votes received both for and against each resolutions. The resolutions passed at the meeting are released to Bursa Malaysia in a timely manner.

Besides the usual agenda, the Board also presents the progress and performance of the Group at each AGM. Shareholders, including the minority shareholders, are encouraged to participate and raise questions during the question and answer session with the Directors. All Board members, senior management and the external auditors are present to respond to questions from the shareholders during AGM. Where appropriate, the Chairman will undertake to provide a written answer to any significant question that cannot be readily answered at the meeting.

Other than the Board Chairman and the Managing Director, the shareholders or any stakeholders may convey any concerns that they may have to Tan Sri Dato' Seri Utama Arshad Ayub, an Independent Non-Executive Director and Chairman of the Audit Committee.

INVESTOR RELATIONS

Investor Relations ("IR") Activities undertaken during the financial year:-

IR Activities 2015	No. of times
IR Meetings	2
Conference calls	3
Company Visits	1

Senior Management Personnel in Investor Relations activities are:

- Jamaludin Md Ali, Executive Director
- Abdul Rahman Sulaiman, Executive Director
- Azli Mohamed, Vice President – Finance
- Abdul Shukor Abdullah, General Manager, Corporate Affairs

Other than that, the Board believes that the Company's Annual Report also serves as an important communication tool to the shareholders, investors and all stakeholders in general. As such, each year, the Company strives to produce a value-added and transparent reporting to its readers. The Company has adopted some of the key principles and concepts of the International Integrated Reporting Council's ("IIRC") Integrated Reporting Framework ("IRF") in 2014 Report – Kulim's first Integrated Annual Report ("IAR"), is a journey and we are still at an embryonic stage. Although we have yet to reach the full-fledge stage of IAR, we embodied further improvements in this IAR 2015, consistent in an integrated thinking approach and compilation of key information, for the benefit of the readers.

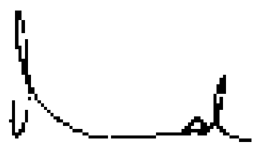
The Company acknowledges that stakeholder's engagement is crucial to sustainability and organisational success. Stakeholders' engagement enhances accountability by allowing an organisation to identify, understand and deliver the sustainable returns. Most importantly, it enable us to develop trust and transparency in our relationship with the stakeholders. The Stakeholders' Engagement is contained on pages 12 to 13 of this IAR that include the type of engagement between the Group and Employees, Business Partners, Investors/Shareholders, Media, Workers, Suppliers, Communities and Out-growers, Customers, Government and Regulators, NGOs and Unions.

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. All related party transactions are reviewed by the internal auditors and a report on the reviews conducted is submitted to the Audit Committee for their monitoring.

Details of the transactions entered into by the Group during the financial year ended 31 December 2015 are set out on pages 306 to 310 of this Integrated Annual Report.

This Statement is made in accordance with the approval by the Board of Directors made on 25 February 2016.



Dato' Kamaruzzaman Abu Kassim
Chairman

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

THE BOARD OF DIRECTORS OF KULIM (MALAYSIA) BERHAD ("THE BOARD") IS PLEASED TO PROVIDE THE STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL PURSUANT TO PARAGRAPH 15.26(B) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD AND THE REVISED MALAYSIAN CODE ON CORPORATE GOVERNANCE 2012 ("MCCG 2012") THAT REQUIRES DIRECTORS OF LISTED COMPANIES TO INCLUDE A STATEMENT IN THEIR ANNUAL REPORTS ON THE STATE OF THEIR INTERNAL CONTROL AND TO ESTABLISH A SOUND RISK MANAGEMENT FRAMEWORK AND INTERNAL CONTROL SYSTEM.

THE STATEMENT IS PREPARED IN ACCORDANCE WITH THE "STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL: GUIDELINES FOR DIRECTORS OF LISTED ISSUERS". THESE GUIDELINES 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.

BOARD'S RESPONSIBILITIES

The Board 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 reviewing the effectiveness, adequacy and integrity of this system.

The Board recognises the importance of sound risk management and internal control system practices to good corporate governance with the objective of safeguarding the shareholders' investment and the Group's assets.

Good corporate governance practices contribute towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long-term shareholders' value, whilst taking into account the interests of other stakeholders.

The Group has in place an ongoing control structure and process for identifying, analysing, evaluating and managing the significant risks in the achievement of strategy, policies and business objectives throughout the financial year under review up to the date of approval of this statement. This process is regularly reviewed by the Board with assistance from the management. The Board retains overall responsibility for implementing and monitoring the internal control and risk management process within the Group.

The 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, 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, the management needs to consider the expected cost and benefits to be derived from the implementation of the internal control system.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

RISK & ISSUES MANAGEMENT COMMITTEE

Zainuriah Abdullah
Member

Satira Omar
Member

Jamaludin Md Ali
Chairman

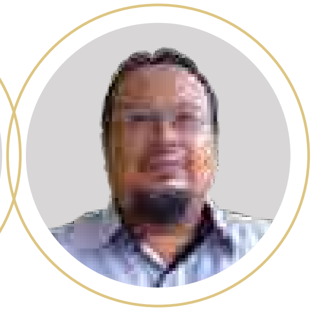
Shahrom Mohd Saad
Member

Mohd Akhir Wanteh
Member

Mohd Radzi Mohamed
Member

Razali Hamzah
Member

Nina Sapura Rahmat
Member

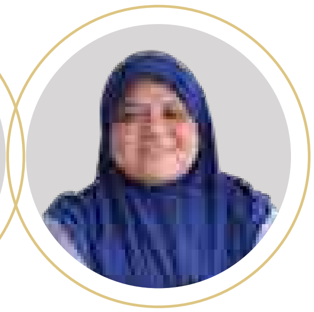


Azizan Yaman
Member

Mohd Sha'zani Abdul Karim
Member

Salim Asmu
Member

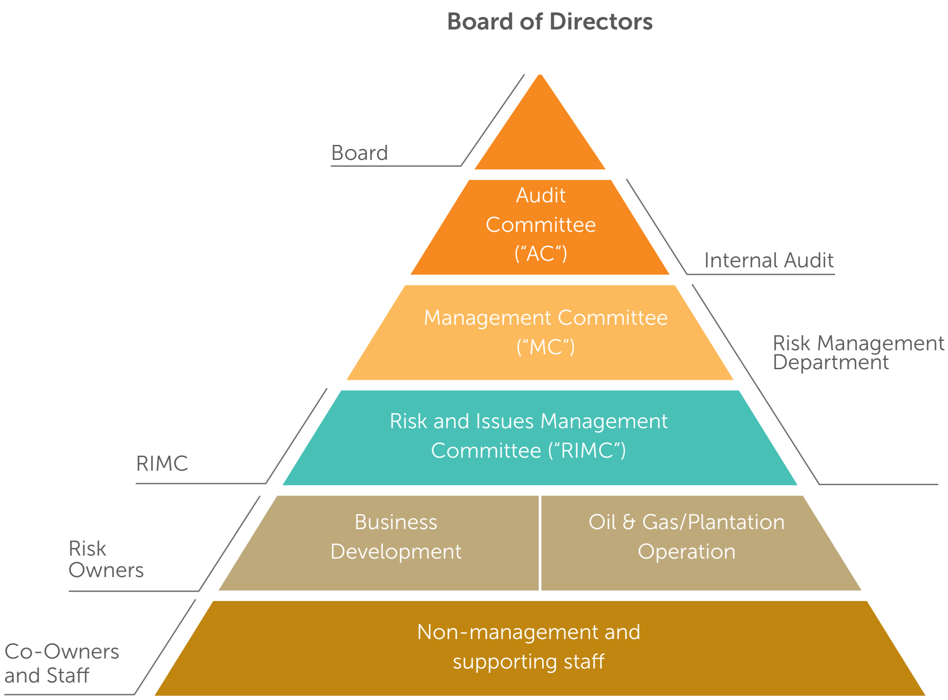
Fahrurozi Ahmad
Secretary



Nor'ain Mohd Nasir
Assistant Secretary

RISK MANAGEMENT FRAMEWORK

To ensure that effective corporate governance is practised throughout the Group, the Group adopts an Enterprise Risk Management ("ERM") framework which incorporates the principles and guidelines of ISO 31000:2009 Risk Management. The framework determines the process and identifies tools for realising the Group's objectives aside from supporting and sustaining risk management throughout the organisation. It supports the Group's efforts to achieve the highest levels of corporate governance, including the creation of value in the short and long-term.



Third line of defense

Function that provides independent assurance.

- Audit Committee
- Nomination and Remuneration Committee ("NRC")
- Internal Audit

Second line of defense

Function that oversees risks.

- Risk and Issues Management Committee
- Risk Management Department
- Central Credit Control Committee
- Legal and Compliance Officer

First line of defense

Function that owns and manages risks.

- Managing Director
- Management & Staff

The Group recognises that it is obliged to systematically manage and regularly review its risk profile at a strategic, financial, compliance and operational level. The Group has two (2) committees that have risk management and internal control oversight responsibilities, namely Audit Committee ("AC") and Risk and Issues Management Committee ("RIMC").

The AC assesses the quality and effectiveness of the systems of internal control and the efficiency of the Group's operations, particularly those relating to areas of significant risks. The AC also evaluates the process the Group has in place for assessing and continuously improving internal controls. A comprehensive risk management and internal control review report is tabled to the AC twice a year for its review and appraisal of the state of affairs of the Group's risk management and internal control system. Any event which may compromise the effectiveness of the systems of internal control and endanger the achievement of the Group's objectives, shareholders' investments and the Group's assets will be brought to the Boards' attention.

The RIMC is chaired by an Executive Director of the Group; and represented by senior management from all functions of the Group. The Committee met four (4) times in 2015. 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 control and to ensure proper management of risks to which the Group is exposed and to take appropriate and timely actions to manage such risks.

On an annual basis, the Internal Audit function assists the AC in reviewing the effectiveness of risk management and internal controls and providing an independent view on specific risks and control issues, the state of internal controls, trends and events.

The ERM risk reporting structure; risk management and internal controls are intertwined within the Group's activities at a strategic and operational level.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The structure of the ERM risk reporting promotes the active participation of executive management in all of the operational and strategic decisions affecting their business units. A strong culture of ownership and accountability is built through a clear identification of specific roles and responsibilities of the Board, Audit Committee, Management Committee, RIMC, Risk Management Department, Risk Owner, Risk Co-Owner, Internal Audit Department and all Staff.

The unambiguous identification of roles and responsibilities among these groups promotes improved accountability so that there are neither gaps in controls nor unnecessary duplications of coverage. This has also improved the control owner's understanding of the boundaries of their responsibilities and how their positions fit into the organisation's overall risk and control structure.

The Three (3) Lines of Defense make a distinction among three (3) groups involved in effective risk management. As the first line of defense the management owns and manages risks. They are also responsible for implementing corrective actions to address process and control deficiencies.

The second line of defense ensures that the first line of defense is properly designed, in place, and operating as intended. As management functions, they may intervene directly in modifying and developing the internal control and risk systems.

On the third line of defense, the AC and NRC have an important role in the Group's overall corporate governance, risk management and internal control structure. Internal audit provides assurance on the effectiveness of governance, risk management, and internal controls, including the manner in which the first and second lines of defense achieve risk management and control objectives.

The key success factors of the Group's risk management process are active contribution and communication at operational or strategic level. 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 project feasibility studies. This will ensure the Group has reliable information and appropriate plans to handle the changing environment.

The Group's ERM approach which prioritises risks according to their likelihood and impact goes through the following steps:

- **Department or Business Unit Risk Assessment:**
  The risk owner performs an exercise to identify and assess risks. The main sources of reference used at the identification phase are the business plans and budgets, prior risk assessments, financial and production performances, litigation, board and annual reports, and historical data. The exercise also covers Hazard Identification, Risk Assessment & Risk Control ("HIRAC"). The risk owner updates their risk register to the Risk Management Department on a quarterly basis. The risk level is determined according to their respective financial or non-financial risk parameter.

- **Presentation to the RIMC:**
  The Risk Management Department 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, so as to provide a reasonable assurance that the likelihood and impact of the adverse event is within a manageable and acceptable level. The level of likelihood of a particular outcome actually occuring, including a consideration of the frequency of the event is determined using an approved likelihood parameter. The impact, of an event is similarly evaluated using an approved financial or non-financial impact parameter. On a quarterly basis, the Group Chief Risk Officer will present all the risks and its mitigation actions from the departments and business units to the RIMC. The RIMC will review, rank and debate the risk ratings, control effectiveness, risk treatment options and risk action plans identified by the risk owners.

- **Compilation of Group Risk Profile:**
  The Group Chief Risk Officer extracts all the endorsed top risks as tabled in RIMC as the Group Risk Profile in accordance with the Group's financial or non-financial risk parameter.

- **Audit Committee Review:**
  A risk management report is tabled to the AC on a quarterly basis and to the Board on a half-yearly basis. The AC provides an objective view on the Top Group Risks, requests and challenges risk information from the business and acts as change catalyst in risks and control areas in the Group.

- **Internal Audit Review:**
  Reviews the effectiveness of risk management and internal controls and provides an independent view on specific risks and control issues, the state of internal controls, trends and events.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

In ensuring the Group achieves its objectives, sustains the businesses and continues to add value to the stakeholders in the short, medium and long-term, the risk management process and approach is tailored to Kulim's structure and its constantly changing environment to ensure that the 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 the Group's management of risks and its risk management culture.

A separate risk management function also exists within the Group's listed subsidiary with the establishment of its own RIMC 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 iterative process. The benefits arising from effective risk management processes is the creation of awareness of risks among employees of different departments. This significantly enhances the Risk Ownership factor across the Group.

TOP FIVE (5) GROUP RISKS

The following represents the Group's top strategic and operational risks that 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 over the short, medium and long term.

Risk Factors	Mitigating Strategies
Economy-wide phenomena which affect the rate of growth, CPO 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. ✓ Taking into account forecasts of market conditions. ✓ Enhance the productivity, efficiency and utilisation of available resources, while simultaneously abiding to the principles of sustainability. ✓ Continuous effort in cost saving initiatives and prudent CAPEX and OPEX management.
Replacement of Investment is critical in ensuring growth and business continuity.	✓ Continuously explore and secure new opportunities. ✓ Comprehensive assessment and feasibility study for each new investment. ✓ Incorporate good governance and internal controls practices.
New Investment's Risks with regards to the industry, laws and regulations, politics, country and local risks.	✓ Revisit and strengthen the strategy to ensure the success of the investment. ✓ Putting in place workable internal control and monitoring framework including corporate and systems infrastructure. ✓ Proactive engagement with business partners and local stakeholders.
Liquidity Risk on existing and future funding requirements which could change the Group's gearing level and risk exposure on interest rate and foreign exchange.	✓ 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. ✓ Monitor the agreed covenants with the lenders.
Safety, Health and Environment ("SHE") commitment towards building a fair, ethical and responsible company.	✓ Ensuring that SHE's related issues are preventable; establish a workable and consistent approach to ensure no repetitive occurrences. ✓ Embraces the principles of sustainable development in respect of People, Planet and Profit – ensuring the future generations will continue to benefit from today's actions. ✓ Embarks in various initiatives in achieving the emissions reduction targets.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

CONTROL ENVIRONMENT AND CONTROL ACTIVITIES

Key to the Group's Internal Control and Risk Management process is its Control Self-Assessment ("CSA") process. The process is a recognised and flexible management tool for acquiring information about business process risks, while empowering the risk owners to undertake responsibility for managing those risks. Risk assessment and evaluation form an integral part of the annual strategic cycle. The Board, as part of the annual strategic review, considers and approves the Group's risk structure.

The Board has adopted a control framework for ensuring the achievement of the Group's established objectives and that the Group's business operations are effectively managed.

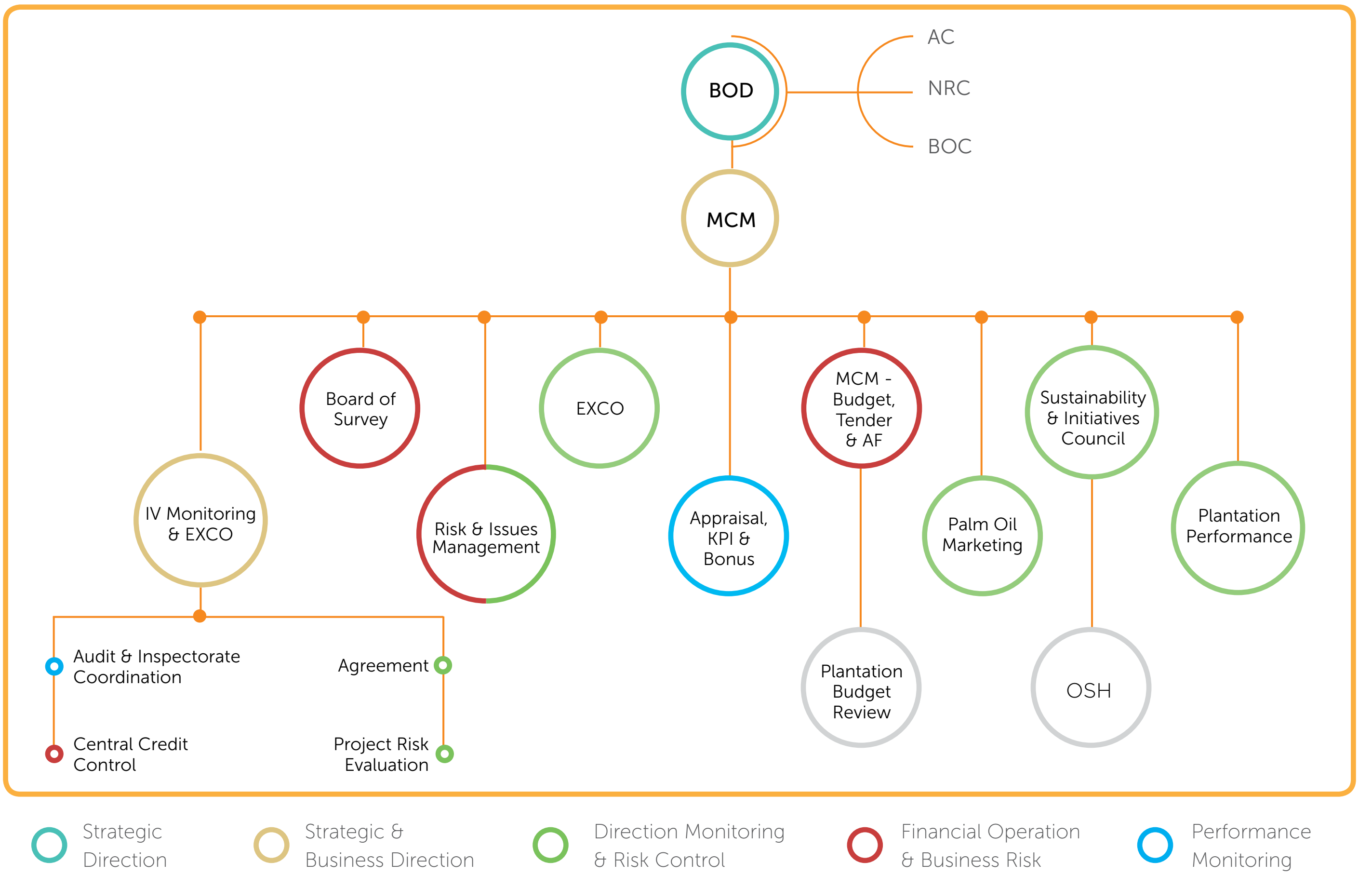
The key elements of the Group's system of internal control are as follows:

BOARD AND MANAGEMENT COMMITTEES

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.

Committee Structure



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

BOARD COMMITTEE

NAME OF COMMITTEE	PRIMARY FUNCTION
Audit Committee ("AC")	To assist the Board in maintaining a sound system of internal control by ensuring the openness, integrity and accountability of the Group's activities so as to safeguard the rights and interest of the shareholders.
Nomination and Remuneration Committee ("NRC")	To oversee the selection and assessment of directors by development, maintenance and review of the criteria to be used in the recruitment process and annual assessment of directors. The Committee is also responsible for establishing formal and transparent remuneration policies and procedures to attract and retain directors.
Board Option Committee ("BOC")	To administer the ESOS in accordance with the By-laws of the Scheme. To review and amend at any time and, from time to time, any provision of the By-laws.

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.
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, Tender and Additional Capital & Revenue Expenditure ("MCM – Budget, Tender & AF")	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 and all requests pertaining to capital and revenue spending and to recommend them for the ratification of the MCM.
Risk and Issues Management Committee	To conduct risk identification, evaluation and review of risk treatment process on a periodic basis to ensure that the Group is managing risks effectively. Further details on the Committee are set out in pages 183 to 186.
Plantation Performance Committee	To ensure that estates and mills owned and managed by the Group operate in accordance with Group's requirements and at the best possible standards.
Palm Oil Marketing Committee	To review and decide on the appropriate selling arrangement, quantity and prices of the Group's palm products.
Board of Survey	To review all requests pertaining to write-off or write-back of fixed assets, debtors, stocks and creditors and recommend them for the ratification of the MCM.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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.
Appraisal, KPI and Bonus Committee	To deliberate on performance, KPIs, behavioural competencies and recommend appropriate increments, promotions and merit of all executives and corporate office staff.
Plantation Budget Review	To ensure that the Plantation Operation budget is prepared with the objective of maximising the long-term profitability of the Group's oil palm plantations, and at the same time, maintaining their sustainability.
OSH Committee	To foster cooperation and consultation between the management and workers in identifying, evaluating and controlling hazards at workplaces.

The Company has also established committees to ensure the effective management and supervision of the Intrapreneur Venture ("IV") companies.

COMMITTEES FOR INTRAPRENEUR VENTURES

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. To evaluate viability of projects, proposals, funding, capital expenditure or capital adequacy of the IV companies.
Central Credit Control Committee	To appraise the IV companies on its financial health, performance and compliance to Malaysia Financial Reporting Standards ("MFRS"), Income Tax Act and internal controls of the IVs which are related to credit control.
Project Risk Evaluation Committee	To ensure that IV companies/projects are being run, coordinated and managed at the best possible standards and in compliance with the Group's requirements and risk management policies.
Audit and Inspectorate Coordination Committee	To monitor the Internal Control System and recommend improvement of the Internal Control System and practices to achieve the company's objectives. To ensure that the operations of IV companies are in compliance with laws and regulations and the Group's Code of Conduct and Business Ethics and that the IV companies are being managed in line with the aspiration and expectations of Kulim.
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.

ORGANISATION STRUCTURE

The Board has established a formal organisation structure for the Group with delineated lines of authority, responsibility and accountability. The organisation structure is formed by focusing both on 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 the Group to achieve business objectives.

The structure supports the 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. Their performance is measured against Key Performance Indicators which have been approved by the Board.

OTHER ELEMENTS OF INTERNAL CONTROL

Apart from the committees and parties mentioned in the Corporate Governance Statement, the Audit Committee Report and sections above, the other elements of the Group's Internal Controls are as follows:

FINANCIAL AUTHORITY LIMIT

The Financial Authority Limit 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 budget.

BUDGET APPROVAL

Budget is an important control mechanism used by the Group to ensure an efficient allocation of Group's resources and that the operational managers have sufficient guidance in making business decisions. Budgets are generated annually at each subsidiary and operating unit.

For the plantation units, budgets will be reviewed by the Regional Controllers followed by their presentation to the Plantation Budget Review Committee for further deliberation.

Significant subsidiaries will have their budgets reviewed by their own budget committee. All budgets will then be presented for deliberation at the MCM - Budget, Tender and AF Committee, and subsequently will be tabled to MCM for approval and endorsement. Finally the budgets will be presented to the Board for final review and approval.

PROCUREMENT

A centralised and coordinated procurement function is established at each of the Group's key business division which enables the Group to leverage on economies of scale and ensures adherence to authority limits, policies and procedures.

Major contracts and supply works of both capital and revenue in nature exceeding the defined threshold amounts in the relevant contract procedure are required to be tendered out. Eligible bidders for contract works will need to attend a contract interview with the Contract Interview Committee, which is made up of representatives from several departments at the divisional head-quarter including the acquiring unit's Manager. The Contract Interview Committee will then forward the recommendations to the MCM - Budget, Tender and AF Committee for further review and approval.

OPERATING AND PROCEDURAL MANUALS

The Group has reference manuals covering agricultural practices, procurement, financial operating system and financial policies and procedures. These will assist and guide employees on purchasing and contract awards, preparing of financial statements, observing the various internal control policies and procedures, as well as maintaining good management practices to ensure cost efficiencies, integrity of financial records and to safeguard the Group's assets. The Board believes that all these control measures will significantly enhance the internal control of the Group.

FORWARD SALES POLICY

The Group has in place a forward sales policy for its palm products which has been approved by the Board. For Malaysian palm oil products, the Group adopts a forward policy covering a maximum of six (6) months and 90% of the Group's own fruits.

REGULATORY COMPLIANCE

The Group adheres strictly to health, safety and environmental regulations and is subject to regular inspections by the relevant government authorities.

For the Group's Plantation division, the Sustainability Department is responsible for ensuring that the plantation operations are conducted in accordance with applicable laws, regulations and quality standards.

WHISTLEBLOWING POLICY

The Group is committed to the highest standard of integrity, openness and accountability in the conduct of its businesses and operations. It aspires to conduct its affairs in an ethical, responsible and transparent manner.

This Policy was introduced in year 2013 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 Kulim's zero tolerance policy on fraud and corruption.

The Group views seriously any detrimental action taken against a whistleblower or any person related to or associated with the whistleblower in reprisal for a disclosure of improper conduct and will treat such action as gross misconduct.

This Policy aims to:

- encourage stakeholders to feel confident in raising serious concerns and to question and act upon concerns;
- provide avenues to raise those concerns and receive feedback on any action taken;
- ensure that whistleblowers receive a response and are aware of how to pursue further action if they are not satisfied; and
- provide reassurance that whistleblower will be protected from possible retaliation.

The Group has also established a Grievance Policy and Procedure as well as Women OnWards so as to allow employees to bring to the attention of the management of Kulim 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.

NO GIFT POLICY

The No Gift Policy was established in July 2014 as part of the Group's continuous to uphold the Anti-Corruption Principles through the Corporate Integrity Pledge that was signed in January 2014.

All employees and directors are required to demonstrate commitment to treating all people and organisations impartially, with unbiased professionalism and non-discriminatory actions in relation to all suppliers, customers, contractors, employees, potential suppliers, potential employees, and any other individual or organisation.

The Group will work towards creating a business environment that is free from corruption, protect the interests of the shareholders and will uphold the above principles in the conduct of its business.

CODE OF ETHICS

This Code of Ethics defines the standards of conduct that are expected of employees to help them make the right decision in the course of performing their jobs to the highest standards of ethic, integrity and governance. Among others, the Code also requires the employees to ensure the following:

- maintaining full and accurate company records;
- all assets and property 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; and
- deal with all team members with respect, courtesy and fairness.

All employees are required to adhere to the Group's Code of Ethics and to submit the Ethics Declaration Form annually.

MAINTAINING COMPLIANCE TO THE RSPO CERTIFICATION REQUIREMENT

Sustainability is a core value of the Group. Kulim has established its sustainability credentials by attaining RSPO certification. Safeguarding this reputation is critical to the organisation and the Group has put in place control measures in the form of appropriate policies, monitoring systems and procedures so as to minimise, if not prevent the risks of non-compliance with the requirements of RSPO. Among the key measures are:

- Site follow-up visits and inspections are conducted on periodic basis to review the status of compliance, weaknesses and gaps in the implementations of various programs, which is also in line with the requirements of Principle 8 of RSPO on Continuous Improvement;
- Key Performance Indicators ("KPI") affecting key aspects of the certification requirements are developed to complement the economic indicators, which are subject to regular monitoring on their achievement progress;

- RSPO trainings and briefings are conducted regularly to ensure changes and updates on RSPO requirements are communicated to all affected employees;
- In relation to the requirements of laws and regulation in the areas of safety and health, Kulim regularly collaborates with suppliers and contractors towards ensuring both parties' responsibilities in complying with the relevant legislations;
- Proper documentation and reference systems are established. These include Kulim Sustainability Handbook that sets out all the relevant policies to guide employees. All system documentation are monitored and controlled through the Document Annual Review; and
- In relation to the social impact of the business on the various levels of stakeholders, internal social impact assessments, guided by the SA8000 Standard are conducted on all Operating Units to identify shortcomings which are monitored through the Social Register.

REVIEW OF THIS STATEMENT

The External Auditors have been appointed by the Board to review this Statement on Risk Management and Internal Control and to report thereon.

This Statement on Risk Management and Internal Control has been reviewed by the External Auditors as required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements. The External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of the internal controls.

CONCLUSION

For the financial year under review and up to the date of issuance of the financial statements, the Board is of the view that the system of internal controls instituted throughout the Group is sound and effective and provides a level of confidence on which the Board relies for assurance. There has been no significant control failure or weakness or any adverse compliance events that would result in any material losses, contingencies or uncertainties that would require separate disclosure in the Integrated Annual Report.

The Board will ensure that the review of the internal control system of the Group be carried out continuously to ensure ongoing adequacy and effectiveness of the system of internal controls and risk management practices to meet the changing and challenging operating environment.

The Board's view is arrived at after taking into consideration the followings:

- consistent internal audit and risk management reports;
- periodic discussions and debates on the internal audit and risk management reports;
- continuous risk and internal control reviews in the Risk and Issues Management Committee and Management Committee involving the Managing Director ("MD") and the Chief Financial Officer ("CFO") that are debated and presented to the Audit Committee and the Board;
- assurance from the MD and the CFO that the Group's risk management and internal control system is operating adequately and effectively in all material aspects; and
- periodic management reports on the state of the Group's internal controls.

The Board is therefore pleased to affirm that the state of internal controls of the Group is adequate, appropriate and effective and in line with the Malaysian Code of Corporate Governance and the Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

AUDIT COMMITTEE REPORT

COMPOSITION AND ATTENDANCE

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015, THE AUDIT COMMITTEE CONSIST OF THREE (3) DIRECTORS, ALL OF WHOM ARE ALSO MEMBERS OF THE BOARD OF KULIM (MALAYSIA) BERHAD.

The composition of the Audit Committee is as follows:

Tan Sri Dato' Seri Utama Arshad Ayub
Chairman/
Independent Non-Executive Director

Dr. Radzuan A. Rahman
Member/
Independent Non-Executive Director

Leung Kok Keong
Member/
Independent Non-Executive Director

The attendance record of the members of the Audit Committee during the financial year 2015 is as follows:

Director	Date of Meetings				%
	16/2/2015	18/5/2015	17/8/2015	23/11/2015	
Tan Sri Dato' Seri Utama Arshad Ayub	✓	✓	✓	✓	100
Dr. Radzuan A. Rahman	✓	✓	✓	✓	100
Leung Kok Keong	✓	✓	✓	✓	100

The Terms of Reference of the Audit Committee are as follows:-

TERMS OF REFERENCE

PRIMARY PURPOSE

The primary purposes of the Audit Committee are:

1. To ensure openness, integrity and accountability in the Group's activities so as to safeguard the rights and interests of the shareholders;
2. To provide assistance to the Board in fulfilling its fiduciary responsibilities relating to corporate accounting and reporting practices;
3. To improve the Group's business efficiency, the quality of accounting and audit function and strengthening of public's confidence in the Group's reported results;
4. To maintain a direct line of communication between the Board and the External and Internal Auditors;
5. To enhance the independence of the external and internal audit functions; and
6. To create a climate of discipline and control, this will reduce the opportunity for fraud.

MEMBERSHIP

1. The members of the Committee shall be appointed by the Board of Directors of Kulim and shall consist of not less than three (3) members, all of whom must be Non-Executive Directors, with a majority of them being Independent Directors. If membership for any reason falls below three (3) members, the Board of Directors shall, within three (3) months of that event, appoint such number of new members as may be required to fulfill the minimum requirement.
2. No alternate directors shall be appointed to the Committee.
3. At least one (1) member of the Audit Committee:

   i. must be a member of the Malaysian Institute of Accountants ("MIA"); or

   ii. if he is not a member of MIA, he must have at least three (3) years of working experience and:

      - he must have passed the examinations specified in Part I of the 1st Schedule in the Accountants Act, 1967; or
      - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule in the Accountants Act, 1967; or
      - fulfils such other requirement as prescribed or approved by the Exchange.
4. The Committee Members shall collectively have:

   i. knowledge of the industries in which the Group operates;

   ii. the ability to read and understand fundamental financial statements, including a company's balance sheet, income statement, cash flows statement and key performance indicators; and

   iii. the ability to understand key business and financial risks and related controls and control processes.

AUTHORITY

The Committee for the performance of its duties shall in accordance to the same procedures adopted by the Board and at the cost of the Group:

1. Have the authority to investigate any activity within its Terms of Reference;
2. Have the resources which are required to perform its duties;
3. Have full and unrestricted access to any employee and information pertaining to the Group. All documents of the Group shall be made accessible to the Committee;
4. Have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity for the Group;
5. Have the authority to direct the Internal Audit Department (corporate, subsidiaries, associates, joint ventures, where applicable) in its activities, including approval of appointments of senior executives and budget in these functions; and
6. To be able to engage independent professional advisors or other advisors and to secure attendance of outsiders with relevant experience and expertise if it considers this necessary.

AUDIT COMMITTEE REPORT

MEETINGS

1. Meetings of the Committee shall be held not less than four (4) times during the financial year of the Company.

2. Upon the request of any member of the Committee, the Head of Internal Audit or the External Auditor, the Chairman of the Committee shall convene a special meeting of the Committee to consider any matter brought up by them.

3. The quorum for the meeting of the Committee shall be two (2) members and the majority of the members present shall be Independent Non-Executive Directors. In the absence of the Chairman, the members present shall elect a chairman for the meeting from amongst the members present.

4. The meetings of the Committee shall be governed by the provisions contained in the Memorandum and Articles of Association of the Company for regulating the meetings and proceedings of Directors unless otherwise provided in this Terms of Reference.

5. The Non-Executive Directors of the Board who are not members of the Committee may also attend the meeting of the Committee, but they shall not have any voting rights.

6. The meetings of the Committee shall normally be attended by the Head of Internal Audit and the Management of the Company shall be represented by the Managing Director and the Head of Finance, or their nominated person(s), at the invitation of the Committee and shall excuse themselves from the meeting when so directed by the Committee.

7. The Committee may request other directors, members of management, counsels, internal auditors (including subsidiaries) and External Auditors, applicable to participate in the Committee meetings, as necessary and when so invited, to carry out the Committee's responsibilities.

8. The Committee shall meet the External Auditors, the Internal Auditors or both, excluding the attendance of other directors and employees, whenever deemed necessary.

9. A Committee member shall excuse himself/herself from the meeting during discussions or deliberation of any matter which gives rise to an actual or perceived conflict of interest situation for the member. Where this cause insufficient directors to make up a quorum, the Committee has the right to appoint another director(s) which meets the membership criteria.

10. The Secretary of the Committee shall be the Company Secretary or his/her appointed nominee with the appropriate qualifications and experience.

11. The agenda for the Committee meeting shall be the responsibility of the Committee Chairman with input from the Committee members. The Chairman may also ask the management and others to participate in this process.

12. The notice and agenda of each meeting shall be circulated at least seven (7) working days before each meeting to the Committee members and all those who are required to attend the meeting. Written materials including information requested by the Committee, from the management, Internal Auditors and External Auditors shall be received together with the agenda for the meetings.

13. Reports of the Committee meeting shall be tabled at the meeting of the Board Directors of the Company.

14. The Committee, through its Chairman, shall report to the Board after each meeting.

15. The Chairman of the Committee shall be available to answer questions about the Committee's work at the AGM of the Company.

FUNCTIONS AND DUTIES

The Committee shall carry out the following responsibilities:

Financial Statements

1. Review and recommend acceptance or otherwise of major accounting policies, principles and practices.

2. Review the Group's quarterly results and annual financial statements of the Company and the Group before submission to the Board. The review should focus primarily on:

    i. any changes in or implementation of major accounting policy changes;
    ii. major judgmental areas, significant and unusual events;
    iii. significant adjustments resulting from audit;
    iv. the going concern assumptions;
    v. compliance with accounting standards; and
    vi. compliance with stock exchange and legal requirements.

3. Review with the management and the external auditors, the results of the audit, including any difficulties encountered.

4. Review, with the Group's Counsel, any legal matter that could have a significant impact on the organisation's financial statements.

INTERNAL CONTROL

1. Assess the quality and effectiveness of the systems of internal control and the efficiency of the Group's operations, particularly those relating to areas of significant risks. To evaluate the process the Group has in place for assessing and continuously improving internal controls.

2. Assess the internal processes for determining and managing key risks other than those that are dealt with by other specific Board committees.

3. Review the scope of Internal and External Auditors' review of internal control over the Group.

4. Review Internal Audit reports (including those of the Group) and the management's response and ensure that appropriate action is taken in respect of these reports and the Committee's resolutions. Where actions are not taken within adequate time frame by management, the Committee will report to the Board for its decision.

5. Review External Auditors' and the management's response and ensure that appropriate action is taken in respect of these reports and the Committee's resolutions.

INTERNAL AUDIT

1. Approve the Corporate Audit Charter and charters of the Internal Audit functions in the Group and ensure that the Internal Audit functions are adequately resourced and have appropriate standing in the Group. This includes a review of the organisational structure, resource budgets and qualifications of the internal audit functions.

2. Review the adequacy of the Internal Audit plans and the scope of audits and that the Internal Audit Department has the necessary authority, competency and resources to carry out its work.

3. Approve the appointment of the Head of Internal Audit.

4. Review appraisals or assessments of members of the Internal Audit functions.

5. Inform itself of resignations of Internal Audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

6. Direct any special investigations to be carried out by the Internal Audit.

EXTERNAL AUDIT

1. Review External Audit plans and scope of work before the audit commences.

2. Discuss problems and reservations arising out of external audits, including assistance given by the employees and any matters the auditors may wish to discuss, in the absence of Management or Executive Directors where necessary.

3. Nominate the External Auditors together with such other functions as may be agreed to by the Committee and the Board, and recommend for approval of the Board the external audit fees, and consider any questions of resignation or dismissal, experience, resources and capability.

COMPLIANCE

1. Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of the management's investigation and follow-up of any instances of non-compliance.

2. Review the findings of any examinations by regulatory authorities.

3. Obtain regular updates from the management and Group's legal counsel regarding compliance matters.

4. Review any related party transactions and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of the management integrity.

5. Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved, resulting in a breach to the Main Market Listing Requirements, the Committee must promptly report such matters to the Bursa Malaysia.

OTHER RESPONSIBILITIES

1. Review and reassess, with the assistance of the management, the External Auditors and legal counsel, the adequacy of the Terms of Reference of the Committee at least annually.

2. Confirm annually that all responsibilities outlined in the Terms of Reference have been carried out.

3. Perform other duties as directed by the Board.

AUDIT COMMITTEE REPORT

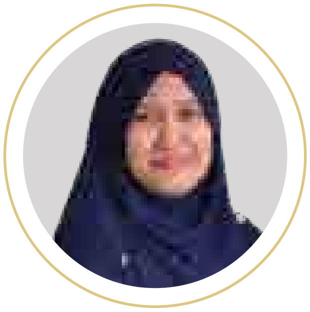
SUMMARY OF ACTIVITIES

During the period, the Audit Committee has carried out its duties and responsibilities in accordance with its terms of reference.

The main activities undertaken by the Audit Committee during the year were as follows:

Scope of Responsibilities	Activities
Financial	• Review of the Company's compliance, in particular the quarterly and year-end financial statements with the Main Market Listing Requirements of Bursa Malaysia and the applicable approved accounting standard issued by the Malaysian Accounting Standard Board.
Internal Control	• Review of the risk management development presented by Chief Risk Officer. • Review of the Group's risks, requests and challenges risk information and reviewing management's mitigation strategy.
Internal Audit	• Review and approval of the annual internal audit plan for the year 2015/2016. • Review of the Internal Audit activities related to management and operations, capacity, internal audit framework and of the analytical process and reporting procedures. • Review of the audit reports presented by the Internal Auditors and management's responses thereto and reviewing management's assurance that significant findings are adequately addressed. • Closed session with Internal Audit without the present management.
External Audit	• Review of the External Auditors' audit observations, the audit report and recommendations in respect of control weaknesses noted in the course of their audit. • Review of the audited financial statements for the financial year ended 31 December 2015 before recommending the same to the Board of Directors for approval. • Review of the quarterly unaudited financial results announcements before recommending them for the Board of Directors' approval.
Compliance	• Review of the extent of the Group's compliance with the relevant provisions set out under the Malaysian Code on Corporate Governance for the purpose of preparing the Corporate Governance Statement and Statement on Risk Management and Internal Control pursuant to the Main Market Listing Requirements. • Review of the related party transactions entered into by the Group.

INTERNAL AUDIT FUNCTION



Kasmawati Kasian
Head of Internal Audit

The Group's Internal Audit function is carried out by the Internal Audit Department ("IAD") and led by a Certified Internal Auditor ("CIA"). The IAD reports directly to the Audit Committee and is guided by its Internal Audit Charter. The IAD assists the Board in fulfilling its fiduciary responsibilities over the areas of financial, operational, information systems, investigations, risk management and governance process in accordance with the approved Risk Based Annual Audit Plan.

On quarterly basis, the IAD provides the Audit Committee with independent and objective reports on the state of internal control, highlighting any areas for improvement and updates on the extent to which the recommendations have been implemented. 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 area are mitigated or remain within acceptable levels.

The External Auditors issue a Management Letter highlighting issues and weaknesses, which came to their attention during the conduct of their normal audit procedures. The Group's Internal Audit subsequently performs follow-up reviews to determine the extent to which the recommendations have been implemented.

The Internal Audit Department operates within the Audit Charter approved by the Audit Committee and performs internal audit across the Group's diverse areas and environment focusing on any management, accounting, financial and operational activities including the effectiveness of risk management process and internal control within the organisation. In year 2015, 75% of the audit coverage were focused on high risk areas which were identified by leveraging the organisation's risk management framework as well as Internal Audit Department's own risk assessment. The remaining 25% were focused on management request inclusive of ad-hoc audit, compliance audit, special requested audit by the management and the Audit Committee, investigations, consulting and Control Self-Assessment ("CSA") programme which are in line with the Audit Charter.

The Group's Internal Audit maintains a Quality Assurance and Improvement Programme ("QAIP") and continuously monitors its overall effectiveness. In year 2015, the periodic assessment on conformance with the International Standards for the Professional Practice of Internal Auditing ("Standards") was conducted by the internal auditor.

Other IAD activities carried out during the year were summarised as below:

1. Conducted consultation and validation on the existing and new CSA topic with the estates/mill management at all complexes.

2. Worked together with the estates and mills in specific risk and control review through CSA programmes.

3. Participated in Corporate Social Responsibility ("CSR") programmes organised by the management.

4. Conducted special review based on requests from the Audit Committee and/or the management.

The total cost incurred for the Internal Audit function at the Group's Corporate Office level for the financial year ended 31 December 2015 was approximately RM2,078,000.

ADDITIONAL COMPLIANCE INFORMATION

THE FOLLOWING INFORMATION IS PROVIDED IN COMPLIANCE WITH THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD ("BURSA MALAYSIA") FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015:

UTILISATION OF PROCEEDS FROM CORPORATE PROPOSALS

There was no corporate proposal, specifically intended to raise funds undertaken during the financial year ended 31 December 2015, which has resulted in the receipt of proceeds for utilisation.

SHARE BUY-BACKS

The Company had, on 20 June 2013, obtained the shareholders' approval to purchase its own shares up to 10% of its issued and paid up share capital.

During the financial year, the Company has renewed the mandate for the share buy-back and approved by the shareholders of the Company at the 40th AGM held on 2 June 2015. The share buy-back exercise during the financial year ended 31 December 2015 is 107,636,300 units.

As at 31 December 2015, a total of 122,958,300 units ordinary shares were held as treasury shares.

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES EXERCISED

Effective from 31 December 2013, the Company has implemented the Employees' Share Option Scheme ("ESOS") for the eligible employees and Directors of Company and its subsidiaries to subscribe for up to 63,935,462 new ordinary shares of the Company ("ESOS Options"). The ESOS Options have vesting period of five (5) years commencing 31 December 2013 and expiring on 30 December 2018.

The Directors have obtained a relief under Section 169(1) of the Companies Act 1965 ("the Act") exempting the Company from including a list of the share options granted and exercised during the financial year pursuant to Section 169(11) of the Act in the Integrated Annual Report, except for grantees receiving ESOS Options amounting to 150,000 units and above. This exemption is subject to a yearly renewal. All information regarding the allocation and exercise of the said ESOS Options are registered in the Company's Register of Options.

During the financial year end 31 December 2015, a total of 4,084,750 units of ESOS Options were exercised and fully paid into new ordinary shares of the Company.

In 2011, a total of 156,174,319 free warrants were issued by the Company in conjunction with the share split and bonus issue on 28 February 2011. The warrants have an exercise period of five (5) years commencing 28 February 2011 and have expired on 26 February 2016.

A total of 3,833,629 units warrants were converted into new ordinary shares in 2015. As at 31 December 2015, the accumulated warrants converted amounted to 83,616,933 units while the number of warrants outstanding stood at 72,557,386 units.

As at the expiry of the warrants, 46,642,391 warrants have not been converted and lapsed.

The Company has not issued any other convertible securities in respect of the financial year ended 31 December 2015.

DEPOSITORY RECEIPT PROGRAMME

The Company has not sponsored any depository receipt programme for the financial year ended 31 December 2015.

ADDITIONAL COMPLIANCE INFORMATION

SANCTIONS AND/OR PENALTIES

There were no material sanctions and/or penalties imposed on the Company and its subsidiary companies, directors or management arising from any significant breach of rules/guidelines/legislations by the relevant regulatory bodies during the financial year.

NON-AUDIT FEES

During the financial period under review, non-audit fees paid to the External Auditors of the Group amounted to RM355,000 (please refer to page 245 of the audited financial statements).

VARIATION IN RESULTS

There is no material variance between the results for the financial year and the unaudited results previously announced by the Group.

PROFIT GUARANTEE

The Company did not issue any profit forecast or profit guarantee for the financial year ended 31 December 2015.

MATERIAL CONTRACTS

Other than those disclosed in the financial statements from pages 306 to 310, there was no material contract including contracts relating to any loans entered into by the Group and its subsidiaries involving Directors and major shareholders' interest.

RECURRENT RELATED PARTY TRANSACTIONS ("RRPT") OF REVENUE AND/OR TRADING NATURE

At the 40th AGM held on 2 June 2015, the Company obtained a shareholders' mandate to allow the Group to enter into RRPT of revenue and/or trading nature from the even date up to the next forthcoming AGM.

The list of significant RRPT entered into by the Group is described on page 200 of the Integrated Annual Report.

ADDITIONAL DISCLOSURE

PURSUANT TO THE LISTING REQUIREMENTS

RECURRENT RELATED PARTY TRANSACTIONS ("RRPT") OF REVENUE AND/OR TRADING NATURE

THE AGGREGATE VALUE OF THE RECURRENT TRANSACTIONS OF REVENUE AND/OR TRADING NATURE CONDUCTED PURSUANT TO THE SHAREHOLDERS' MANDATE DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 BETWEEN THE COMPANIES AND/OR ITS SUBSIDIARY COMPANIES WITH RELATED PARTIES ARE SET OUT BELOW:

	Related Parties Involved with the Company and/ or Subsidiary Companies	Interested Director and/or Major Shareholder	Nature of Relationship with Kulim Group	Type of Transaction	Aggregate Value of Transaction (RM)
1.	**Johor Corporation ("JCorp")**	Dato' Kamaruzzaman Abu Kassim Ahamad Mohamad Jamaludin Md Ali Abdul Rahman Sulaiman Zulkifli Ibrahim Rozaini Mohd Sani	Kulim is a 66.93% owned subsidiary of JCorp	Purchase and sales commission on oil palm products	18,000
				Sales of goods	1,703,000
				Replanting services	1,746,000
2.	**Johor Franchise Development Sdn Bhd ("JFDSB")**	Dato' Kamaruzzaman Abu Kassim Ahamad Mohamad Jamaludin Md Ali Abdul Rahman Sulaiman Zulkifli Ibrahim Rozaini Mohd Sani JCorp	JFDSB is a wholly-owned subsidiary of JCorp	Sales of goods	1,751,000
3.	**Johor Land Berhad ("JLand")**	Dato' Kamaruzzaman Abu Kassim Ahamad Mohamad Jamaludin Md Ali Abdul Rahman Sulaiman Zulkifli Ibrahim Rozaini Mohd Sani JCorp	JLand is a wholly-owned owned subsidiary of JCorp	Purchase of FFB	1,726,000

SECTION 07

FINANCIAL STATEMENTS

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DIRECTOR'S REPORT

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2015.

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 16 to the financial statements.

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

RESULTS

	Group RM'000	Company RM'000
Profit net of tax	1,439,904	2,576,150
Profit attributable to :		
Owners of the Company	1,432,648	2,576,150
Non-controlling interests	7,256	-
	1,439,904	2,576,150

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

DIVIDENDS

The amounts of dividends paid by the Company since 31 December 2014 were as follows:

	RM'000
In respect of the financial year ended 31 December 2015:	
Special tax exempt (single-tier) dividend of 37.65 sen per share totalling approximately RM500,107,000 declared on 26 February 2015 and paid on 23 March 2015	500,107
Total dividends paid by the Company since 31 December 2014	500,107

The directors do not recommend the payment of any final dividend for the financial year ended 31 December 2015.

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Dato' Kamaruzzaman Abu Kassim
Tan Sri Dato' Seri Utama Arshad Ayub
Ahamad Mohamad
Tan Sri Datin Paduka Siti Sa'diah Sh Bakir
Datuk Haron Siraj
Dr Radzuan A. Rahman
Zulkifli Ibrahim
Leung Kok Keong
Jamaludin Md Ali
Abdul Rahman Sulaiman
Rozaini Mohd Sani

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 9 to the financial statements) by reason of a contract made by the Company or a related 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 29 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 related corporations during the financial year were as follows:

	Number of ordinary shares of RM0.25 each			
Company	**As at 1.1.2015**	**Acquired**	**Disposed**	**As at 31.12.2015**
Direct interest				
Tan Sri Dato' Seri Utama Arshad Ayub	2,576,800	350,000	-	2,926,800
Ahamad Mohamad	963,400	-	-	963,400
Tan Sri Datin Paduka Siti Sa'diah Sh Bakir	378,000	-	-	378,000
Jamaludin Md Ali	50,000	50,000	-	100,000
Zulkifli Ibrahim	-	150,000	-	150,000
Dr Radzuan A. Rahman	-	150,000	-	150,000
Dato' Kamaruzzaman Abu Kassim	200,000	-	-	200,000
Abdul Rahman Sulaiman	50,000	-	-	50,000
Datuk Haron Siraj	-	60,000	-	60,000
Indirect interest				
Tan Sri Dato' Seri Utama Arshad Ayub	4,900,800	137,200	-	5,038,000

DIRECTOR'S REPORT

DIRECTORS' INTERESTS (CONT'D)

Company	Number of options over ordinary shares of RM0.25 each As at 1.1.2015	Granted	Exercised	As at 31.12.2015
Dato' Kamaruzzaman Abu Kassim	800,000	-	-	800,000
Ahamad Mohamad	500,000	-	-	500,000
Jamaludin Md Ali	200,000	-	(50,000)	150,000
Abdul Rahman Sulaiman	200,000	-	-	200,000
Tan Sri Datin Paduka Siti Sa'diah Sh Bakir	50,000	-	-	50,000
Zulkifli Ibrahim	150,000	-	(150,000)	-
Tan Sri Dato' Seri Utama Arshad Ayub	150,000	-	(150,000)	-
Datuk Haron Siraj	150,000	-	(60,000)	90,000
Dr Radzuan A. Rahman	150,000	-	(150,000)	-
Leung Kok Keong	150,000	-	-	150,000

In related companies E.A Technique (M) Berhad	Number of ordinary shares of RM0.25 each As at 1.1.2015	Acquired	Disposed	As at 31.12.2015
Direct interest				
Tan Sri Dato' Seri Utama Arshad Ayub	-	100,000	-	100,000
Ahamad Mohamad	500,000	-	-	500,000
Indirect interest				
Tan Sri Dato' Seri Utama Arshad Ayub	-	400,000	-	400,000

In related companies (cont'd) KPJ Healthcare Berhad	Number of ordinary shares of RM0.50 each As at 1.1.2015	Acquired	Disposed	As at 31.12.2015
Direct interest				
Ahamad Mohamad	1,125	-	-	1,125
Tan Sri Dato' Seri Utama Arshad Ayub	2,930,666	11,000	(125,300)	2,816,366
Tan Sri Datin Paduka Siti Sa'diah Sh Bakir	1,147,124	-	-	1,147,124
Indirect interest				
Tan Sri Dato' Seri Utama Arshad Ayub	3,142,800	37,200	-	3,180,000
Tan Sri Datin Paduka Siti Sa'diah Sh Bakir	19,583	-	-	19,583

The other director in office at the end of the financial year had no interest in shares in the Company or its related corporations during the financial year.

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM335,626,000 to RM337,605,000 by way of the issuance of 7,919,000 ordinary shares of RM0.25 each upon the conversion and exercise of the following instruments:

- 38,000 warrants at exercise price of RM3.13 per warrant;
- 3,796,000 warrants at exercise price of RM2.77 per warrant;
- 1,088,000 share options at exercise price of RM3.05 per share option; and
- 2,997,000 share options at exercise price of RM2.69 per share option.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

TREASURY SHARES

During the financial year, the Company repurchased 107,636,300 of its issued ordinary shares from the open market at an average price of RM2.82 per share. The total consideration paid for the repurchase including transaction costs was RM304,025,000. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

At 31 December 2015, the Company held as treasury shares a total of 122,958,000 of its 1,350,423,000 issued ordinary shares. Such treasury shares are held at a carrying amount of RM371,088,000 and further relevant details are disclosed in Note 27(h) to the financial statements.

EMPLOYEE SHARE OPTION SCHEME

At an Extraordinary General Meeting held on 13 December 2013, shareholders approved the Employee Share Option Scheme (ESOS) for the granting of non-transferable options that are settled by issuance of the ordinary shares of the Company to eligible senior executives and employees.

The salient features and other terms of the ESOS are disclosed in Note 27(j) to the financial statements.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of option holders, other than directors, who have been granted options to subscribe for less than 150,000 ordinary shares of RM 0.25 each. Details of options granted to directors are disclosed in the section on directors' interests in this report. No other persons have been granted more than 150,000 options.

DIRECTOR'S REPORT

OTHER STATUTORY INFORMATION

(a) Before the statements of comprehensive income and statements of financial position 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 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

Details of significant events are disclosed in Note 31 to the financial statements.

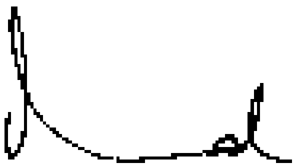
SUBSEQUENT EVENTS

Details of subsequent events are disclosed in Note 32 to the financial statements.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 16 March 2016.



Dato' Kamaruzzaman Abu Kassim

Ahamad Mohamad

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Dato' Kamaruzzaman Abu Kassim and Ahamad Mohamad, being two of the directors of Kulim (Malaysia) Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 211 to 330 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act, 1965 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 2015 and of their financial performance and cash flows for the year then ended.

The information set out in Note 39 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 16 March 2016.

Dato' Kamaruzzaman Abu Kassim

Ahamad Mohamad

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Azli Mohamed, being the officer primarily responsible for the financial management of Kulim (Malaysia) Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 211 to 331 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)
abovenamed Azli Mohamed at Johor Bahru)
in the State of Johor on 16 March 2016)

Azli Mohamed

Before me,

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KULIM (MALAYSIA) BERHAD (INCORPORATED IN MALAYSIA)

Report on the financial statements

We have audited the financial statements of Kulim (Malaysia) Berhad, which comprise the statements of financial position as at 31 December 2015 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 year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 211 to 330.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 16 to the financial statements, being financial statements that have been included in the consolidated financial statements.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KULIM (MALAYSIA) BERHAD (INCORPORATED IN MALAYSIA)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (CONT'D)

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 39 on page 331 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF 0039
Chartered Accountants

Abraham Verghese A/L T.V. Abraham
1664/10/16(J)
Chartered Accountant

Johor Bahru, Malaysia
Date: 16 March 2016

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Continuing operations					
Revenue	4	**1,469,606**	1,093,665	**143,577**	183,669
Cost of sales		**(1,125,487)**	(824,425)	**(85,071)**	(92,410)
Gross profit	5	**344,119**	269,240	**58,506**	91,259
Other income		**69,401**	60,135	**2,585,557**	6,727
Distribution expenses		**(10,545)**	(6,578)	**(114)**	(298)
Administrative expenses		**(174,163)**	(158,837)	**(80,156)**	(59,193)
Other expenses		**(64,220)**	(25,636)	**(17,385)**	(31,030)
Profit from operating activities		**164,592**	138,324	**2,546,408**	7,465
Interest income	6	**36,909**	11,820	**32,956**	8,470
Finance costs	7	**(32,999)**	(55,197)	**(1,754)**	(5,539)
Share of results of associates		**(5,996)**	586	**-**	-
Profit before tax	8	**162,506**	95,533	**2,577,610**	10,396
Income tax expense	10	**(38,928)**	(34,005)	**(1,460)**	(1,440)
Profit from continuing operations		**123,578**	61,528	**2,576,150**	8,956
Discontinued operations					
Gain from discontinued operations, net of tax	11	**1,316,326**	246,913	**-**	-
Profit for the year		**1,439,904**	308,441	**2,576,150**	8,956
Net other comprehensive income, to be reclassified to profit or loss in subsequent periods					
Foreign currency translation differences for foreign operations		**2,278**	95,613	**-**	-
Cash flow hedges		**(25)**	(9,504)	**-**	-
Fair value changes on available-for-sale financial assets		**(4,898)**	1,503	**(5,392)**	1,089
Other comprehensive income for the year, net of tax		**(2,645)**	87,612	**(5,392)**	1,089

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

		Group		Company	
	Note	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Total comprehensive income for the year		**1,437,259**	396,053	**2,570,758**	10,045
Profit attributable to:					
Owners of the Company		**1,432,648**	164,303	**2,576,150**	8,956
Non-controlling interests		**7,256**	144,138	**-**	-
Profit for the year		**1,439,904**	308,441	**2,576,150**	8,956
Total comprehensive income attributable to:					
Owners of the Company		**1,435,587**	193,288	**2,570,758**	10,045
Non-controlling interests		**1,672**	202,765	**-**	-
Total comprehensive income for the year		**1,437,259**	396,053	**2,570,758**	10,045
Basic earnings per ordinary share (sen):					
- from continuing operations	12	**8.11**	3.65		
- from discontinued operations	12	**103.42**	8.90		
		111.53	12.55		
Diluted earnings per ordinary share (sen):					
- from continuing operations	12	**7.98**	3.63		
- from discontinued operations	12	**101.75**	8.86		
		109.73	12.49		

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Assets					
Non-current assets					
Property, plant and equipment	13	3,652,017	3,517,968	1,135,593	1,118,675
Investment properties	14	115,028	110,768	115,028	110,768
Intangible assets	15	121,852	33,439	-	-
Investment in subsidiaries	16	-	-	749,312	674,139
Investments in associates	17	2,749	76,522	-	-
Other investments	18	279,393	68,485	64,373	21,598
		4,171,039	3,807,182	2,064,306	1,925,180
Current assets					
Other investments	18	71,928	16,839	6,005	3,189
Inventories	20	69,346	40,602	1,694	1,274
Trade and other receivables	21	529,352	204,873	704,594	197,253
Prepayments		11,079	9,532	532	287
Current tax assets		13,807	15,398	4,822	2,478
Derivatives	22	1,325	2,449	-	-
Cash and bank balances	23	1,532,399	342,597	1,349,170	160,630
		2,229,236	632,290	2,066,817	365,111
Assets of disposal group classified as held for sale	11(c)	13,291	4,819,085	13,291	216,390
		2,242,527	5,451,375	2,080,108	581,501
Total assets		6,413,566	9,258,557	4,144,414	2,506,681

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Equity and liabilities					
Current liabilities					
Trade and other payables	25	284,604	168,540	42,007	51,936
Current tax liabilities		15,999	4,887	-	-
Loans and borrowings	24	504,515	750,924	-	150,000
Dividend payable		-	25	-	-
		805,118	924,376	42,007	201,936
Liabilities of disposal group classified as held for sale	11(c)	-	2,084,517	-	-
		805,118	3,008,893	42,007	201,936
Net current assets		1,437,409	2,442,482	2,038,101	379,565
Non-current liabilities					
Loans and borrowings	24	404,671	451,261	-	-
Deferred tax liabilities	19	177,363	185,700	66,490	67,990
		582,034	636,961	66,490	67,990
Total liabilities		1,387,152	3,645,854	108,497	269,926
Net assets		5,026,414	5,612,703	4,035,917	2,236,755
Equity attributable to owners of the Company					
Share capital	26	337,605	335,626	337,605	335,626
Reserves	27	1,549,051	1,794,906	1,061,638	1,340,498
Retained profits	28	2,876,137	1,943,596	2,636,674	560,631
Reserves of disposal group classified as held for sale	11(c)	-	(51,622)	-	-
		4,762,793	4,022,506	4,035,917	2,236,755
Non-controlling interests		263,621	1,590,197	-	-
Total equity		5,026,414	5,612,703	4,035,917	2,236,755
Total equity and liabilities		6,413,566	9,258,557	4,144,414	2,506,681

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	<---- Attributable to shareholders of the Company ---->															
	<---- Non-distributable ---->															
Group	Share capital RM'000	Share premium RM'000	Warrant reserve RM'000	ESOS reserve RM'000	Translation reserve RM'000	Hedge reserve RM'000	Fair value reserve RM'000	Revaluation reserve RM'000	Other reserve RM'000	Treasury shares RM'000	Equity transaction reserve RM'000	Reserve classified as held for sale RM'000	Distributable Retained profits RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Opening balance at 1 January 2015	335,626	422,445	55,735	29,362	2,193	-	(1,193)	1,345,220	4,933	(67,063)	3,274	(51,622)	1,943,596	4,022,506	1,590,197	5,612,703
Foreign exchange translation differences	-	-	-	-	7,862	-	-	-	-	-	-	-	-	7,862	(5,584)	2,278
Cash flow hedges	-	-	-	-	-	(25)	-	-	-	-	-	-	-	(25)	-	(25)
Fair value changes on available-for-sale financial assets	-	-	-	-	-	-	(4,898)	-	-	-	-	-	-	(4,898)	-	(4,898)
Total other comprehensive income for the year	-	-	-	-	7,862	(25)	(4,898)	-	-	-	-	-	-	2,939	(5,584)	(2,645)
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	1,432,648	1,432,648	7,256	1,439,904
Total comprehensive income for the year	-	-	-	-	7,862	(25)	(4,898)	-	-	-	-	-	1,432,648	1,435,587	1,672	1,437,259
Transactions with owners																
Conversion of warrants	958	12,471	(2,797)	-	-	-	-	-	-	-	-	-	-	10,632	-	10,632
Grant of equity-settled share options to employees	-	-	-	10,525	-	-	-	-	-	-	-	-	-	10,525	-	10,525
Exercise of employee share options	1,021	13,994	-	(3,635)										11,380	-	11,380
Issue of shares by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	5,071	-	-	5,071	(4,691)	380
Share swap with non-controlling interests	-	-	-	-	-	-	-	-	-	-	17,321	-	-	17,321	24,656	41,977
Partial disposal of shares in subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	53	-	-	53	-	53
Dividends to shareholders (Note 37)	-	-	-	-	-	-	-	-	-	-	-	-	(500,107)	(500,107)	-	(500,107)
Dividends to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(8,578)	(8,578)
Acquisition of new subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	23,346	23,346
Disposal of subsidiaries	-	-	-	-	2,203	25	-	-	-	-	-	51,622		53,850	(1,362,981)	(1,309,131)
Treasury shares acquired	-	-	-	-	-	-	-	-	-	(304,025)	-	-	-	(304,025)	-	(304,025)
At 31 December 2015	337,605	448,910	52,938	36,252	12,258	-	(6,091)	1,345,220	4,933	(371,088)	25,719	-	2,876,137	4,762,793	263,621	5,026,414

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	<---- Attributable to shareholders of the Company ----															
	<---- Non-distributable ---->															
													Distributable			
Group	Share capital RM'000	Share premium RM'000	Warrant reserve RM'000	ESOS reserve RM'000	Translation reserve RM'000	Hedge reserve RM'000	Fair value reserve RM'000	Revaluation reserve RM'000	Other reserve RM'000	Treasury shares RM'000	Equity transaction reserve RM'000	Reserve classified as held for sale RM'000	Retained profits RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Opening balance at 1 January 2014	323,513	247,507	90,586	9,715	(76,302)	4,628	(2,696)	1,339,983	4,933	(67,063)	449	-	1,905,404	3,780,657	1,346,491	5,127,148
Foreign exchange translation differences	-	-	-	-	32,135	-	-	-	-	-	-	-	-	32,135	63,478	95,613
Cash flow hedges	-	-	-	-	-	(4,653)	-	-	-	-	-	-	-	(4,653)	(4,851)	(9,504)
Fair value changes on available-for-sale financial assets	-	-	-	-	-	-	1,503	-	-	-	-	-	-	1,503	-	1,503
Total other comprehensive income for the year	-	-	-	-	32,135	(4,653)	1,503	-	-	-	-	-	-	28,985	58,627	87,612
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	164,303	164,303	144,138	308,441
Total comprehensive income for the year	-	-	-	-	32,135	(4,653)	1,503	-	-	-	-	-	164,303	193,288	202,765	396,053
Transactions with owners																
Conversion of warrants	11,942	172,420	(34,851)	-	-	-	-	-	-	-	-	-	-	149,511	-	149,511
Grant of equity-settled share													-	-	-	-
options to employees	-	-	-	20,254	-	-	-	-	-	-	-	-	-	20,254	-	20,254
Exercise of employee share options	171	2,518	-	(607)	-	-	-	-	-	-	-	-	-	2,082	-	2,082
Issue of shares by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	4,579	-	-	4,579	69,541	74,120
Acquisition from non-controlling interests	-	-	-	-	-	-	-	-	-	-	(1,487)	-	-	(1,487)	(28,807)	(30,294)
Partial disposal of shares in subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(267)	-	-	(267)	570	303
Dividends to shareholders (Note 37)	-	-	-	-	-	-	-	-	-	-	-	-	(126,111)	(126,111)	-	(126,111)
Dividends to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(43,484)	(43,484)
Acquisition of new subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	42,366	42,366
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	755	755
Reserves attributable to disposal group classified as held for sale	-	-	-	-	46,360	25	-	5,237	-	-	-	(51,622)	-	-	-	-
At 31 December 2014	335,626	422,445	55,735	29,362	2,193	-	(1,193)	1,345,220	4,933	(67,063)	3,274	(51,622)	1,943,596	4,022,506	1,590,197	5,612,703

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Attributable to shareholders of the Company									
	Non-distributable								Distributable	
Company	**Share capital RM'000**	**Share premium RM'000**	**Warrant reserve RM'000**	**ESOS reserve RM'000**	**Revaluation reserve RM'000**	**Fair value reserve RM'000**	**Other reserve RM'000**	**Treasury shares RM'000**	**Retained profits RM'000**	**Total RM'000**
At 1 January 2014	323,513	247,507	90,586	9,715	897,579	(2,814)	4,165	(67,063)	677,786	2,180,974
Fair value changes on available-for-sale financial assets, representing total other comprehensive income	-	-	-	-	-	1,089	-	-	-	1,089
Profit for the year	-	-	-	-	-	-	-	-	8,956	8,956
Total comprehensive income for the year	-	-	-	-	-	1,089	-	-	8,956	10,045
Conversion of warrants	11,942	172,420	(34,851)	-	-	-	-	-	-	149,511
Grant of equity-settled share options to employees	-	-	-	20,254	-	-	-	-	-	20,254
Exercise of employee share options	171	2,518	-	(607)	-	-	-	-	-	2,082
Dividends to shareholders (Note 37)	-	-	-	-	-	-	-	-	(126,111)	(126,111)
At 31 December 2014	335,626	422,445	55,735	29,362	897,579	(1,725)	4,165	(67,063)	560,631	2,236,755
Fair value changes on available-for-sale financial assets, representing total other comprehensive income	-	-	-	-	-	(5,392)	-	-	-	(5,392)
Profit for the year	-	-	-	-	-	-	-	-	2,576,150	2,576,150
Total comprehensive income for the year	-	-	-	-	-	(5,392)	-	-	2,576,150	2,570,758
Conversion of warrants	958	12,471	(2,797)	-	-	-	-	-	-	10,632
Grant of equity-settled share options to employees	-	-	-	10,524	-	-	-	-	-	10,524
Exercise of employee share options	1,021	13,994	-	(3,635)	-	-	-	-	-	11,380
Treasury shares acquired	-	-	-	-	-	-	-	(304,025)	-	(304,025)
Dividends to shareholders (Note 37)	-	-	-	-	-	-	-	-	(500,107)	(500,107)
At 31 December 2015	337,605	448,910	52,938	36,251	897,579	(7,117)	4,165	(371,088)	2,636,674	4,035,917

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Operating activities				
Profit before tax				
- continuing operations	162,506	95,533	2,577,610	10,396
- discontinued operations	1,319,580	382,600	-	-
Adjustments for:				
Reversal of impairment loss on other investment	-	(2,979)	-	-
Fair value changes on:				
- other investments	5,886	(13,869)	353	1,791
- derivatives	1,124	172	-	-
Net provision for allowances for impairment losses on receivables	24,672	3,104	4,166	-
Amortisation and depreciation of:				
- intangible assets	2,600	1,168	-	-
- property, plant and equipment	135,249	351,423	16,778	17,904
Change in fair value of investment properties	(4,260)	(3,010)	(4,260)	(3,010)
Dividend income	(1,940)	(1,377)	(15,865)	(43,160)
(Gain)/loss on:				
- disposal of subsidiary	(1,341,343)	(885)	(2,478,180)	24,707
- disposal of other investments	(275)	(53)	-	-
- disposal of property, plant and equipment	5,847	(13,519)	-	(11)
Remeasurement of existing interest in new subsidiary	(3,093)	-	-	-
Group's share of net results in associates	5,996	(586)	-	-
Grant of equity-settled share options to employees	10,525	20,254	10,525	20,254
Impairment loss on:				
- property, plant and equipment	3,305	-	-	-
- goodwill	461	-	-	-
Interest expense on:				
- continuing operations	32,999	55,197	1,754	5,539
- discontinued operations	4,445	27,875	-	-
Interest income	(36,909)	(11,820)	(32,956)	(8,470)
Unrealised foreign exchange (gain)/loss, net	(35,214)	52,465	(89,575)	(434)
Write off of property, plant and equipment	12,810	3,815	7,113	63
Negative goodwill	-	(384)	-	-
Write down of inventories	4,557	70	-	-
Operating profit/(loss) before changes in working capital	309,528	945,194	(2,537)	25,569
Changes in working capital:				
Inventories	(28,848)	40,940	(421)	768
Payables	55,336	38,024	(9,951)	(5,984)
Receivables and prepayments	(394,149)	(220,207)	(479,487)	(67,159)
Cash (used in)/generated from operations	(58,133)	803,951	(492,396)	(46,806)
Tax paid	(39,512)	(148,134)	(6,842)	(6,845)
Tax refunded	4,893	27,377	1,559	14,536
Net cash (used in)/generated from operating activities	(92,752)	683,194	(497,679)	(39,115)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash flows from investing activities				
Acquisition of subsidiaries, net cash in/(out)flow	295	(58,184)	-	-
Dividends received	1,940	1,377	15,865	43,160
Interest received	36,909	11,820	32,956	8,470
Additions to:				
- equity interest in subsidiaries	-	-	(75,004)	(27,892)
- other investments	(95,613)	(21,816)	(51,505)	(8,430)
- property, plant and equipment	(301,451)	(513,582)	(54,100)	(30,258)
Net cash inflow on disposal of subsidiaries	2,662,306	27,437	2,662,306	27,000
Withdrawal of/(addition to) pledged fixed deposits	27,944	(32,115)	-	-
Addition to intangible assets	(1,508)	-	-	-
Proceeds from:				
- disposal of other investment	80	161	-	-
- disposal of property, plant and equipment	894	19,761	-	48
Net cash flows generated from/ (used in) investing activities	2,331,796	(565,141)	2,530,518	12,098
Cash flows from financing activities				
Dividends paid to:				
- shareholders of the Company	(500,107)	(126,111)	(500,107)	(126,111)
- minority shareholders of subsidiaries	(8,578)	(43,484)	-	-
Proceeds from borrowings	446,420	283,299	-	20,000
Repayment of borrowings	(791,761)	(329,042)	(150,000)	-
Issue of shares arising from conversion of warrants	10,632	149,511	10,632	149,511
Proceeds from exercise of ESOS	11,380	2,082	11,380	2,082
Acquisition from non-controlling interests	-	(30,294)	-	-
Proceeds from partial disposal of shares to non-controlling interests	53	303	-	-
Purchase of treasury shares	(304,025)	-	(304,025)	-
Issue of shares to non-controlling interests	380	74,120	-	-
Interest paid				
- continuing operations	(32,999)	(55,197)	(1,754)	(5,539)
- discontinued operations	(4,445)	(27,875)	-	-
Net cash flows (used in)/ generated from financing activities	(1,173,050)	(102,688)	(933,874)	39,943
Net increase in cash and cash equivalents	1,065,994	15,365	1,098,965	12,926
Effect of exchange rate fluctuations on cash held	100,575	8,682	89,575	434
Cash and cash equivalents at 1 January	345,278	321,231	160,280	146,920
Cash and cash equivalents at 31 December (Note 23)	1,511,847	345,278	1,348,820	160,280

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

1. CORPORATE INFORMATION

The Company is a public limited liability company incorporated and domiciled in Malaysia and is listed on the Main Board of Bursa Malaysia Securities Berhad. 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 11, Menara KOMTAR,
Johor Bahru City Centre, 80000 Johor Bahru, Johor.

The Company's ultimate holding corporation is Johor Corporation (JCorp), a body corporate established under the Johor Corporation Enactment (No. 4, of 1968) (As amended by 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 16. There have been no significant changes in the nature of the principal activities during the financial year.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2015 as described fully in Note 2.2.

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 thousand (RM'000) except when otherwise indicated.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the following year except as follows:

On 1 January 2015, the Group adopted the following Amendments and Annual Improvements mandatory for annual financial periods beginning on or after 1 July 2014:

Description	Effective for annual periods beginning on or after
Amendments to FRS 119: Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements to FRSs 2010–2012 Cycle	1 July 2014
Annual Improvements to FRSs 2011–2013 Cycle	1 July 2014

The adoption of the above Amendments and Annual Improvements did not have any significant impact on the financial statements.

2.3 Standards issued but not yet effective

The Standards, Amendments and Annual Improvements that are issued but not yet effective up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these Standards, Amendments and Annual Improvements , if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Annual Improvements to FRSs 2012–2014 Cycle	1 January 2016
Amendments to FRS 116 and FRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to FRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to FRS 127: Equity Method in Separate Financial Statements	1 January 2016
Amendments to FRS 101: Disclosure Initiatives	1 January 2016
Amendments to FRS 10, FRS 12 and FRS 128: Investment Entities: Applying the Consolidation Exception	1 January 2016
FRS 14 Regulatory Deferral Accounts	1 January 2016
FRS 9 Financial Instruments (IFRS issued by IASB in July 2014)	1 January 2018
Amendments to FRS 10 and FRS 128: Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The directors are of opinion that the Standards, Amendments and Annual Improvements above would not have any material impact on the financial statements in the year of initial adoption.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Standards issued but not yet effective (cont'd)

Malaysian Financial Reporting Standards (MFRS Framework)

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer (herein called 'Transitioning Entities').

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2018.

The Company falls within the scope definition of Transitioning Entities and accordingly, will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2018. In presenting its first MFRS financial statements, the Group and the Company will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits. The Group and the Company are in the midst of assessing the impact of adopting the MFRS Framework.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through.

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

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

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Basis of consolidation (cont'd)

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

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

2.5 Business combination and goodwill

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

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

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of FRS 139 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of FRS 139, it is measured in accordance with the appropriate FRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Business combination and goodwill (cont'd)

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

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

2.6 Investment in associates

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

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Group's investments in associates are accounted for using the equity method.

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

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

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

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Share of profit of an associate' in the statement of profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Investment in associates (cont'd)

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

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

2.7 Current versus non-current classification

The Group presents assets and liabilities in the statements of financial position based on current/non-current classification. An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

All other liabilities are classified as non-current.

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

2.8 Fair value measurement

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the respective notes.

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:
- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Fair value measurement (cont'd)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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 measurement

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value is unobservable

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.

Policies and procedures are determined by senior management for both recurring fair value measurement and for non-recurring measurement.

External valuers are involved for valuation of significant assets and significant liabilities. Involvement of external valuers is decided by senior management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The senior management decides, after discussions with the external valuers, which valuation techniques and inputs to use for each case.

2.9 Foreign currency

(a) Functional and presentation currency

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Foreign currency (cont'd)

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company 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 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 the 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.

2.10 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.

Freehold and leasehold plantation lands of the Group have not been revalued since they were last revalued in 1997. The directors have not adopted a policy of regular revaluations of such assets and no later valuation has been recorded. As permitted under the transitional provisions of IAS 16 (Revised) Property, Plant and Equipment, these assets continue to be stated at their 1997 valuation less accumulated depreciation.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Property, plant and equipment (cont'd)

All expenditure relating to the development of oil palm field (immature field) is classified under estate development expenditure. This cost will be amortised over the useful life when the field reaches maturity. The maturity date for estate development expenditure is the point in time when such new planting areas achieve yields of at least 8.60 tonnes of fresh fruit bunches per hectare per annum or 48 months from the date of initial planting, whichever is earlier. Estate overhead expenditure is apportioned to profit or loss and estate development expenditure on the basis of proportion of mature to immature areas.

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 has an unlimited useful life and therefore is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, as follows:

Leasehold land	33 - 904 years
Leasehold improvements and renovations	10 years
Estate development expenditure	17 - 22 years from year of maturity
Buildings	4 - 50 years
Other assets, comprising:	
- Vessels, plant and machinery	3 - 25 years
- Furniture and equipment	2 - 15 years
- Motor vehicles	3 - 5 years

Assets under construction included in plant and equipment are not depreciated as these assets are not yet available for use.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 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 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 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 in accordance with the accounting policy for property, plant and equipment set out in Note 2.10 up to the date of change in use.

2.12 Intangible assets

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

The useful lives of intangible assets are assessed as either finite or indefinite.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 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. That increase cannot exceed 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.

2.14 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Financial assets (cont'd)

(a) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that is held primarily for trading purposes are presented as current whereas financial assets that is not held primarily for trading purposes are presented as current or non-current based on the settlement date.

(b) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

(c) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Financial assets (cont'd)

(d) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

2.15 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Impairment of financial assets (cont'd)

(a) Trade and other receivables and other financial assets carried at amortised cost (cont'd)

The carrying amount of the financial asset is reduced through the use of an allowance account. When the asset becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(c) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income.

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 and which are subject to an insignificant risk of changes in value. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts, pledged deposits and deposits with maturity of more than 90 days.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the weighted average cost method.

The cost of agricultural produce is based on the weighted average method and includes the cost of direct materials and an appropriate proportion of estate revenue expenditure, manufacturing costs and overhead costs based on normal operating capacity.

Agricultural produce consist mainly of palm oil products. Inventories of palm oil products comprises processed and refined palm oil products in tanks awaiting shipment at the end of the reporting period. The cost of palm oil produce includes direct materials and labour and an appropriate proportion of overheads relating to the milling and refining process.

The cost of materials, consumables and livestocks is based on the weighted average method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

In the case of nursery seed stocks and manufactured finished goods, cost includes direct materials and labour and an appropriate share of fixed and variable overheads based on normal operating capacity.

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

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 Financial liabilities (cont'd)

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

(b) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. 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 reporting date.

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

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a 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.

2.20 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

2.22 Employee benefits

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 Employees Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2.23 Leases

(a) As lessee

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

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

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

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.25(d).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

2.25 Recognition of revenue and other income

Revenue or other income is recognised to the extent that it is probable that the economic benefits will flow to the Group and the amount can be reliably measured. Revenue or other income is measured at the fair value of consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of palm-based products

These represents revenues earned from sales of the Group's palm-based products, net of trade allowance and duties and taxes paid. Revenue is recognised when there has been a passing of the title and risk to the customer, and:

- The produce is in a form suitable for delivery and sale and no further processing is required;
- The quantity and quality of the product can be determined with reasonable accuracy;
- The product has been despatched to the customer and is no longer under the physical control of the Group; and
- The selling price can be determined with reasonable accuracy.

(b) Freight and time charter hire income

Revenues from sea transportation, shipping and forwarding services which include freight, time charter and other related income are recognised when services are rendered.

(c) Services

Revenue from parking management, bulk mailing and printing and plantation management services, are recognised as and when the services are rendered.

(d) Rental income

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

(e) Dividend income

Dividend income is recognised when the right to receive payment is established.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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, 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 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 year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 segment managers responsible for the performance of the respective segments under their charge. The segment managers report to the Group Managing Director 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 36, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.28 Share capital and share issuance expenses

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

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

2.29 Treasury shares

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

2.30 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.

2.31 Share-based payments

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.31 Share-based payments (cont'd)

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised, together with a corresponding increase in ESOS reserve included in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The statement of profit or loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 12).

2.32 Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments such as forward exchange contracts, forward commodity contracts and interest rate swaps to hedge its foreign exchange, commodity price and interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, certain hedges are classified as cash flow hedges when hedging the exposure to variability of cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.32 Derivative financial instruments and hedge accounting (cont'd)

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss as other operating expenses.

The Group uses forward commodity contracts to hedge its exposure to volatility in the commodity prices.

Amounts recognised in OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

(a) Impairment of goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires an estimation of the value in use of the cash-generating units to which goodwill is allocated.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the carrying value, the key assumptions applied in the impairment assessment of goodwill are disclosed in Note 15.

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3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(b) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount and details of the Group's receivables at the reporting date are disclosed in Note 21.

(c) Provisional accounting of acquisition

During the year, the Group acquired a controlling interest in Asia Logistics Council Sdn Bhd ("ALC") from Johor Logistics Sdn Bhd ("JLog") for a purchase consideration of RM51,194,000. The purchase consideration was satisfied by the issue of ordinary shares in a subsidiary, Asia Economic Development Fund Limited ("AEDFL") to JLog. The acquisition was completed on 1 November 2015.

As at the reporting date, the initial accounting for the above business combination has yet to be completed. The Group has used provisional values for the fair values of the investment acquired and the consideration transferred to JLog.

Based on the provisional values, the carrying amount of the Group's existing interest in ALC was written down by RM3,093,000 and goodwill amounting to RM95,356,000 was recognised. The write-down of the existing interest in ALC, goodwill arising from the acquisition and the carrying amount of the assets acquired will be adjusted accordingly on a retrospective basis when the valuations are finalised.

Further details are disclosed in Note 16.

(d) Income taxes

Judgement is involved in determining the Group's provision for income taxes as there are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters are different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4. REVENUE

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Sales of goods:				
Palm-based products	**777,264**	760,536	**113,027**	124,373
Livestocks and meats	**4,698**	13,155	**-**	-
Rubber-based manufactured products	**4,556**	3,317	**-**	-
Banana products	**2,139**	1,250	**3,221**	5,806
Agricultural equipment and plantation management services and sales of related goods	**58,034**	102,172	**-**	-
Intrapreneur ventures:				
Freight time-charter hire and related services	**549,051**	155,657	**-**	-
Sales of wood-based products	**2,948**	2,348	**-**	-
Insurance brokerage	**7,247**	7,066	**-**	-
Construction of oil and gas equipment	**43,560**	29,332	**-**	-
Information and communication technology	**9,560**	8,619	**-**	-
Rental income from investment properties	**8,609**	8,836	**8,609**	8,836
Dividend income	**1,940**	1,377	**15,865**	43,160
Other income	**-**	-	**2,855**	1,494
	1,469,606	1,093,665	**143,577**	183,669

5. GROSS PROFIT

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Sales of goods:				
Palm-based products	**150,451**	166,938	**40,755**	46,788
Livestocks and meats	**1,383**	410	**-**	-
Rubber-based manufactured products	**898**	24	**-**	-
Banana products	**(1,062)**	(857)	**(2,700)**	(1,978)
Agricultural equipment and plantation management services and sales of related goods	**32,921**	31,450	**-**	-
Intrapreneur ventures:				
Freight time-charter hire and related services	**130,715**	45,984	**-**	-
Sales of wood-based products	**547**	652	**-**	-
Insurance brokerage	**7,247**	7,066	**-**	-
Construction of oil and gas equipment	**6,816**	6,004	**-**	-
Information and communication technology	**7,195**	4,064	**-**	-
Rental income from investment properties	**5,068**	6,128	**5,068**	6,128
Dividend income	**1,940**	1,377	**15,422**	43,160
Other income	**-**	-	**(39)**	(2,839)
	344,119	269,240	**58,506**	91,259

6. INTEREST INCOME

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Interest income on:				
Deposits with licensed banks	**36,909**	11,820	**31,376**	3,059
Amount due from subsidiaries	**-**	-	**1,576**	4,295
Others	**-**	-	**4**	1,116
	36,909	11,820	**32,956**	8,470

7. FINANCE COSTS

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Interest expense on :				
Bank overdraft	90	591	-	-
Term loans	16,943	21,026	-	-
Other borrowings	15,966	33,580	1,754	5,539
	32,999	55,197	1,754	5,539

8. PROFIT BEFORE TAX

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit before tax and net gain from discontinued operations is arrived at after charging/(crediting):				
Net provision for impairment losses on trade and other receivables	24,672	3,104	4,166	-
Amortisation and depreciation of:				
- Intangible assets	2,600	1,168	-	-
- Property, plant and equipment	135,249	351,423	16,778	17,904
Auditors' remuneration:				
- Statutory audit				
- Ernst & Young	1,001	1,017	110	105
- Other auditors	20	2,095	-	-
- Other services				
- Ernst & Young	355	295	355	230
- Other auditors	-	755	-	-
Fees paid/payable to ultimate holding corporation for services of directors	57	188	-	-
(Gain)/loss on:				
- Disposal of subsidiaries	(1,341,343)	(885)	(2,478,180)	24,707
- Disposal of property, plant and equipment	5,847	(13,519)	-	(11)
- Disposal of other investments	(275)	(53)	-	-
Foreign exchange (gain)/loss:				
- Realised	(14,321)	(1,985)	(12,328)	-
- Unrealised	(35,214)	52,465	(89,575)	(434)
Technology transfer fee payable to corporate shareholder of a subsidiary	-	200	-	-

8. PROFIT BEFORE TAX (CONT'D)

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Write down of inventories	4,557	70	-	-
Write off of property, plant and equipment	12,810	3,815	7,113	63
Rental of plant and machinery	3,053	2,363	-	-
Rental of land and building paid to:				
- Ultimate holding corporation	629	629	629	629
- Others	900	18,892	-	-
Staff costs (excluding key management personnel):				
- Salaries, wages, allowances and bonuses	208,158	531,123	45,032	31,992
- Defined contribution plan	11,259	14,682	3,517	2,082
- Other employee benefits	3,017	4,146	265	180
Fair value changes on:				
- Other investments	5,886	(13,869)	353	1,791
- Derivatives	1,124	172	-	-
Dividend income from:				
- Unquoted shares in Malaysia	(1,649)	(1,228)	(491)	(1,228)
- Shares quoted in Malaysia	(291)	(149)	(291)	(149)
- Shares quoted outside Malaysia	-	-	-	(41,708)
- Subsidiaries (unquoted shares in Malaysia)	-	-	(15,083)	(75)
Rental income	(961)	(942)	-	-
Reversal of allowance for impairment losses on other investment	-	(2,979)	-	-
Fair value gain on investment properties	(4,260)	(3,010)	(4,260)	(3,010)
Guaranteed return on car park concession	(1,811)	(2,343)	-	-
Remeasurement of existing interest in new subsidiary	(3,093)	-	-	-
Impairment loss on:				
- Property, plant and equipment	3,305	-	-	-
- Goodwill	461	-	-	-
Negative goodwill on acquisition	-	(384)	-	-

9. DIRECTORS' REMUNERATION

The details of remuneration receivable by directors of the Company during the year are as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Executive Directors				
- Fees	**250**	378	**250**	341
- Salaries, allowances and bonuses	**4,258**	3,052	**4,258**	3,040
- Estimated money value of benefits-in-kind	**83**	175	**83**	175
- Defined contribution plan	**434**	464	**434**	464
- ESOS	**193**	371	**193**	371
- Other emoluments	**16**	114	**16**	114
	5,234	4,554	**5,234**	4,505
Non-executive Directors				
- Fees	**450**	372	**450**	342
- Allowances	**157**	502	**157**	493
- Estimated money value of benefits-in-kind	**33**	77	**33**	77
- Defined contribution plan	**-**	56	**-**	56
- ESOS	**280**	630	**280**	630
	920	1,637	**920**	1,598
Independent non-executive Directors				
- Fees	**225**	200	**225**	200
- ESOS	**87**	223	**87**	223
- Other emoluments	**156**	67	**156**	67
	468	490	**468**	490
Total directors' remuneration	**6,622**	6,681	**6,622**	6,593

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9. DIRECTORS' REMUNERATION (CONT'D)

The details of remuneration receivable by directors of the Company during the year are as follows:

	Number of Directors	
	2015	2014
Executive Directors :		
RM 500,000 - RM 1,000,000	1	1
RM 1,000,001 - RM 1,500,000	-	1
RM1,500,001-RM2,000,000	1	-
RM2,000,001-RM2,500,000	-	1
RM2,500,001-RM3,000,000	1	-
Non executive Directors :		
RM0 -RM100,000	2	3
RM100,001-RM200,000	2	-
RM200,001-RM300,000	-	1
RM400,001-RM500,000	1	-
RM500,001-RM600,000	-	1
Independent Non-Executive Directors		
Below RM 100,000	-	4
RM100,000-RM150,000	3	-

10. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2015 and 2014 are:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Current income tax				
- Malaysian income tax	**46,842**	29,688	**2,973**	5,807
Overprovision in prior year	**(1,905)**	(1,388)	**(13)**	(3,590)
	44,937	28,300	**2,960**	2,217
Deferred tax (Note 19) :				
Origination and reversal of temporary differences	**1,548**	7,774	**(1,742)**	(456)
(Over)/underprovision in prior year	**(4,461)**	(2,069)	**242**	(321)
	(6,009)	5,705	**(1,500)**	(777)
Income tax attributable to				
- Continuing operations	**38,928**	34,005	**1,460**	1,440
- Discontinued operations (Note 11)	**3,254**	135,687	**-**	-
Income tax expenses recognised in profit and loss	**42,182**	169,692	**1,460**	1,440

10. INCOME TAX EXPENSE (CONT'D)

Reconciliation between tax expense and accounting profit

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2014: 25%) of the estimated assessable profit for the year. The Malaysian statutory tax rate will be reduced to 24% from the current year's rate of 25%, effective year of assessment 2016. The computation of deferred tax as at 31 December 2015 has reflected the effect of the reduction in Malaysian income tax rate.

The reconciliation between income tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2015 and 2014 are as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit before tax from:				
- Continuing operations	162,506	95,533	2,577,610	10,396
- Discontinued operations (Note 11)	1,319,580	382,600	-	-
	1,482,086	478,133	2,577,610	10,396
Taxation at Malaysian statutory tax rate of 25% (2014: 25%)	370,522	119,533	644,403	2,599
Different tax rates in other countries	-	19,809	-	-
Deferred tax recognised at different tax rate	(600)	(6,764)	71	(2,833)
Effect of non-deductible expenses	36,202	39,802	4,060	16,518
Effect of income exempt from tax	(358,454)	(3,407)	(647,303)	(10,933)
Utilisation of previously unrecognised deferred tax assets	-	(113)	-	-
Deferred tax assets not recognised	878	1,532	-	-
(Over)/underprovision of income tax in prior year				
- Continuing operations	(1,905)	(1,388)	(13)	(3,590)
- Discontinued operations	-	2,757	-	-
(Over)/underprovision of deferred tax in prior years	(4,461)	(2,069)	242	(321)
	42,182	169,692	1,460	1,440

11. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

(a) Disposal of New Britain Palm Oil Limited (NBPOL) in 2015

On 9 October 2014, Sime Darby Plantation Sdn Bhd ("SDP") served a takeover notice on NBPOL and announced its intention to make a cash offer to acquire all NBPOL shares at an offer price of GBP7.15 or PNG Kina 28.79 per NBPOL share ("Offer").

On 3 December 2014, the Kulim's shareholders voted to accept the Offer from SDP at the Extraordinary General Meeting convened to consider the Offer.

On 18 February 2015, Sime Darby announced that all conditions precedent in the Offer Document had been fulfilled and that the Offer was now unconditional.

On 26 February 2015, the Company announced that the disposal of NBPOL was completed following the receipt of the cash consideration from SDP. Accordingly, NBPOL ceased to be a subsidiary of the Group.

As NBPOL represents a major geographical area of operations, its results are excluded from the results of continuing operations and are presented as a single amount as profit after tax from discontinued operations in the statement of comprehensive income (including the comparative period). The impact on the statement of comprehensive income for the comparative period is disclosed in Note 11(d), together with the results of other discontinued operations in 2014.

11. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONT'D)

(a) Disposal of New Britain Palm Oil Limited (NBPOL) in 2015 (cont'd)

The effects of the disposal of NBPOL on the financial position and results of the Group for the year ended 31 December 2015 are as follows:

Assets and liabilities of NBPOL at the date of disposal

	RM'000
Property, plant and equipment	3,362,048
Intangible assets	150,530
Inventories	538,789
Trade and other receivables	514,614
Current tax assets	3,417
Cash and cash equivalents	32,264
Deferred tax liabilities	(980,878)
Trade and other payables	(139,054)
Loans and borrowings	(817,144)
Reserves	51,622
Net assets	2,716,208
Non-controlling interests	(1,362,981)
Net assets attributable to the Group	1,353,227
Cash proceeds from disposal	(2,887,384)
Expenses attributable to disposal of subsidiary*	192,814
Gain on disposal to the Group	(1,341,343)
Cash inflow arising on disposals:	
Cash consideration	2,887,384
Expenses attributable to disposal of subsidiary*	(192,814)
Cash and cash equivalents of subsidiary disposed	(32,264)
Net cash inflow on disposals	2,662,306

* The expenses attributable to disposal of subsidiary represent consultancy fees paid to an investment bank, legal firms and various other consultants for services rendered in connection with the disposal of NBPOL.

11. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONT'D)

(a) Disposal of New Britain Palm Oil Limited (NBPOL) in 2015 (cont'd)

Results of discontinued operations for the year ended 31 December 2015

	RM'000
Revenue	303,560
Expenses	(320,878)
Loss from operations	(17,318)
Finance costs	(4,445)
Gain on disposal to the Group	1,341,343
Profit before tax from discontinued operations	1,319,580
Taxation	(3,254)
Gain from discontinued operations, net of tax	1,316,326

Cash flows attributable to the discontinued operations

	RM'000
Net cash generated from operating activities	10,157
Net cash used in investing activities	(26,019)
Net cash used in financing activities	(30,264)
Net cash outflows	(46,126)

(b) Disposals of discontinued operations in 2014

(i) Disposal of General Access Sdn Bhd (General Access)

During the previous financial year, the Group entered into an agreement for the disposal of its subsidiary, General Access, which is involved in field clearing, earthwork, road construction and resurfacing services. The decision is in line with the Group's business exit strategy for identified companies under its Intrapreneur Venture segment to maximise returns and mitigate risks.

The disposal was completed during the previous financial year.

(ii) Disposal of Superior Harbour Sdn Bhd (Superior Harbour)

On 25 September 2014, the Group announced that it had entered into an agreement for the disposal of its subsidiary, Superior Harbour which is involved in the aquaculture business. The decision is in line with the Group's business exit strategy for identified companies under its Intrapreneur Venture segment to maximise returns and mitigate risks.

The disposal was completed during the previous financial year.

11. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONT'D)

(b) Disposals of discontinued operations in 2014 (cont'd)

(iii) Disposal of Nexsol Sdn Bhd (Nexsol)

On 27 August 2014, the Group announced that it had entered into an agreement for the disposal of its subsidiary, Nexsol which is principally involved in manufacturing and marketing of biodiesel and related products. The decision is in line with the Group's business exit strategy for identified companies under its Intrapreneur Venture segment to maximise returns and mitigate risks.

The disposal was completed during the previous financial year.

The disposals of General Access, Superior Harbour and Nexsol had the following effects on the financial position and results of the Group for the year ended 31 December 2014:

Assets and liabilities of the disposed subsidiaries

	General Access RM'000	Superior Harbour RM'000	Nexsol RM'000	Total RM'000
Property, plant and equipment	61	158	29,864	30,083
Inventories	-	-	123	123
Trade and other receivables	394	-	242	636
Current tax assets	86	-	-	86
Cash and cash equivalents	13	1	76	90
Trade and other payables	(881)	(3,355)	(832)	(5,068)
Loans and borrowings	(60)	-	-	(60)
Taxation	-	-	(3)	(3)
Net (liabilities)/assets	(387)	(3,196)	29,470	25,887
Non-controlling interests	52	703	-	755
Net (liabilities)/assets attributable to the Group	(335)	(2,493)	29,470	26,642
Cash proceeds from disposal	(207)	(320)	(27,000)	(27,527)
(Gain)/loss on disposal to the Group	(542)	(2,813)	2,470	(885)
Cash inflow arising on disposals:				
Cash consideration	207	320	27,000	27,527
Cash and cash equivalents of subsidiaries disposed	(13)	(1)	(76)	(90)
Net cash inflow on disposals	194	319	26,924	27,437

11. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONT'D)

(c) Assets of disposal group classified as held for sale

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Assets of disposal group held for sale:				
- Leasehold land	**13,291**	-	**13,291**	-
- NBPOL	**-**	4,819,085	**-**	216,390
	13,291	4,819,085	**13,291**	216,390
Liabilities of disposal group held for sale:				
- NBPOL	**-**	2,084,517	**-**	-
Reserves of disposal group held for sale:				
- NBPOL	**-**	(51,622)	**-**	-

As at 31 December 2015, a parcel of leasehold land with carrying amount of RM13,291,000 has been presented as asset held for sale as the Company has entered into a land transfer agreement to sell the land for RM23,000,000.

The major classes of assets and liabilities of NBPOL classified as held for sale and the related reserves as at 31 December 2014 are as follows:

Group	RM'000
Assets:	
Property, plant and equipment	3,459,279
Intangible assets	160,449
Inventories	572,721
Trade and other receivables	544,752
Prepayments	15,233
Current tax assets	7,383
Cash and cash equivalents	59,268
Assets of disposal group classified as held for sale	4,819,085

11. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONT'D)

(c) Assets of disposal group classified as held for sale (cont'd)

Group	RM'000
Liabilities:	
Deferred tax liabilities	(1,044,296)
Trade and other payables	(174,019)
Loan and borrowings	(866,202)
Liabilities directly associated with disposal group classified as held for sale	(2,084,517)
Net assets directly associated with disposal group classified as held for sale	2,734,568
Reserves:	
Translation reserve	(46,360)
Hedge reserve	(25)
Revaluation reserve	(5,237)
	(51,622)

Company	RM'000
Assets:	
Investment in subsidiaries	216,390

11. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONT'D)

(d) Disclosure on discontinued operations and disposal groups classified as held for sale in year 2014

Results of discontinued operations for the year ended 31 December 2014

	NBPOL RM'000	General Access RM'000 (4 months)	Superior Harbour RM'000 (7 months)	Nexsol RM'000 (11 months)	Total RM'000
Revenue	2,097,946	187	158	11	2,098,302
Expenses	(1,678,937)	(223)	(4,223)	(5,383)	(1,688,766)
Profit from operations	419,009	(36)	(4,065)	(5,372)	409,536
Interest income	54	-	-	-	54
Finance costs	(27,761)	(2)	(112)	-	(27,875)
Gain/(loss) on disposal to the Group	-	542	2,813	(2,470)	885
Profit/(loss) before tax from discontinued operations	391,302	504	(1,364)	(7,842)	382,600
Taxation	(135,687)	-	-	-	(135,687)
Gain/(loss) from discontinued operations, net of tax	255,615	504	(1,364)	(7,842)	246,913

Cash flows attributable to the d iscontinued operations

	NBPOL RM'000	General Access RM'000 (4 months)	Superior Harbour RM'000 (7 months)	Nexsol RM'000 (11 months)	Total RM'000
Net cash generated from operating activities	370,341	(66)	743	3,305	374,323
Net cash used in investing activities	(232,843)	(2)	-	-	(232,845)
Net cash used in financing activities	(171,054)	(20)	-	-	(171,074)
Net cash (outflows)/inflows	(33,556)	(88)	743	3,305	(29,596)

12. EARNINGS PER SHARE

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

The following reflect the profit and share data used in the computation of basic earnings per share for the years ended 31 December:

	Group	
	2015 RM'000	2014 RM'000
Profit for the year attributable to owners of the Company		
- continuing operations	104,134	47,791
- discontinued operations	1,328,514	116,512
	1,432,648	164,303
	'000	'000
Weighted average number of ordinary shares	1,284,614	1,308,968
	Sen	Sen
Basic earnings per share		
- continuing operations	8.11	3.65
- discontinued operations	103.42	8.90
	111.53	12.55

12. EARNINGS PER SHARE (CONT'D)

The diluted earnings per share is calculated based on the profit attributable to owners of the Company and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

	Group	
	2015 RM'000	2014 RM'000
Weighted average number of ordinary shares for basic earnings per share computation*	1,284,614	1,308,968
Effect of dilution arising from :		
- conversion of warrants	19,246	5,540
- exercise of share options	1,761	985
Weighted average number of ordinary shares adjusted for the effect of dilution	1,305,621	1,315,493

* The weighted average number of shares takes into account the weighted average effect of changes in treasury share transactions during the year.

	Group	
	2015 RM'000	2014 RM'000
Diluted earnings per share:		
- continuing operations	7.98	3.63
- discontinued operations	101.75	8.86
	109.73	12.49

13. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Long term leasehold land RM'000	Leasehold improvement and renovation RM'000	Land use rights RM'000	Estate development expenditure RM'000	Buildings RM'000	Other assets RM'000	Capital work in progress RM'000	Total RM'000
Cost									
At 1 January 2014	1,298,416	833,439	353	-	2,239,298	1,289,468	2,566,921	202,854	8,430,749
Acquisition of subsidiaries	-	-	-	76,185	2,286	12	574	-	79,057
Additions	-	2,648	571	4,782	152,608	7,050	175,307	172,942	515,908
Disposals	(2,693)	(1,173)	-	-	(1,686)	(1,504)	(16,742)	-	(23,798)
Write off	(3,317)	-	-	-	(11,907)	(644)	(3,446)	-	(19,314)
Disposal of subsidiaries	-	-	-	-	-	(29,913)	(58,156)	(178)	(88,247)
Attributable to discontinued operations	-	-	-	-	(1,793,122)	(1,192,209)	(1,884,652)	(92,631)	(4,962,614)
Reclassification	-	-	-	-	-	56,605	107,078	(163,683)	-
Exchange differences	-	-	-	-	322,054	40,747	28,980	9,950	401,731
At 31 December 2014/ 1 January 2015	1,292,406	834,914	924	80,967	909,531	169,612	915,864	129,254	4,333,472
Acquisition of subsidiaries	-	-	-	-	-	661	524	-	1,185
Additions	-	17,930	-	1,366	52,889	12,693	185,912	32,860	303,650
Disposals	-	-	-	-	-	(115)	(10,550)	(2,386)	(13,051)
Write off	-	-	-	-	(15,438)	(1,395)	(9,963)	-	(26,796)
Transfer to asset held for sale	-	(15,739)	-	-	-	-	-	-	(15,739)
Reclassification	-	-	-	-	-	8,218	25,784	(34,002)	-
Exchange differences	-	-	-	354	154	6	41	80	635
At 31 December 2015	1,292,406	837,105	924	82,687	947,136	189,680	1,107,612	125,806	4,583,356

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Freehold land RM'000	Long term leasehold land RM'000	Leasehold improvement and renovation RM'000	Land use rights RM'000	Estate development expenditure RM'000	Buildings RM'000	Other assets RM'000	Capital work in progress RM'000	Total RM'000
Accumulated depreciation									
At 1 January 2014	-	58,861	133	-	397,031	300,965	1,178,043	-	1,935,033
Charge for the year	-	10,914	-	-	84,949	41,884	213,676	-	351,423
Disposals	-	(35)	-	-	(396)	(454)	(15,810)	-	(16,695)
Write off	-	-	-	-	(11,641)	(612)	(3,246)	-	(15,499)
Disposal of subsidiaries	-	-	-	-	-	(6,953)	(11,459)	-	(18,412)
Attributable to discontinued operations	-	-	-	-	(216,762)	(247,740)	(1,038,833)	-	(1,503,335)
Exchange differences	-	-	-	-	31,775	10,957	18,734	-	61,466
At 31 December 2014/ 1 January 2015	-	69,740	133	-	284,956	98,047	341,105	-	793,981
Charge for the year	-	8,532	-	-	44,709	6,597	75,411	-	135,249
Disposals	-	-	-	-	-	(300)	(5,956)	-	(6,256)
Write off	-	-	-	-	(6,576)	(839)	(6,571)	-	(13,986)
Transfer to asset held for sale	-	(2,448)	-	-	-	-	-	-	(2,448)
Exchange differences	-	-	-	-	-	-	25	-	25
At 31 December 2015	-	75,824	133	-	323,089	103,505	404,014	-	906,565
Accumulated impairment losses									
At 1 January 2014	-	-	-	-	12,177	-	49,019	940	62,136
Disposals	-	-	-	-	-	-	(157)	(704)	(861)
Disposal of subsidiaries	-	-	-	-	-	-	(39,752)	-	(39,752)
At 31 December 2014/ 1 January 2015	-	-	-	-	12,177	-	9,110	236	21,523
Charge for the year	-	-	-	-	-	1,592	1,616	97	3,305
Disposals	-	-	-	-	-	-	(54)	-	(54)
At 31 December 2015	-	-	-	-	12,177	1,592	10,672	333	24,774
Net carrying amount:									
At 31 December 2014	1,292,406	765,174	791	80,967	612,398	71,565	565,649	129,018	3,517,968
At 31 December 2015	1,292,406	761,281	791	82,687	611,870	84,583	692,926	125,473	3,652,017

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Other assets of the Group can be further analysed as follows:

Group	Vessels, plant and machinery RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost				
At 1 January 2014	2,442,749	82,316	41,856	2,566,921
Acquisition of subsidiaries	-	479	95	574
Additions	163,052	3,255	9,000	175,307
Disposals	(13,929)	(1,069)	(1,744)	(16,742)
Write off	(1,269)	(354)	(1,823)	(3,446)
Disposal of subsidiaries	(52,848)	(4,630)	(678)	(58,156)
Attributable to discontinued operations	(1,884,652)	-	-	(1,884,652)
Reclassification	106,746	332	-	107,078
Exchange differences	28,980	-	-	28,980
At 31 December 2014/1 January 2015	788,829	80,329	46,706	915,864
Acquisition of subsidiaries	-	357	167	524
Additions	174,405	4,865	6,642	185,912
Disposals	(4,974)	(4,226)	(1,350)	(10,550)
Write off	(7,897)	(373)	(1,693)	(9,963)
Reclassification	21,618	4,166	-	25,784
Exchange differences	-	13	28	41
At 31 December 2015	971,981	85,131	50,500	1,107,612

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Vessels, plant and machinery RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Total RM'000
Accumulated depreciation				
At 1 January 2014	1,117,820	32,179	28,044	1,178,043
Charge for the year	201,652	4,190	7,834	213,676
Disposals	(13,908)	(711)	(1,191)	(15,810)
Write off	(1,111)	(345)	(1,790)	(3,246)
Disposal of subsidiaries	(8,167)	(2,675)	(617)	(11,459)
Attributable to discontinued operations	(1,038,833)	-	-	(1,038,833)
Exchange differences	18,734	-	-	18,734
At 31 December 2014/1 January 2015	276,187	32,638	32,280	341,105
Charge for the year	65,033	4,325	6,053	75,411
Disposals	(4,861)	(419)	(676)	(5,956)
Write off	(4,693)	(238)	(1,640)	(6,571)
Exchange differences	-	22	3	25
At 31 December 2015	331,666	36,328	36,020	404,014
Accumulated impairment losses				
At 1 January 2014	49,009	-	10	49,019
Disposals	(157)	-	-	(157)
Disposal of subsidiaries	(39,752)	-	-	(39,752)
At 31 December 2014/1 January 2015	9,100	-	10	9,110
Impairment loss for the year	5	1,611	-	1,616
Disposals	(54)	-	-	(54)
At 31 December 2015	9,051	1,611	10	10,672
Carrying amount				
At 31 December 2014	503,542	47,691	14,416	565,649
At 31 December 2015	631,264	47,192	14,470	692,926

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Freehold land RM'000	Long term leasehold land RM'000	Estate development expenditure RM'000	Buildings RM'000	Other assets RM'000	Capital work in progress RM'000	Total RM'000
Cost							
At 1 January 2014	774,737	207,768	172,139	53,943	32,339	12,705	1,253,631
Additions	-	2,127	19,645	367	3,962	4,157	30,258
Disposals	-	-	-	-	(205)	-	(205)
Write off	-	-	(3,073)	(233)	(847)	(49)	(4,202)
Reclassification	-	-	-	9,649	414	(10,063)	-
At 31 December 2014/ 1 January 2015	774,737	209,895	188,711	63,726	35,663	6,750	1,279,482
Additions	-	17,930	16,188	590	7,241	12,151	54,100
Write off	-	-	(11,202)	(548)	(1,016)	-	(12,766)
Transfer to asset held for sale	-	(15,739)	-	-	-	-	(15,739)
At 31 December 2015	774,737	212,086	193,697	63,768	41,888	18,901	1,305,077
Accumulated depreciation							
At 1 January 2014	-	14,563	73,730	33,080	25,837	-	147,210
Charge for the year	-	1,232	12,341	1,871	2,460	-	17,904
Disposals	-	-	-	-	(168)	-	(168)
Write off	-	-	(3,073)	(222)	(844)	-	(4,139)
At 31 December 2014/ 1 January 2015	-	15,795	82,998	34,729	27,285	-	160,807
Charge for the year	-	1,251	10,335	2,175	3,017	-	16,778
Write off	-	-	(4,254)	(396)	(1,003)	-	(5,653)
Transfer to asset held for sale	-	(2,448)	-	-	-	-	(2,448)
At 31 December 2015	-	14,598	89,079	36,508	29,299	-	169,484
Net carrying amount:							
At 31 December 2014	774,737	194,100	105,713	28,997	8,378	6,750	1,118,675
At 31 December 2015	774,737	197,488	104,618	27,260	12,589	18,901	1,135,593

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Other assets of the Company can be further analysed as follows :

Company	Plant and machinery RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
Cost				
At 1 January 2014	13,805	8,786	9,748	32,339
Additions	1,905	636	1,421	3,962
Disposals	-	(61)	(144)	(205)
Write off	(230)	(95)	(522)	(847)
Reclassification	136	278	-	414
At 31 December 2014/1 January 2015	15,616	9,544	10,503	35,663
Additions	4,603	1,928	710	7,241
Write off	(338)	(110)	(568)	(1,016)
At 31 December 2015	19,881	11,362	10,645	41,888
Accumulated depreciation				
At 1 January 2014	11,597	7,015	7,225	25,837
Charge for the year	869	609	982	2,460
Disposals	-	(24)	(144)	(168)
Write off	(230)	(92)	(522)	(844)
At 31 December 2014/1 January 2015	12,236	7,508	7,541	27,285
Charge for the year	1,200	776	1,041	3,017
Write off	(327)	(108)	(568)	(1,003)
At 31 December 2015	13,109	8,176	8,014	29,299
Carrying amount				
At 31 December 2014	3,380	2,036	2,962	8,378
At 31 December 2015	6,772	3,186	2,631	12,589

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Assets held under finance lease

During the year, the Group and the Company acquired property, plant and equipment with an aggregate cost of approximately RM303,650,000 (2014 : RM515,908,000) and RM54,100,000 (2014 : RM30,258,000) respectively, of which RM2,199,000 (2014 : RM2,326,000) of the Group's acquisitions were made via finance lease.

Included in property, plant and equipment of the Group are assets acquired under lease arrangements at net book value of RM1,779,000 (2014 : RM2,944,000). The leased assets consist of equipment and motor vehicles (as disclosed in Note 24).

Assets pledged as security for borrowings

	Group	
	2015 RM'000	**2014 RM'000**
Carrying amount of assets pledged as security for borrowings :		
- long term leasehold lands	**741**	755
- buildings	**3,264**	1,073
- other property, plant and equipment	**635,373**	529,677
	639,378	531,505

14. INVESTMENT PROPERTIES

	Group and Company	
	2015 RM'000	**2014 RM'000**
At 1 January	**110,768**	107,758
Net gain from fair value adjustments recognised in profit or loss (Note 8)	**4,260**	3,010
At 31 December	**115,028**	110,768

Investment properties comprise a number of commercial properties that are leased to third parties. Subsequent renewals are negotiated with the lessee and no contingent rents are charged.

As at 31 December 2015 and 2014, the fair values of the properties are based on valuations performed by Cheston International, an accredited independent valuer.

14. INVESTMENT PROPERTIES (CONT'D)

	Group and Company	
	2015 RM'000	2014 RM'000
Rental income derived from investment properties	8,609	8,836
Direct operating expenses (including repairs and maintenance) generating rental income (included in cost of sales)	(3,541)	(2,708)
Profit arising from investment properties carried at fair value	5,068	6,128

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.

The Group has assessed that the highest and best use of its properties do not differ from their current use.

In arriving at the fair value of investment properties, the comparison method and investment method of valuation have been adopted.

The investment method entails the determination of the probable gross annual rental the property is capable of producing and deducting the outgoings to arrive at the annual net income. An appropriate discount rate is applied on the estimated annual income to arrive at the market value of the property. Significant unobservable inputs include the gross rental value per square foot, rental growth rate, estimated outgoings per square foot and discount rate.

The comparison method entails critical analyses of recent transactions/sales of similar types of land in the locality and making relevant adjustments for differences in factors like location, shape and size, terrain, tenure, restriction in interest to arrive at the market value.

15. INTANGIBLE ASSETS

Group	Goodwill RM'000	Concession rights RM'000	Others RM'000	Total RM'000
Cost				
At 1 January 2014/ 31 December 2014/ 1 January 2015	28,548	14,405	3,537	46,490
Acquisition of subsidiaries	95,356	-	800	96,156
Addition	-	960	548	1,508
Disposed	-	(15,365)	-	(15,365)
Written-off	-	-	(75)	(75)
At 31 December 2015	123,904	-	4,810	128,714
Accumulated amortisation and impairment				
At 1 January 2014	2,780	5,635	3,468	11,883
Amortisation	-	1,099	69	1,168
At 31 December 2014/1 January 2015	2,780	6,734	3,537	13,051
Impairment	461	-	-	461
Amortisation	-	2,266	334	2,600
Disposed	-	(9,000)	-	(9,000)
Written-off	-	-	(75)	(75)
Other adjustment	-	-	(175)	(175)
At 31 December 2015	3,241	-	3,621	6,862
Net carrying amount				
At 31 December 2014	25,768	7,671	-	33,439
At 31 December 2015	120,663	-	1,189	121,852

Concession rights

The concession right arose from a 15 year Concession Agreement between the Group, a former related company and the ultimate holding corporation to manage, operate and maintain a multi-storey car park together with other parking facilities at Persada Johor International Convention Centre. It was anticipated that the cost will be recovered through future income derived from the car park operation and guaranteed income by the holding corporation pursuant to the Concession Agreement. The Concession Agreement was terminated during the financial year and a compensation based on the value of the unamortised concession rights of RM6,365,000 will be paid to the Group by the ultimate holding corporation.

15. INTANGIBLE ASSETS (CONT'D)

Impairment testing of intangible assets with indefinite useful lives

For the purpose of impairment testing, intangible assets with indefinite useful lives have been allocated to the following cash-generating units ("CGU").

	Goodwill		Concession rights		Others		Total	
Group	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Parking operator	-	-	-	7,671	-	-	-	7,671
Shipping and forwarding agent	12,560	12,560	-	-	-	-	12,560	12,560
Insurance broker	1,642	1,642	-	-	-	-	1,642	1,642
Agricultural fertilizer trading and biotechnology research and development	2,587	3,048	-	-	-	-	2,587	3,048
Palm oil milling	-	-	-	-	-	-	-	-
Construction of oil and gas equipment	8,463	8,463	-	-	-	-	8,463	8,463
Development of global logistics platform	95,356	-	-	-	800	-	96,156	-
Others	55	55	-	-	389	-	444	55
	120,663	25,768	-	7,671	1,189	-	121,852	33,439

Key assumptions used in determining the recoverable amounts

The goodwill attributable to the global logistics platform arose from the acquisition of a controlling interest in Asia Logistics Council Sdn. Bhd. ("ALC") during the year. As the initial accounting for the business combination has yet to be completed at the reporting date, the goodwill was computed based on provisional values assigned to the assets and liabilities of ALC acquired as well as the non-cash consideration transferred for the acquisition. Further details are disclosed in Note 16.

ALC is involved in the development of a global logistics platform that will link the various parties and stakeholders involved in the freight and shipping industry on a common platform.

The goodwill recognised will be retrospectively adjusted upon completion of the initial accounting of the business combination. The annual impairment assessment of the goodwill attributable to the global logistics platform will commence upon completion of the initial accounting of the business combination.

In respect of the other intangible assets, 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 management.

15. INTANGIBLE ASSETS (CONT'D)

The key assumptions on which management has based its cash flow projections are as follows:

- Cash flows are projected based on the management's most recent 5-year business plan.
- Profit margins are projected based on the industry trends, historical profit margin achieved or pre-determined profit margin for property projects.
- Discount rates used for cash flows discounting purpose is the Group's weighted average cost of capital. The average discount rate applied for cash flow projections is 10%.

The values assigned to the key assumptions represent management's assessment of future trends in the industry.

16. INVESTMENT IN SUBSIDIARIES

	Company	
	2015 RM'000	2014 RM'000
At cost :		
Unquoted shares in Malaysia	616,056	590,053
Unquoted shares outside Malaysia	154,961	105,791
Less : Impairment losses	(21,705)	(21,705)
Profit arising from investment properties carried at fair value	749,312	674,139

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal Activities	% of ownership interest held by the Group		% of ownership interest held by non-controlling interests*	
			2015	2014	2015	2014
Held by the Company :						
Mahamurni Plantations Sdn. Bhd.	Malaysia	Oil palm plantation	100.00%	100.00%	-	-
Selai Sdn. Bhd.	Malaysia	Oil palm plantation	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	95.52%	94.49%	4.48%	5.51%
EPA Management Sdn. Bhd.	Malaysia	Investment holding, provision of management services and consultancy, and mechanical equipment assembler	100.00%	100.00%	-	-

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows: (cont'd)

Name of subsidiaries	Country of incorporation	Principal Activities	% of ownership interest held by the Group		% of ownership interest held by non-controlling interests*	
			2015	2014	2015	2014
Held by the Company (cont'd) :						
Skellerup Industries (Malaysia) Sdn. Bhd.	Malaysia	Manufacturer of rubber-based products	**100.00%**	100.00%	**-**	-
Kulim Topplant Sdn. Bhd.	Malaysia	Production of oil palm clones	**60.00%**	60.00%	**40.00%**	40.00%
JTP Trading Sdn. Bhd.	Malaysia	Trading/distribution of tropical fruits	**100.00%**	100.00%	**-**	-
Kulim Energy Sdn. Bhd.	Malaysia	Investment holding	**80.00%**	80.00%	**20.00%**	20.00%
Pristine Bay Sdn. Bhd.	Malaysia	Investment holding	**51.00%**	51.00%	**49.00%**	49.00%
Kulim Plantations (Malaysia) Sdn. Bhd.	Malaysia	Oil palm plantation	**100.00%**	100.00%	**-**	-
+New Britain Palm Oil Limited	Papua New Guinea	Oil palm plantation	**-**	48.97%	**-**	51.03%
Sindora Berhad	Malaysia	Investment holding, operations of oil palm million and rubber estates	**100.00%**	100.00%	**-**	-
Cita Tani Sdn. Bhd.	Malaysia	Cultivation of sugar cane and other agriculture produce	**100.00%**	100.00%	**-**	-
Renown Value Sdn. Bhd.	Malaysia	Cultivation of pineapples and other agricultural produce	**75.00%**	75.00%	**25.00%**	25.00%
Kulim Nursery Sdn. Bhd.	Malaysia	Oil palm nursery and other related services	**100.00%**	75.00%	**-**	25.00%
SG Lifestyle Sdn. Bhd. (formerly known as The Secret of Secret Garden Sdn. Bhd.)	Malaysia	Marketing of personal care products	**100.00%**	100.00%	**-**	-
Danamin Sdn. Bhd.	Malaysia	Construction of oil and gas equipment	**75.00%**	60.00%	**25.00%**	40.00%
PT Wisesa Sumber Inspirasi Nusantara	Indonesia	Investment holding	**74.00%**	74.00%	**26.00%**	26.00%
Asia Economic Development Fund Limited	Hong Kong	Investment holding	**54.21%**	54.21%	**45.79%**	45.79%

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows: (cont'd)

Name of subsidiaries	Country of incorporation	Principal Activities	% of ownership interest held by the Group		% of ownership interest held by non-controlling interests*	
			2015	2014	2015	2014
Held by the Company (cont'd) :						
Kulim Energy Nusantara Sdn. Bhd.	Malaysia	Investment holding	**100.00%**	100.00%	**-**	-
Kulim SmartTech Sdn. Bhd.	Malaysia	Researching and developing cutting-edge solutions for oil and gas, healthcare and industrial automation	**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%
Held through EPA Management Sdn. Bhd. :						
Akli Resources Sdn. Bhd.	Malaysia	Provider of in-house and external training programmes	**95.00%**	95.00%	**5.00%**	5.00%
Edaran Badang Sdn. Bhd.	Malaysia	Dealer in agricultural machinery and parts	**100.00%**	75.00%	**-**	25.00%
Kulim Civilworks Sdn. Bhd.	Malaysia	Facilities maintenance, project and construction works	**99.67%**	75.00%	**0.33%**	25.00%
Panquest Ventures Limited	British Virgin Island	Dormant	**100.00%**	100.00%	**-**	-
Held through EPA Management Sdn. Bhd. :						
Kulim Livestocks Sdn. Bhd.	Malaysia	Breeding and sale of cattle	**100.00%**	100.00%	**-**	-
Special Appearance Sdn. Bhd.	Malaysia	Production house and event management	**90.00%**	90.00%	**10.00%**	10.00%

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows: (cont'd)

Name of subsidiaries	Country of incorporation	Principal Activities	% of ownership interest held by the Group		% of ownership interest held by non-controlling interests*	
			2015	2014	2015	2014
Held through EPA Management Sdn. Bhd. : (cont'd)						
Extreme Edge Sdn. Bhd.	Malaysia	Computer equipment supplier supplier and services	**75.00%**	75.00%	**25.00%**	25.00%
Pinnacle Platform Sdn. Bhd.	Malaysia	Software maintenance and supplier	**95.00%**	95.00%	**5.00%**	5.00%
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%**	100.00%	**25.00%**	-
+PT Kulim Agro Persada	Indonesia	Management services	**100.00%**	100.00%	**-**	-
Perfect Synergy Trading Sdn. Bhd.	Malaysia	Fertilizer supplier	**75.00%**	56.25%	**25.00%**	43.75%
Optimum Status Sdn. Bhd.	Malaysia	Mill maintenance	**75.00%**	56.25%	**25.00%**	43.75%
Held through Kulim Livestocks Sdn. Bhd. :						
Exquisite Livestock Sdn. Bhd.	Malaysia	Commercial cattle farming	**100.00%**	100.00%	**-**	-
Held through Edaran Badang Sdn. Bhd. :						
Perfect Synergy Trading Sdn. Bhd.	Malaysia	Fertilizer supplier	**-**	56.25%	**-**	43.75%
Optimum Status Sdn. Bhd.	Malaysia	Mill maintenance	**-**	56.25%	**-**	43.75%
Held through Kulim Civilworks Sdn. Bhd. :						
KCW Hardware Sdn. Bhd.	Malaysia	Dormant	**99.67%**	75.00%	**0.33%**	25.00%
KCW Kulim Marine Services Sdn. Bhd.	Malaysia	Dormant	**99.67%**	75.00%	**0.33%**	25.00%
KCW Electrical Sdn. Bhd.	Malaysia	Dormant	**99.67%**	75.00%	**0.33%**	25.00%
KCW Roadworks Sdn. Bhd	Malaysia	Dormant	**99.67%**	75.00%	**0.33%**	25.00%

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows: (cont'd)

Name of subsidiaries	Country of incorporation	Principal Activities	% of ownership interest held by the Group		% of ownership interest held by non-controlling interests*	
			2015	2014	2015	2014
Held through Skellerup Industries (Malaysia) Sdn. Bhd. :						
Skellerup Foam Products (Malaysia) Sdn. Bhd.	Malaysia	Dormant	**100.00%**	100.00%	**-**	-
Skellerup Latex Products (M) Sdn. Bhd.	Malaysia	Dormant	**100.00%**	100.00%	**-**	-
SIM Manufacturing Sdn. Bhd.	Malaysia	Investment holding and manufacturers and dealers in rubber and rubber products of all kinds	**90.00%**	90.00%	**10.00%**	10.00%
Held through Extreme Edge Sdn. Bhd						
Sovereign Multimedia Resources Sdn. Bhd.	Malaysia	Information and communication technology business	**75.00%**	75.00%	**25.00%**	25.00%
Held through JTP Trading Sdn. Bhd. :						
JTP Montel Sdn. Bhd.	Malaysia	Trading and distribution of tropical fruits	**100.00%**	100.00%	**-**	-
Held through New Britain Palm Oil Limited :						
+Dami Australia Pty. Limited	Australia	Research and production of oil palm seeds	**-**	48.97%	**-**	51.03%
+New Britain Nominees Limited	Papua New Guinea	Operate as legal entity for New Britain Palm Oil Limited Share Ownership Plan	**-**	48.97%	**-**	51.03%
+Guadalcanal Plains Oil Limited	Solomon Islands	Operate as legal entity for New Britain Palm Oil	**-**	39.18%	**-**	60.82%
+New Britain Plantation Services Pte. Limited	Singapore	Sale of germinated oil palm seeds	**-**	48.97%	**-**	51.03%
+Ramu Agri-Industries Limited	Papua New Guinea	Oil palm, cultivation of sugar cane and other agriculture produce	**-**	48.97%	**-**	51.03%

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows: (cont'd)

Name of subsidiaries	Country of incorporation	Principal Activities	% of ownership interest held by the Group		% of ownership interest held by non-controlling interests*	
			2015	2014	2015	2014
Held through New Britain Palm Oil Limited (cont'd) :						
+Dumpu Limited	Papua New Guinea	Landholding	-	48.97%	-	51.03%
+New Britain Oils Limited	United Kingdom	Refinery	-	48.97%	-	51.03%
+Kula Palm Oil Limited	Papua New Guinea	Oil palm cultivation and processing	-	39.18%	-	60.82%
+Plantation Contracting Services Limited	Papua New Guinea	Contractual earthworks and roadworks projects	-	48.97%	-	51.03%
+Poliamba Limited	Papua New Guinea	Oil palm cultivation	-	39.18%	-	60.82%
Held through Sindora Berhad:						
Sindora Wood Products Sdn. Bhd.	Malaysia	Property letting	**100.00%**	100.00%	-	-
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	Timber logging, processing and sale of sawn timber, timber doors, laminated timber scantling and trading of wood products	**82.03%**	82.03%	**17.97%**	17.97%
Granulab (M) Sdn. Bhd.	Malaysia	Trading of GranuMas, a granular synthetic bone graft	**99.29%**	90.00%	**0.71%**	10.00%
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	**50.60%**	50.60%	**49.40%**	49.40%
Microwell Bio Solutions Sdn. Bhd.	Malaysia	Trading of agricultural fertilizers, water treatment, biotechnology research and development	**60.00%**	60.00%	**40.00%**	40.00%

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows: (cont'd)

Name of subsidiaries	Country of incorporation	Principal Activities	% of ownership interest held by the Group		% of ownership interest held by non-controlling interests*	
			2015	2014	2015	2014
Held through Sindora Berhad (cont'd):						
MIT Insurance Brokers Sdn. Bhd.	Malaysia	Insurance broking and consultancy	**75.00%**	75.00%	**25.00%**	25.00%
Held through Sindora Timber Sdn. Bhd.:						
Tiram Fresh Sdn. Bhd.	Malaysia	Cultivation and trading of mushroom and related products	**82.03%**	82.03%	**17.97%**	17.97%
Jejak Juara Sdn. Bhd.	Malaysia	Manufacturers and dealers in rubber products	**72.92%**	72.92%	**27.08%**	27.08%
Held through E.A. Technique (M) Berhad:						
Johor Shipyard & Engineering Sdn. Bhd.	Malaysia	Shipbuilding, fabrication of steel structures, engineering services and consultancy	**50.60%**	50.60%	**49.40%**	49.40%
Held through Microwell Bio Solutions Sdn. Bhd.:						
Microwell Trading Sdn. Bhd.	Malaysia	Trading of biochemical fertilizer	**60.00%**	60.00%	**40.00%**	40.00%
Held through Danamin Sdn. Bhd.:						
DQ-IN Sdn. Bhd.	Malaysia	Dormant	**75.00%**	60.00%	**25.00%**	40.00%
Xcot Tech Sdn. Bhd.	Malaysia	Dormant	**75.00%**	60.00%	**25.00%**	40.00%
Held through PT Wisesa Inspirasi Nusantara:						
+PT Sawit Sumber Rejo	Indonesia	Oil palm plantation	**70.30%**	70.30%	**29.70%**	29.70%
+PT Wahana Semesta Kharisma	Indonesia	Oil palm plantation	**70.30%**	70.30%	**29.70%**	29.70%
+PT Harapan Barito Sejahtera	Indonesia	Oil palm plantation	**70.30%**	70.30%	**29.70%**	29.70%

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows: (cont'd)

Name of subsidiaries	Country of incorporation	Principal Activities	% of ownership interest held by the Group		% of ownership interest held by non-controlling interests*	
			2015	2014	2015	2014
Held through Asia Economic Development Fund Limited:						
Asia Logistic Council Sdn. Bhd.	Malaysia	E-Commerce	**68.00%**	-	**32.00%**	-
Held by Granulab (M) Sdn. Bhd.:						
Granulab Marketing Sdn. Bhd.	Malaysia	Sales of Granulab Synthetic Bone Graft	**99.29%**	90.00%	**0.71%**	10.00%

* Equals to the proportion of voting rights held
\+ Audited by firms other than Ernst & Young
\# Listed on Main Board of Bursa Malaysia Securities Berhad

Acquisition of subsidiaries in 2015

As at 31 December 2014, Asia Economic Development Fund Limited ("AEDFL"), a 54.21% owned subsidiary of the Group, held 38% equity interest in Asia Logistics Council Sdn. Bhd. ("ALC").

On 5 March 2015, AEDFL entered into a share sale agreement ("SSA") with Johor Logistics Sdn. Bhd. ("JLog"), a wholly-owned subsidiary of the parent corporation, Johor Corporation ("JCorp"), in relation to the proposed acquisition of 2,109,212 ordinary shares in ALC not already owned by AEDFL, for a total consideration of RM23.17 million to be satisfied by the issuance of 158,958 ordinary shares in AEDFL. The consideration was subsequently adjusted to RM51.19 million via a supplemental agreement with JLog signed on 25 February 2016. There was no change in the number of consideration shares of AEDFL to be issued to JLog.

As the above transaction was part of a group restructuring undertaken by JCorp, AEDFL undertook a bonus issue of 188,176 ordinary shares to the Company, in order that the Company would maintain its existing 54.21% interest in AEDFL. The bonus issue was not extended to the other shareholders of AEDFL.

Upon completion of the proposed acquisition on 1 November 2015, ALC became a 68%-owned subsidiary of AEDFL which in turn resulted in ALC becoming an indirect subsidiary of the Company.

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

Acquisition of subsidiaries in 2015 (cont'd)

As at the reporting date, the initial accounting for the above business combination has yet to be completed. The Group has used the following provisional values for the initial accounting of the business combination:

- Fair values of the identifiable assets and liabilities acquired were based on the book values of these assets and liabilities in the financial statements of ALC at the date of acquisition;

- Fair value of the consideration transferred was based on the revised consideration of RM51.19 million stated in the supplemental agreement between AEDFL and JLog signed on 25 February 2016. The revised consideration was based on the book value of AEDFL's existing stake in ALC at the date of acquisition.

Based on the provisional values, the carrying amount of the Group's existing interest in ALC was written down by RM3,093,000 and goodwill amounting to RM95,356,000 was recognised. The write-down of the existing interest in ALC, goodwill arising from the acquisition and the carrying amount of the assets acquired will be adjusted accordingly on a retrospective basis when the valuations are finalised.

The acquisitions of ALC had the following effects on the Group's assets and liabilities on the acquisition date:

	Provisional fair values recognised on acquisition Total RM'000
Property, plant and equipment	1,185
Intangible assets	800
Investment	173,446
Cash and cash equivalents	295
Receivables	300
Payables	(119,333)
Net identifiable assets	56,693
Less : Non-controlling interest on acquisition	(36,010)
Group's share of net assets	20,683
Goodwill on acquisition	95,356
Total cost of acquisition	116,039
Less: Carrying value of existing interest in ALC	(67,942)
Remeasurement of existing interest in ALC	3,093
Non-cash consideration	(51,190)
Consideration settled in cash	-
Cash and cash equivalents acquired	(295)
Net cash inflow	(295)

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

Acquisition of subsidiaries in 2014

Acquisition of PT Wisesa Inspirasi Nusantara ("PT WIN")

During the previous financial year, the Group acquired 8,318,000 ordinary shares in PT WIN representing 74% of the issued and paid up share capital of PT WIN for a total purchase consideration of RM58,754,000. Following the acquisition of the interest, PT WIN became a subsidiary of the Group.

Acquisition of Sovereign Multimedia Resources Sdn Bhd ("SMR")

During the previous financial year, the Group acquired 250,000 ordinary shares in SMR representing 100% of the issued and paid up share capital of SMR for a total purchase consideration of RM2,825,000. Following the acquisition of the interest, SMR became a subsidiary of the Group.

Acquisition of Asia Economic Development Fund Limited ("AEDFL")

On 23 April 2014, Kulim sent a notice of conversion to AEDFL to exercise its right to convert its existing holdings of Irredeemable Convertible Cumulative Unsecured Loan Securities ("ICCULS") in AEDFL into ordinary shares of AEDFL. Following the conversion of the ICCULS into ordinary shares, the Company held 54.21% of the total issued and paid-up share capital of AEDFL, thus making AEDFL a subsidiary of the Group.

The acquisitions of PT WIN, SMR and AEDFL had the following effects on the Group's assets and liabilities on the acquisition date:

	Fair values recognised on acquisition			
	PT WIN RM'000	SMR RM'000	AEDFL RM'000	Total RM'000
Property, plant and equipment	78,577	480	-	79,057
Investment in associate	-	-	69,630	69,630
Cash and cash equivalents	1,508	1,816	71	3,395
Receivables	24	1,270	210	1,504
Payables	(712)	(357)	(1,149)	(2,218)
Net identifiable assets	79,397	3,209	68,762	151,368
Less : Non-controlling interesteon acquisition	(20,643)	-	(21,723)	(42,366)
Group's share of net assets	58,754	3,209	47,039	109,002
Negative goodwill on acquisition	-	(384)	-	(384)
Total cost of acquisition	58,754	2,825	47,039	108,618
Less: Non cash consideration	-	-	(47,039)	(47,039)
Consideration settled in cash	58,754	2,825	-	61,579
Cash and cash equivalents acquired	(1,508)	(1,816)	(71)	(3,395)
Net cash outflow/(inflow)	57,246	1,009	(71)	58,184

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

Disposal of subsidiary in 2015

As disclosed in Note 11(a), the Group disposed of its equity interests in New Britain Palm Oil Limited for a total consideration of RM2,887,384,000 during the year. The effects of the disposal on the financial position and results of the Group and the Company are disclosed in Note 11(a).

Disposal of subsidiaries in 2014

As disclosed in Note 11, the Group disposed of its equity interests in General Access, Superior Harbour and Nexsol for a total consideration of RM27,527,000 during the previous financial year. The effects of the disposals on the financial position and results of the Group and the Company are disclosed in Note 11(a).

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:

	2015	2014
New Britain Palm Oil Limited. ("NBPOL")	-	51.03%
E.A. Technique (M) Berhad ("EAT")	**49.40%**	49.40%
Asia Economic Development Fund Limited ("AEDFL")	**45.79%**	45.79%

Accumulated balances of non-controlling interests:

	2015 RM'000	2014 RM'000
NBPOL	-	1,384,846
EAT	**147,067**	132,713
AEDFL	**72,023**	23,572

Profit allocated to non-controlling interests:

	2015 RM'000	2014 RM'000
NBPOL	-	137,471
EAT	**18,588**	6,430
AEDFL	**(77)**	(59)

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

Summarised financial information of subsidiaries which have non-controlling interests that are material to the Group (cont'd)

Summarised statements of financial position before intra-group elimination:

	AEDFL RM'000	EAT RM'000	Total RM'000
At 31 December 2015			
Current assets	1,975	337,376	339,351
Non-current assets	252,787	646,336	899,123
Current liabilities	(121,268)	(388,771)	(510,039)
Non-current liabilities	-	(298,674)	(298,674)
Total equity	133,494	296,267	429,761
Attributable to:			
- Equity holders of the Company	62,527	149,200	211,727
- Non-controlling interests	70,967	147,067	218,034
	133,494	296,267	429,761

	AEDFL RM'000	NBPOL RM'000	EAT RM'000	Total RM'000
At 31 December 2014				
Current assets	305	1,199,357	120,832	1,320,494
Non-current assets	52,555	3,619,728	541,776	4,214,059
Current liabilities	(1,382)	(1,040,221)	(90,583)	(1,132,186)
Non-current liabilities	-	(1,044,296)	(303,375)	(1,347,671)
Total equity	51,478	2,734,568	268,650	3,054,696
Attributable to:				
- Equity holders of the Company	27,906	1,349,722	135,937	1,513,565
- Non-controlling interests	23,572	1,384,846	132,713	1,541,131
	51,478	2,734,568	268,650	3,054,696

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

Summarised financial information of subsidiaries which have non-controlling interests that are material to the Group (cont'd)

Summarised statements of comprehensive income before intra-group elimination:

	AEDFL RM'000	EAT RM'000	Total RM'000
Year ended 31 December 2015			
Revenue	-	549,051	549,051
Cost of sales	-	(418,336)	(418,336)
Other income	120	(39,073)	(38,953)
Administrative and other expenses	(264)	(25,296)	(25,560)
Finance costs	-	(15,702)	(15,702)
(Loss)/Profit before tax	(144)	50,644	50,500
Income tax expense	-	(13,016)	(13,016)
(Loss)/Profit before tax	(144)	37,628	37,484
Attributable to non-controlling interests	(77)	18,588	18,511
Dividends paid to non-controlling interests	-	5,602	5,602

	AEDFL RM'000	NBPOL RM'000	EAT RM'000	Total RM'000
Year ended 31 December 2014				
Revenue	-	2,097,946	155,657	2,253,603
Cost of sales	-	(1,246,492)	(110,020)	(1,356,512)
Other income	-	196,648	4,448	201,096
Administrative and other expenses	(129)	(629,039)	(17,654)	(646,822)
Finance costs	-	(27,761)	(14,323)	(42,084)
(Loss)/Profit before tax	(129)	391,302	18,108	409,281
Income tax expense	-	(135,687)	(5,091)	(140,778)
(Loss)/Profit before tax	(129)	255,615	13,017	268,503
Attributable to non-controlling interests	-	137,471	6,430	143,901
Dividends paid to non-controlling interests	-	43,458	-	43,458

16. INVESTMENT IN SUBSIDIARIES (CONT'D)

Summarised financial information of subsidiaries which have non-controlling interests that are material to the Group (cont'd)

Summarised cash flows before intra-group elimination:

	AEDFL RM'000	NBPOL RM'000	EAT RM'000	Total RM'000
Year ended 31 December 2015				
Operating	1,247	-	(56,079)	(54,832)
Investing	(44,300)	-	(159,207)	(203,507)
Financing	44,590	-	216,443	261,033
Net increase in cash and cash equivalents	1,537	-	1,157	2,694
Year ended 31 December 2014				
Operating	-	370,341	30,228	400,569
Investing	-	(232,843)	(154,799)	(387,642)
Financing	-	(171,054)	139,861	(31,193)
Net increase/(decrease) in cash and cash equivalents	-	(33,556)	15,290	(18,266)

17. INVESTMENTS IN ASSOCIATES

	Group	
	2015 RM'000	2014 RM'000
At cost		
Unquoted shares in Malaysia	8,800	82,676
Share of post-acquisition reserves	1,949	1,846
	10,749	84,522
Less: Accumulated impairment losses	(8,000)	(8,000)
	2,749	76,522

17. INVESTMENTS IN ASSOCIATES (CONT'D)

Details of the significant associates are as follows:

Name	Country of incorporation/ Principal place of business	Principal Activities	% of ownership interest held by the Group		Accounting model applied
			2015	2014	
Held through Sindora Berhad					
Tepak Marketing Sdn. Bhd. ("Tepak")	Malaysia	Tea blending and packaging	**20.00%**	20.00%	equity method
MM Vita Oils Sdn. Bhd.	Malaysia	Manufacturing and marketing of edible oil product	**30.00%**	30.00%	equity method
Held through Asia Economic Development Fund Limited					
Asia Logistics Council Sdn Bhd	Malaysia	E-Commerce	**N/A**	38.00%	equity method

* equals to the proportion of voting rights held

Asia Logistics Council Sdn. Bhd. ("ALC") was previously an associate of Asia Economic Development Fund Limited ("AEDFL"). ALC became a subsidiary of the Group following the acquisition of a controlling stake by AEDFL as disclosed in Note 16.

MM Vita Oils Sdn. Bhd. has entered into receivership status and the investment has been impaired in full in previous financial years.

Summarised financial information on associates

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information represents the amounts in the financial statements of the associates and not the Group's share of those amounts.

(i) Summarised statements of financial position

	Tepak RM'000
As at 31 December 2015	
Current assets	16,241
Non-current	2,495
Current liabilities	(4,809)
Non-current liabilities	(180)
Equity	13,747
Proportion of Group's ownership	20%
Equity attributable to the Group, representing carrying amount of the investment	2,749

17. INVESTMENTS IN ASSOCIATES (CONT'D)

Summarised financial information on associates (cont'd)

(i) Summarised statements of financial position (cont'd)

	Tepak RM'000	ALC RM'000	Total RM'000
As at 31 December 2014			
Current assets	12,170	450	12,620
Non-current	2,811	84,250	87,061
Current liabilities	(2,559)	(11,582)	(14,141)
Non-current liabilities	(266)	(95)	(361)
Equity	12,156	73,023	85,179
Proportion of Group's ownership	20%	38%	
Equity attributable to the Group	2,431	27,749	30,180
Premium paid on acquisition of AEDFL	-	21,321	21,321
Fair value and other adjustments	-	25,021	25,021
Carrying amount of the investment	2,431	74,091	76,522

(ii) Summarised statements of comprehensive income

	Tepak RM'000
Year ended 31 December 2015	
Revenue	33,569
Cost of sales	(28,779)
Administration expenses	(3,186)
Finance cost	(18)
Profit for the year	1,586
Total comprehensive income for the year	1,586
Group's share of profit for the year	317

17. INVESTMENTS IN ASSOCIATES (CONT'D)

Summarised financial information on associates (cont'd)

(ii) Summarised statements of comprehensive income (cont'd)

	Tepak RM'000	ALC RM'000	Total RM'000
Year ended 31 December 2014			
Revenue	30,330	-	30,330
Cost of sales	(25,976)	-	(25,976)
Other income	-	908	908
Administration expenses	(2,492)	(337)	(2,829)
Finance cost	(7)	(7)	(14)
Profit for the year	1,855	564	2,419
Total comprehensive income for the year	1,855	564	2,419
Group's share of profit for the year	371	215	586

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18. OTHER INVESTMENTS

Group	Total RM'000	Shares in Malaysia Unquoted RM'000	Shares in Malaysia Quoted RM'000	Outside Malaysia Unquoted RM'000	Warrants in Malaysia Quoted RM'000	Fund investments RM'000
2015						
Non-current						
Available-for-sale financial assets	246,674	7,706	63,880	173,359	-	1,729
Held for trading	22,719	-	22,719	-	-	-
Loans and receivable	10,000	10,000	-	-	-	-
	279,393	17,706	86,599	173,359	-	1,729
Current						
Available-for-sale financial assets	65,923	-	-	-	-	65,923
Held for trading	6,005	-	-	-	6,005	-
	71,928	-	-	-	6,005	65,923
	351,321	17,706	86,599	173,359	6,005	67,652
Representing items:						
At cost/amortised cost	191,065	17,706	-	173,359	-	-
At fair value	160,256	-	86,599	-	6,005	67,652
	351,321	17,706	86,599	173,359	6,005	67,652

18. OTHER INVESTMENTS (CONT'D)

Group	Total RM'000	Shares in Malaysia Unquoted RM'000	Shares in Malaysia Quoted RM'000	Warrants in Malaysia Quoted RM'000	Fund investments RM'000
2014					
Non-current					
Available-for-sale financial assets	30,351	8,247	20,830	-	1,274
Held for trading	28,134	-	28,134	-	-
Loans and receivable #	10,000	10,000	-	-	-
	68,485	18,247	48,964	-	1,274
Current					
Available-for-sale financial assets	13,650	-	-	-	13,650
Held for trading	3,189	-	-	3,189	-
	16,839	-	-	3,189	13,650
	85,324	18,247	48,964	3,189	14,924
Representing items:					
At cost/amortised cost	18,247	18,247	-	-	-
At fair value	67,077	-	48,964	3,189	14,924
	85,324	18,247	48,964	3,189	14,924

These represent share subscription monies paid in advance for redeemable convertible preference shares.

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18. OTHER INVESTMENTS (CONT'D)

		Shares in Malaysia		
Company	Total RM'000	Unquoted RM'000	Quoted RM'000	Warrants in Malaysia Quoted RM'000
2015				
Non-current				
Available-for-sale financial assets	64,373	768	63,605	-
Current				
Held for trading	6,005	-	-	6,005
	70,378	768	63,605	6,005
Representing items:				
At cost/amortised cost	768	768	-	-
At fair value	69,610	-	63,605	6,005
	70,378	768	63,605	6,005
2014				
Non-current				
Available-for-sale financial assets	21,598	768	20,830	-
Current				
Held for trading	3,189	-	-	3,189
	24,787	768	20,830	3,189
Representing items:				
At cost/amortised cost	768	768	-	-
At fair value	24,019	-	20,830	3,189
	24,787	768	20,830	3,189

19. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax (liabilities)/assets as at 31 December relate to the following :

Group	Property, plant and equipment RM'000	Tax losses carried forward RM'000	Hedge reserve RM'000	Others RM'000	Total RM'000
At 1 January 2014	(847,132)	1,611	(4,050)	(55,645)	(905,216)
Recognised in profit or loss	24,103	8,249	(66)	(37,991)	(5,705)
Recognised in other comprehensive income	-	-	4,050	-	4,050
Attributable to discontinued operations	951,588	(9,812)	-	102,520	1,044,296
Exchange differences	(325,072)	(48)	66	1,929	(323,125)
At 31 December 2014	(196,513)	-	-	10,813	(185,700)
At 1 January 2015	(196,513)	-	-	10,813	(185,700)
Recognised in profit or loss	6,009	-	-	-	6,009
Exchange differences	2,328	-	-	-	2,328
At 31 December 2015	(188,176)	-	-	10,813	(177,363)

Company	Property, plant and equipment RM'000	Unabsorbed capital allowances RM'000	Others RM'000	Total RM'000
At 1 January 2014	(68,709)	(58)	-	(68,767)
Recognised in profit or loss	67	710	-	777
At 31 December 2014	(68,642)	652	-	(67,990)
Recognised in profit or loss	(3,134)	1,938	2,696	1,500
At 31 December 2015	(71,776)	2,590	2,696	(66,490)

19. DEFERRED TAX ASSETS AND LIABILITIES

At the reporting date, deferred tax assets have not been recognised in respect of the following items:

	Group	
	2015 RM'000	2014 RM'000
Unutilised tax losses	**60,012**	56,082
Unabsorbed capital allowances	**38,694**	35,601
Other deductible temporary differences	**4,872**	3,526
	103,578	95,209

The availability of the above tax losses and allowances for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to no substantial changes in shareholdings of those subsidiaries under the Income Tax Act, 1967 and other guidelines issued by the tax authority.

20. INVENTORIES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At cost:				
Agricultural produce	**2,791**	1,459	**-**	-
Finished goods	**31,734**	5,130	**-**	-
Materials and consumables	**16,284**	33,567	**1,694**	1,274
Livestocks	**18,218**	79	**-**	-
Work-in-progress	**319**	367	**-**	-
	69,346	40,602	**1,694**	1,274

'During the year, the amount of inventories recognised as an expense in cost of sales of the Group and Company were RM793,320,000 (2014 : RM648,610,000) and RM80,253,000 (2014 : RM86,767,000) respectively.

21. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Current				
Trade receivables				
Third parties	388,934	119,007	4,250	287
Subsidiaries	-	-	10,267	12,247
Ultimate holding corporation	10,017	18,920	11,948	1
Related companies	5,889	3,301	582	541
	404,840	141,228	27,047	13,076
Less : Allowance for impairment losses				
Third parties	(31,814)	(8,321)	(1,161)	-
Related companies	(849)	(1,020)	-	-
	(32,663)	(9,341)	(1,161)	-
Trade receivables, net	372,177	131,887	25,886	13,076
Current				
Other receivables				
Third parties	143,620	70,640	14,046	35,480
Subsidiaries	-	-	679,013	159,239
Ultimate holding corporation	14,222	-	-	94
Deposits	7,105	8,053	333	1,043
	164,947	78,693	693,392	195,856
Less : Allowance for impairment losses				
Third parties	(7,772)	(5,707)	(7,772)	(5,707)
Subsidiaries	-	-	(6,912)	(5,972)
	(7,772)	(5,707)	(14,684)	(11,679)
	157,175	72,986	678,708	184,177
Total trade and other receivables	529,352	204,873	704,594	197,253

21. TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Trade receivables

Third party trade receivables are non-interest bearing and payment terms range from payment in advance to 90 days (2014: payment in advance to 90 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Neither past due nor impaired	265,767	42,100	288	119
1 to 30 days past due not impaired	61,710	27,941	2,420	2,171
31 to 60 days past due not impaired	10,075	3,860	6,728	4,189
61 to 90 days past due not impaired	3,135	16,478	7,055	231
91 to 120 days past due not impaired	3,095	6,420	6,083	1,411
More than 120 days past due not impaired	28,395	35,088	3,312	4,955
	106,410	89,787	25,598	12,957
Impaired	32,663	9,341	1,161	-
	404,840	141,228	27,047	13,076

Receivables that are neither past due nor impaired are mainly due from regular customers that have been transacting with the Group. None of these balances have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group and Company have trade receivables amounting to RM106,410,000 (2014 : RM89,787,000) and RM25,598,000 (2014 : RM12,957,000) respectively that are past due at the reporting date but not impaired. These balances are not secured.

21. TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Trade receivables

Receivables that are impaired

The Group's and the Company's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Trade receivables - nominal amounts	32,663	9,341	1,161	-
Less: Allowance for impairment	(32,663)	(9,341)	(1,161)	-
	-	-	-	-

Movement in allowance accounts:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At 1 January	9,341	5,646	-	-
Charge for the year	24,252	5,192	1,161	-
Reversal of impairment loss	(1,645)	(706)	-	-
Written off	-	(791)	-	-
Other adjustment	715	-	-	-
At 31 December	32,663	9,341	1,161	-

(b) Amount due from subsidiaries (non-trade)

These amounts are unsecured, non-interest bearing and repayable on demand except for an amount of RM46,201,000 at the end of the previous financial year which bore interest of 6.60% to 6.85% per annum.

(c) Amount due from ultimate holding corporation (non-trade)

These amounts are unsecured, non-interest bearing and repayable on demand.

21. TRADE AND OTHER RECEIVABLES (CONT'D)

(d) Other receivables that are impaired

The Group's and the Company's other receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Other receivables - nominal amounts	7,772	5,707	14,684	11,679
Less: Allowance for impairment	(7,772)	(5,707)	(14,684)	(11,679)
	-	-	-	-

Movement in allowance accounts:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At 1 January	5,707	7,089	11,679	114,794
Charge for the year	2,065	-	4,268	-
Reversal of impairment loss	-	(1,382)	(1,263)	-
Written off	-	-	-	(103,115)
At 31 December	7,772	5,707	14,684	11,679

22. DERIVATIVES

	Group			
	Contractual nominal value		Fair Value	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Current assets				
Interest rate swap	**265,000**	320,000	**1,325**	2,449

The Group has entered into an interest rate swap contract with a notional amount of RM265,000,000 (2014: RM320,000,000) that is designed to convert its floating rate liabilities to fixed rate liabilities to reduce the Group's exposure to adverse interest rate fluctuations on its borrowings.

Under the interest rate swap contract, the Group pays a fixed rate of interest of 4.18% per annum and receives a variable rate based on one month KLIBOR on the amortised notional amount.

The above interest rate swap is not designated as a cash flow or fair value hedge and is entered into for a period consistent with the transaction exposure. It does not qualify for hedge accounting.

The method and assumptions applied in determining the fair value of derivatives are disclosed in Note 33.

23. CASH AND BANK BALANCES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash and bank balances	**174,482**	119,804	**74,601**	34,433
Deposits placed with licensed banks	**1,107,607**	124,776	**1,073,263**	78,850
Short-term money market funds	**250,310**	98,017	**201,306**	47,347
	1,532,399	342,597	**1,349,170**	160,630

Included in deposits placed with licensed banks of the Group and of the Company are amounts of RM10,680,000 (2014 : RM44,081,000) and RM350,000 (2014 : RM350,000) respectively, pledged for bank facilities granted to the Group and the Company, as disclosed in Note 24.

23. CASH AND BANK BALANCES (CONT'D)

The weighted average interest rate and maturities of the fixed deposits at the reporting date were 4.00% (2014: 2.63%) and 70 (2014: 38) days respectively.

Short-term money market funds are highly liquid fund investments which can be realised within 7 days. They bear interest at rates ranging between 2.94% to 3.99% (2014: 3.11% to 3.57%).

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash and short-term deposits				
- Continuing operations	**1,532,399**	342,597	**1,349,170**	160,630
- Discontinued operations (Note 11)	**-**	59,268		-
	1,532,399	401,865	**1,349,170**	160,630
Less :				
Deposits pledged	**(10,680)**	(44,081)	**(350)**	(350)
Bank overdrafts (Note 24)	**(5,141)**	(7,775)	**-**	-
Deposits placed with licensed banks with maturities exceeding 90 days	**(4,731)**	(4,731)	**-**	-
Cash and cash equivalents	**1,511,847**	345,278	**1,348,820**	160,280

24. LOANS AND BORROWINGS

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Current				
Secured:				
Obligations under finance leases	1,204	1,130	-	-
Bank overdrafts	-	1,472	-	-
Revolving credit	222,171	176,400	-	-
Term loans	67,282	41,293	-	-
Bankers' acceptances	1,760	660	-	-
	292,417	220,955	-	-
Unsecured:				
Bank overdrafts	5,141	6,303	-	-
Revolving credit	150,298	468,666	-	150,000
Term loans	55,000	55,000	-	-
Bankers' acceptances	1,659	-	-	-
	212,098	529,969	-	150,000
Current loans and borrowings	504,515	750,924	-	150,000
Non-current				
Secured:				
Obligations under finance leases	3,280	2,980	-	-
Term loans	291,789	283,943	-	-
	295,069	286,923	-	-
Unsecured:				
Term loans	109,602	164,338	-	-
Non-current loans and borrowings	404,671	451,261	-	-
Total loans and borrowings				
Obligations under finance leases (Note 30(c))	4,484	4,110	-	-
Bank overdrafts (Note 23)	5,141	7,775	-	-
Bankers' acceptances	3,419	660	-	-
Revolving credit	372,469	645,066	-	150,000
Term loans	523,673	544,574	-	-
	909,186	1,202,185	-	150,000

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24. LOANS AND BORROWINGS (CONT'D)

Details of the Group's and Company's term loans are as follows:

				Repayment		
Group	Year of maturity	Carrying amount RM'000	2016 Under 1 year RM'000	2017 1 - 2 years RM'000	2018 - 2020 3 - 5 years RM'000	>2020 Over 5 years RM'000
2015						
Bai Bithaman Ajil Term Financing (9)	2020	39,278	5,889	13,037	20,352	-
Musyarakah Mutanaqisah (NTP11)	2020	8,977	1,628	1,716	5,633	-
Musyarakah Mutanaqisah (NTP12)	2020	8,979	1,627	1,719	5,633	-
Musyarakah Mutanaqisah (NTP16)	2020	6,300	1,624	1,727	2,949	-
MV.T.PUTERI 17	2021	9,125	1,429	1,503	4,984	1,209
NAUTICA MUAR	2018	11,943	5,750	5,750	443	-
MT N.B.PAHAT/MT K.TINGGI	2022	53,925	9,445	9,445	28,336	6,699
MV.TG.PUTERI 19	2022	9,282	1,504	1,503	4,511	1,764
MV.TG.PUTERI 20	2022	9,467	1,504	1,503	4,511	1,949
MV.TG.PUTERI 21	2023	13,520	1,643	1,643	4,928	5,306
MV.TG.PUTERI 22	2023	13,520	1,643	1,643	4,928	5,306
MV.TG.PUTERI 23	2023	13,520	1,643	1,643	4,928	5,306
MV.TG.PUTERI 24	2023	13,263	1,700	1,700	5,101	4,762
MV.TG.PUTERI 25	2023	13,190	1,700	1,700	5,101	4,689
MV.TG.PUTERI 26	2023	13,247	1,700	1,700	5,101	4,746
MT.Nautica Tembikai	2019	94,760	24,372	48,745	21,643	-
MV Tg Puteri 27	2019	16,500	924	2,772	12,804	-
MV Tg Puteri 28	2019	6,600	924	5,544	132	-
Malaysian Debts Ventures	2019	1,833	450	550	833	-
Commodity Murabahah Financing - i	2018	164,602	55,000	55,000	54,602	-
Fixed loan (1)	2029	231	9	9	27	186
Term loan (Finance 3 storey shop office)	2020	270	55	57	158	-
Fixed loan (2)	2022	383	44	46	156	137
Fixed loan (3)	2025	958	75	80	267	536
		523,673	122,282	160,735	198,061	42,595

24. LOANS AND BORROWINGS (CONT'D)

Details of the Group's and Company's term loans are as follows: (cont'd)

Group	Year of maturity	Carrying amount RM'000	2015 Under 1 year RM'000	Repayment 2016 1 - 2 years RM'000	2017 - 2019 3 - 5 years RM'000	>2019 Over 5 years RM'000
2014						
Bai Bithaman Ajil Term Financing (3) Tg Puteri 1	2017	3,251	1,036	1,110	1,105	-
Bai Bithaman Ajil Term Financing (4) Tg Puteri 2	2017	3,246	1,037	1,110	1,099	-
Conventional Term Loan Nautica Johor Bahru	2016	6,550	3,927	2,623	-	-
Bai Bithaman Ajil Term Financing (9)	2020	44,784	5,506	5,889	20,244	13,145
Term Loan (NTP 7,8,9,10)	2016	1,200	960	240	-	-
Term Loan (ORKIM)	2016	3,425	2,740	685	-	-
Musyarakah Mutanaqisah (NTP11)	2020	10,181	1,545	1,628	5,424	1,584
Musyarakah Mutanaqisah (NTP12)	2020	10,525	1,545	1,627	5,424	1,929
Musyarakah Mutanaqisah (NTP15)	2020	10,521	1,545	1,628	5,424	1,924
Musyarakah Mutanaqisah (NTP16)	2020	9,469	1,469	1,624	5,160	1,216
MV.T.PUTERI 17	2021	10,486	1,370	1,429	4,742	2,945
NAUTICA MUAR	2018	17,727	5,750	5,750	6,227	-
MT N.B.PAHAT/MT K.TINGGI	2022	63,491	9,445	9,445	28,336	16,265
MV.TG.PUTERI 19	2022	10,811	1,503	1,504	4,511	3,293
MV.TG.PUTERI 20	2022	11,335	1,504	1,504	4,511	3,816
MV.TG.PUTERI 21	2023	12,675	-	1,643	2,925	8,107
MV.TG.PUTERI 22	2023	7,605	-	1,643	1,755	4,207
MV.TG.PUTERI 23	2023	7,605	-	1,643	1,755	4,207
MV.TG.PUTERI 24	2023	14,000	-	1,700	3,231	9,069
MV.TG.PUTERI 25	2023	13,125	-	1,700	3,029	8,396
MV.TG.PUTERI 26	2023	13,125	-	1,700	3,029	8,396
MT.Nautica Tembikai	2019	35,894	-	24,372	11,522	-
Malaysian Debts Ventures	2019	2,192	226	450	1,516	-
Commodity Murabahah Financing - i	2018	219,338	55,000	55,000	109,338	-
Fixed loan (1)	2029	360	20	9	59	272
Term loan (Finance 3 storey shop office)	2020	322	52	55	180	35
Fixed loan (2)	2022	425	42	44	147	192
Fixed loan (3)	2025	906	71	75	253	507
		544,574	96,293	127,830	230,946	89,505

24. LOANS AND BORROWINGS (CONT'D)

Securities

The term loans are secured by the following:

(a) Charges over certain property, plant and equipment of the Group as disclosed in Note 13;

(b) Charges over certain fixed deposits of the Group as disclosed in Note 23; and

(c) Corporate guarantee from the Company.

Significant covenants

In connection with the significant term loan facilities, the Group and the Company have agreed on the following significant covenants with the lenders:

(i) The ratio of the consolidated total borrowings to the consolidated shareholders' funds will not exceed 125% at all times;

(ii) The Company will procure and ensure that each of its subsidiary companies does not and/or will not enter into any agreements which impose restrictions on each of the subsidiary companies' ability to make or pay dividends or other forms of distributions to the shareholders.

The loans and borrowings of the Group and Company bear interest at the following rates:

	Group		Company	
	2015 %	2014 %	2015 %	2014 %
Weighted average effectiveinterest rates at the end of reporting period:				
- Obligations under finance leases	3.54	3.66	-	-
- Bank overdrafts	6.50	7.05	-	-
- Revolving credit and bankers' acceptances	3.99	4.07	-	4.05
- Term loans	5.93	4.69	-	-

25. TRADE AND OTHER PAYABLES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Current				
Trade				
Third parties	**131,221**	91,955	**6,531**	5,118
Ultimate holding corporation	**-**	154	**84**	172
Subsidiaries	**-**	-	**6,804**	7,010
Related companies	**-**	-	**362**	231
	131,221	92,109	**13,781**	12,531
Non-trade				
Third parties	**95,197**	76,431	**11,196**	5,793
Subsidiaries	**-**	-	**16,977**	33,609
Related companies	**58,186**	-	**53**	3
	153,383	76,431	**28,226**	39,405
Total trade and other payables	**284,604**	168,540	**42,007**	51,936

(a) Trade payables

Trade and other payables are generally unsecured and non-interest bearing. Credit terms range from payment in advance to 90 days (2014: payment in advance to 90 days).

(b) Amounts due to subsidiaries and related companies (non-trade)

These amounts which arose mainly from advances and payments on behalf are unsecured, non-interest bearing and repayable on demand.

26. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		Amount	
	2015 '000	2014 '000	2015 RM'000	2014 RM'000
Authorised				
At 1 January/31 December	**2,000,000**	2,000,000	**500,000**	500,000
Issued and fully paid				
At 1 January	**1,342,504**	1,294,054	**335,626**	323,513
Conversion of warrants	**3,834**	47,767	**958**	11,942
Exercise of ESOS	**4,085**	683	**1,021**	171
At 31 December	**1,350,423**	1,342,504	**337,605**	335,626

(a) Share capital

The holders of the ordinary shares are entitled to receive dividends, as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

(b) Issue of shares

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM335,626,000 to RM337,605,000 by way of the issuance of 7,919,000 ordinary shares of RM0.25 each upon the conversion and exercise of the following instruments:

- 38,000 warrants at exercise price of RM3.13 per warrant;
- 3,796,000 warrants at exercise price of RM2.77 per warrant;
- 1,088,000 share options at exercise price of RM3.05 per share option; and
- 2,997,000 share options at exercise price of RM2.69 per share option.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

27. OTHER RESERVES

		Group		Company	
	Note	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Reserves					
Non-distributable					
Share premium reserve	(a)	**448,910**	422,445	**448,910**	422,445
Translation reserve	(b)	**12,258**	2,193	**-**	-
Fair value reserve	(d)	**(6,091)**	(1,193)	**(7,117)**	(1,725)
Revaluation reserve	(e)	**1,345,220**	1,345,220	**897,579**	897,579
Other reserve	(f)	**4,933**	4,933	**4,165**	4,165
Warrant reserve	(g)	**52,938**	55,735	**52,938**	55,735
Treasury shares	(h)	**(371,088)**	(67,063)	**(371,088)**	(67,063)
Equity transaction reserve	(i)	**25,719**	3,274	**-**	-
ESOS reserve	(j)	**36,252**	29,362	**36,251**	29,362
		1,549,051	1,794,906	**1,061,638**	1,340,498

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) Share premium reserve

This reserve comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

(b) 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.

(c) Hedge reserve

The hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedges relating to hedge transactions that have not yet occurred.

(d) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

27. OTHER RESERVES (CONT'D)

(e) Revaluation reserve

The revaluation reserve relates to the revaluation of the Group's freehold and leasehold lands in Malaysia on 31 December 1997.

(f) Other reserve

Other reserves consist mainly of reserves arising from the scheme of reconstruction, amalgamation and liquidation of a former subsidiary in 1975.

(g) Warrant reserve

A total of 156,174,000 free warrants were issued by the Company in conjunction with the share split and bonus issue on 28 February 2011. Each warrant entitles the holder to subscribe for one (1) new sub-divided share at the exercise price of RM3.85 per share at any time during the exercise period. On 14 January 2014, the exercise price was adjusted to RM3.13 per share. On 13 March 2015, there was a second adjustment to the exercise price from RM3.13 to RM2.77. The warrants have an exercise period of five (5) years commencing 28 February 2011 and expiring on 27 February 2016.

As at the reporting date, 83,617,000 (2014 : 79,783,000) warrants have been exercised and the number of outstanding warrants was 72,557,000 (2014 : 76,391,000).

(h) Treasury shares

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount consists of the acquisition costs of treasury shares net of the proceeds received on their subsequent sale or issuance. Rights on treasury shares are suspended until those shares are reissued.

The Company acquired 107,636,000 (2014: Nil) shares in the Company through purchases on Bursa Malaysia Securities Berhad during the financial year. The total amount paid to acquire the shares was RM304,025,000 (2014: Nil) and this was presented as a component within shareholders' equity.

The Directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares.

At 31 December 2015, the Company held 122,958,000 of its own shares of RM0.25 each (2014 :15,322,000 shares of RM0.25 each). The number of outstanding ordinary shares of RM0.25 each in issue after the set-off is 1,227,465,000 (2014 : 1,327,181,000 ordinary shares of RM0.25 each).

(i) 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.

27. OTHER RESERVES (CONT'D)

(j) ESOS reserve

An Executives' Share Options Scheme (ESOS) was implemented on 31 December 2013 for the benefit of senior executives and employees of the Company. The ESOS has a duration of 5 years. The fair value of each share option on the grant date was RM0.89. The options are to be settled only by the issuance and allocation of new ordinary shares of the Company. There are no cash settlement alternatives.

The exercise price of the share options granted under the ESOS is RM3.05 each. The options granted are divided into 5 tranches which vest on 31 December 2013, 31 December 2014, 31 December 2015, 31 December 2016 and 31 December 2017. The vesting condition is that the offeree must be an employee or director, as the case may be, of the Company or its subsidiaries on the respective vesting and exercise dates. The options expire on 31 December 2018. On 13 March 2015, the exercise price of the share options was adjusted to RM2.69.

On 4 January 2016, Kulim announced that it had procured the consent of Johor Corporation to accelerate the vesting of all unvested share options under the Company's ESOS. Further details are disclosed in Note 32(a).

(k) ESOS reserve

Movement of share options during the financial year

The following table illustrates the number of, and movements in, share options of the Company during the financial year:

	Number of share options	
	2015 '000	**2014 '000**
Outstanding at beginning of financial year	**22,410**	12,564
- Vested	**10,125**	10,802
- Exercised	**(4,085)**	(683)
- Forfeited	**(669)**	(273)
Outstanding at end of financial year	**27,781**	22,410
Exercisable at end of financial year	**27,781**	22,410

28. RETAINED EARNINGS

The entire retained earnings of the Company as at 31 December 2015 may be distributed as dividends under the single tier system.

29. 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 year ended 31 December	
Group	2015 RM'000	2014 RM'000
Ultimate holding corporation		
Johor Corporation		
- Agency fees received	770	486
- Acquisition of land	(17,930)	-
- Purchase and sales commission received	18	170
- Planting advisory and agronomy fees received	638	80
- Computer charges received	3,440	4,094
- Training, seminar and course fees received	14	-
- Sales of goods	1,703	2,712
- Sales of cattle	1,520	6,277
- Construction work and maintenance fees received	482	-
- Event management fees and replanting services received	1,746	2,253
- Rental income	-	239
- Sales of oil palm seedling and bio compost fertilizer	519	105
- Rental payable	(529)	(629)
- Purchase of oil palm fresh fruit bunches	(22,256)	(14,279)
- Insurance charges	67	86
- Secretarial and share registration fees paid	(209)	-
- Profit shared from Persada Parking Concession	1,810	1,246

29. RELATED PARTY TRANSACTIONS (CONT'D)

(a) Sale and purchase of goods and services (cont'd)

Group	Transaction value for the year ended 31 December 2015 RM'000	2014 RM'000
Other related companies		
Johor Franchise Development Sdn. Bhd.		
- Agency fees received	757	632
- Purchase and sales commission received	90	466
- Purchase of oil palm fresh fruit bunches	(36,335)	-
- Planting advisory and agronomy fees received	628	79
- Computer charges received	23	58
- Training, seminar and course fees received	1	4
- Sales of goods	1,751	1,942
- Construction work and maintenance fees received	565	595
- Event management fees, replanting fees and booth rental received	573	406
- Sales of oil palm seedling and bio compost fertilizer	92	63
Akademi Jcorp Sdn. Bhd.		
- Training, seminar and course fees payable	(37)	(49)
Pro Biz Solution Sdn. Bhd.		
- Rental income	60	60
Pro Corporate Management Services Sdn. Bhd.		
- Secretarial and share registration fees paid	(209)	(391)
Damansara Assets Sdn. Bhd.		
- Management fees and services payable	(831)	(840)
- Rental commission payable	(591)	(575)
- Computer charges received	100	120
Johor Land Berhad		
- Purchase of oil palm fresh fruit bunches	(1,726)	(1,877)
- Management fees received	293	288
- Rendering of services	980	1,061
- Rental payable	(89)	(85)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

29. RELATED PARTY TRANSACTIONS (CONT'D)

(a) Sale and purchase of goods and services (cont'd)

	Transaction value for the year ended 31 December	
Group	**2015 RM'000**	**2014 RM'000**
Other related companies (cont'd)		
Tanjung Langsat Port Sdn. Bhd.		
- Computer charges received	1,074	382
KARA Holdings Sdn Bhd		
- Computer charges received	3,111	382
Company		
Ultimate holding corporation		
Johor Corporation		
- Rental income	-	239
- Rental payable	(629)	(629)
- Acquisition of land	(17,930)	-
Other related companies		
Damansara Assets Sdn. Bhd.		
- Management fees and services payable	(831)	(840)
- Rental commission payable	591	(575)
Johor Land Berhad		
- Purchase of oil palm fresh fruit bunches	(1,726)	(1,877)
- Management fees received	293	288

29. RELATED PARTY TRANSACTIONS (CONT'D)

(a) Sale and purchase of goods and services (cont'd)

Company	Transaction value for the year ended 31 December 2015 RM'000	2014 RM'000
Subsidiaries		
Pro Biz Solution Sdn. Bhd.		
- Rental income	**60**	60
Mahamurni Plantations Sdn Bhd		
- Sales of oil palm fresh fruit bunches	**58,355**	64,968
Kulim Plantations (M) Sdn Bhd		
- Sales of oil palm fresh fruit bunches	**35,190**	39,581
Sindora Berhad		
- Sales of oil palm fresh fruit bunches	**19,483**	19,824
Asia Economic Development Fund Limited		
- Conversion of ICCULS	**-**	47,038
- Subscription of RCPS	**49,170**	-
EPA Management Sdn Bhd		
- Agency fees payable	**-**	(4,624)
- Purchasing and sales commission payable	**-**	(295)
- Planting advisory and agronomy fees payable	**-**	(1,922)
- Computer charges payable	**(5,545)**	(2,199)
- Training, seminar and course fees payable	**(131)**	(10)
- Purchase of goods	**(5,602)**	(5,182)
- Construction work and maintenance fees payable	**(6,340)**	(6,204)
- Event management fees replanting and booth rental payable	**(914)**	(1,367)
Kulim Nursery Sdn Bhd		
- Purchase of oil palm seedlings and bio compost fertilizers	**(101)**	(3,626)

29. RELATED PARTY TRANSACTIONS (CONT'D)

(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 includes all the Directors of the Group, and certain members of senior management of the Group.

The compensation of directors of the Company are disclosed in Note 9. The compensation of other members of senior management considered as key management personnel (excluding directors of the Company) are as follows:

	Group	
	2015 RM'000	2014 RM'000
Salaries, allowance and bonuses	1,850	2,078
Defined contribution plan	317	288
Other employee benefits	44	80
ESOS	122	283
	2,333	2,729

30. COMMITMENTS

(a) Capital commitments

Committed capital expenditure as at the reporting date is as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Authorised capital expenditure in respect of property, plant and equipment not provided for in the financial statements at the end of the year:				
- Contracted for	98,019	196,584	1,251	357
- Not contracted for	21,348	18,867	210	-
	119,367	215,451	1,461	357
Authorised capital expenditure in respect of investment in new subsidiaries				
- Contracted for	808,142	421,483	808,142	421,483

30. COMMITMENTS (CONT'D)

(b) Operating lease commitments - as lessee

As at the end of the previous financial year, NBPOL had entered into non-cancellable operating lease agreements for the use of mini estate land, for terms of 20 or 40 years, and state-owned land for terms of 99 years. These leases are renewable.

Future minimum rentals payable under non-cancellable operating leases at the reporting date are as follows:

	Group	
	2015 RM'000	2014 RM'000
Not later than one year	33,100	34,076
Later than 1 year but not later than 5 years	20,076	21,010
Later than 5 years	2,806	3,237
	55,982	58,323

Operating lease commitments - as lessor

The Group has entered into non-cancellable operating lease agreements on its vessels. These leases have remaining non-cancellable lease terms of between 1 to 10 years.

The future lease payments receivable under non-cancellable operating leases contracted for as at the reporting date but not recognised as receivables, are as follows:

	Group	
	2015 RM'000	2014 RM'000
Not later than one year	406,205	142,742
Later than 1 year but not later than 5 years	998,598	615,788
Later than 5 years	318,261	257,177
	1,723,064	1,015,707

Charter hire revenue earned from chartering the Group's vessels are recognised as revenue during the financial year as disclosed in Note 4.

30. COMMITMENTS (CONT'D)

(c) Finance lease commitments

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group	
	2015 RM'000	**2014 RM'000**
Minimum lease payments		
Not later than one year	**1,536**	1,334
Later than 1 year but not later than 5 years	**3,623**	3,487
Total minimum lease payments	**5,159**	4,821
Less: Amounts representing finance charges	**(675)**	(711)
Present value of minimum lease payments	**4,484**	4,110
Present value of payments		
Not later than one year	**1,204**	1,130
Later than 1 year but not later than 5 years	**3,280**	2,980
Present value of minimum lease payments	**4,484**	4,110
Less: Amount due within 12 months	**(1,204)**	(1,130)
Amount due after 12 months	**3,280**	2,980

31. SIGNIFICANT EVENTS

(a) Disposal of New Britain Palm Oil Limited (NBPOL)

On 9 October 2014, Sime Darby Plantation Sdn Bhd ("SDP") served a takeover notice on NBPOL and announced its intention to make a cash offer to acquire all NBPOL shares at an offer price of GBP7.15 or PNG Kina 28.79 per NBPOL share ("Offer").

On 23 October 2014, Kulim (Malaysia) Berhad ("Kulim") announced that it had received the formal offer document ("Offer Document") from SDP and that the Offer would be presented to the shareholders of Kulim at an Extraordinary General Meeting ("EGM") to be convened to consider the Offer.

Acceptance of the Offer would entail Kulim disposing its entire equity interest in NBPOL comprising of 73,482,619 ordinary shares in NBPOL, to SDP for a disposal consideration of approximately GBP525.4 million (equivalent to approximately RM2.887 billion).

On 3 December 2014, Kulim's shareholders voted to accept the Offer from SDP at the Extraordinary General Meeting convened to consider the Offer.

On 27 January 2015, Sime Darby Berhad (Sime Darby), the parent of SDP, announced that SDP had obtained clearance from the European Commission on its proposed takover of NBPOL.

31. SIGNIFICANT EVENTS (CONT'D)

(a) Disposal of New Britain Palm Oil Limited (NBPOL) (cont'd)

On 18 February 2015, Sime Darby announced that all conditions precedent in the Offer Document had been fulfilled and that the Offer was now unconditional.

On 26 February 2015, the Company announced that the disposal of New Britain Palm oil Limited (NBPOL) was complete following the receipt of the cash consideration from SDP. Accordingly, NBPOL ceased to be a subsidiary of the Kulim Group.

Further details of the disposal of NBPOL are disclosed in Note 11(a).

(b) Acquisition of additional equity stake in Asia Logistics Council Sdn Bhd (AEDFL)

On 5 March 2015, Asia Economic Development Fund Limited (AEDFL), a subsidiary of Kulim entered into the following agreements:

(i) a share sale agreement with Johor Logistics Sdn Bhd (JLog), a subsidiary of Johor Corporation (JCorp) in relation to the proposed acquisition of 2,109,212 ordinary shares in Asia Logistics Council Sdn Bhd (ALC) (ALC Shares) representing approximately 30% equity interest in ALC, for a total consideration of approximately RM23.17 million (subsequently revised to RM51.19 million via a supplemental agreement dated 25 February 2016) to be satisfied by the issuance of 158,958 ordinary shares in AEDFL (Acquisition);

(ii) a conditional subscription agreement with Kulim in relation to the subscription of 271 new Redeemable Non-Cumulative Convertible Preference Shares (RCPS) in AEDFL at a nominal value of USD13.55 million; and

(iii) a shareholder's loan agreement with ALC to grant and make available to ALC a loan of up to USD25.0 million.

The above transactions were completed during the financial year. Further details of the Acquisition are disclosed in Note 16.

(c) Proposed acquisition of 60% equity interest in Citra Sarana Energi (CSE') to participate in the exploration and development of an oil & gas (O&G) field in South West Bukit Barisan Block, Central Sumatera, Indonesia

On 10 December 2014, Kulim announced that Kulim Energy Nusantara Sdn Bhd (KENSB), its wholly owned subsidiary company, had entered into a Conditional Subscription and Shares Purchase Agreement (CSSPA) with CSE and its existing shareholders, namely PT Wisesa Inspirasi Sumatera and PT Inti Energi Sejahtera, to acquire a 60% equity interest in CSE to participate in the exploration and development of an O&G field in South West Bukit Barisan Block, Central Sumatera, Indonesia for a total cash consideration of approximately USD133.55 million.

On 11 November 2015, Kulim announced that the CP completion period of the CSSPA would be extended by 6 months from 7 November 2015 to 6 May 2016.

On 10 February 2016, Kulim announced that it had entered into a supplemental agreement dated 7 February 2016 to revise the total cash consideration under the CSSPA from USD133.55 million to USD80 million. In addition, the supplemental agreement included a call option for KENSB to acquire an additional 5% equity interest in CSE for a consideration of USD4.67 million. The call option will expire a year from the date of the supplemental agreement.

As at the reporting date, the Group is in the midst of completing the various conditions precedent as defined in the CSSPA.

31. SIGNIFICANT EVENTS (CONT'D)

(d) Acquisition of industrial land

On 7 December 2015, Kulim announced that it had entered into a Sale and Purchase Agreement (SPA) with JCorp in relation to the acquisition of 14 acres of industrial land in Plentong, Johor for a total consideration of RM17,930,000.

The acquisition was completed on even date.

(e) Proposed Selective Capital Reduction (SCR) and repayment exercise

On 5 November 2015, Kulim announced that the Board of Directors of Kulim (Board) had received a letter from its major shareholder, Johor Corporation (JCorp), and parties acting in concert, requesting for the Company to undertake a selective capital reduction and repayment exercise pursuant to Section 64 of the Companies Act, 1965 (Proposed SCR). The Proposed SCR entails a capital repayment of the proposed cash amount of RM4.10 per ordinary share of RM0.25 each in Kulim held by the entitled shareholders of Kulim on an entitlement date to be determined later.

On 18 November 2015, Kulim announced that Board had at a meeting held on 17 November 2015 deliberated on the Proposed SCR and had decided to present the Proposed SCR to shareholders of Kulim for their consideration.

On 14 December 2015, Kulim announced that, the Board, had on 14 December 2015, appointed AmInvestment Bank Berhad as the Independent Adviser to advise the entitled shareholders and the non-interested directors of Kulim in relation to the Proposed SCR.

The Proposed SCR exercise is currently ongoing and, subject to the approval of the non-interested shareholders at an extraordinary general meeting to be convened, is expected to be completed in the second half of 2016.

32. SUBSEQUENT EVENTS

(a) Accelerated vesting of ESOS options

On 4 January 2016, Kulim announced that it had procured the consent of JCorp to accelerate the vesting of all unvested share options under the Company's ESOS.

Under Kulim's ESOS, the share options offered to eligible Kulim employees were divided into 5 tranches which vest on 31 December 2013, 31 December 2014, 31 December 2015, 31 December 2016 and 31 December 2017. Given that the Proposed SCR (further details disclosed in Note 31(e)) is expected to be completed before the vesting of the last 2 tranches of the share options, the ESOS Committee had proposed to accelerate the vesting of the remaining tranches.

The accelerated vesting of the share options was completed on 4 January 2016 and will be taken up as an expense in the financial statements during the year ending 31 December 2016.

(b) Acquisition of 51% equity interest in Classruum Technologies Sdn Bhd (CRTSB)

On 20 January 2016, Kulim announced that it had on 19 January 2016, completed the acquisition of 51% equity interest in CRTSB for a total consideration of RM2,142,000.

CRTSB is involved in the information, communication and technology ("ICT") business.

32. SUBSEQUENT EVENTS (CONT'D)

(c) Proposed acquisition of plantation companies in Indonesia

On 10 February 2016, Kulim announced that its 74% owned Indonesian subsidiary, PT Wisesa Inspirasi Nusantara (PT Win), had entered into 4 conditional share purchase agreements (CSPA(s)) with the following Indonesian companies:

(i) PT Agro Maju Raya (PT AMR) and PT Mitra Plantation (PT MP) in relation to the proposed acquisition of 95% equity interest in PT Nusa Persada Indonesia (PT NPI);

(ii) PT AMR in relation to the proposed acquisition of 95% equity interest in PT Surya Panen Subur (PT SPS);

(iii) PT Agri Capital Resources (PT ACR) in relation to the proposed acquisition of 95% equity interest in PT Tempirai Palm Resources (PT TPR) and

(iv) PT ACR in relation to the proposed acquisition of 95% equity interest in PT Rambang Agro Jaya (PT RAJ).

Collectively, PT NPI, PT SPS, PT TPR and PT RAJ are referred to as the Target Companies whereas PT AMR, PT MP and PT ACR are referred to as the Vendors.

The total consideration for the Target Companies is IDR1.64 trillion (approximately RM509.35 million) comprising:

- purchase consideration of IDR781.01 billion (approximately RM242.89 million); and
- settlement of outstanding shareholders' loans and advances of the Target companies of IDR856.79 billion (approximately RM266.46 million).

As at 31 December 2015, the total landbank held by the Target Companies was approximately 105,000 hectares (under Ijin Usaha Perkebunan), of which approximately 83,000 hectares are under Hak Guna Usaha and 34,000 hectares have been planted.

Currently, the Group and the Vendors are in the midst of fulfilling the various conditions precedent in the various CSPAs.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk.

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 Group applies cash flow hedge accounting on those hedging relationships that qualify for hedge accounting.

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.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(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 trade and other 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 no significant concentration of credit risk and it is not the Group's policy to hedge its credit risk. 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 one customer. The management does not expect any material losses from non-performance by counterparties.

<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 RM314,899,000 (2014: RM688,968,000) as at the reporting date.

Financial guarantees have not been recognised in the financial statements as the directors are of the opinion that the fair value on initial recognition was not material and that it is not probable that a future sacrifice of economic benefits will be required.

<u>Credit risk concentration profile</u>

Other than the amounts due from the subsidiaries to the Company, the Group and the Company are not exposed to any significant concentration of credit risk in the form of receivables due from a single debtor or from groups of debtors.

<u>Financial assets that are neither past due nor impaired</u>

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 21. Deposits with banks and other financial institutions and investments are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

<u>Financial assets that are either past due or impaired</u>

Information regarding financial assets that are either past due or impaired is disclosed in Note 21.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(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. 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.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group and the Company's liabilities (excluding those attributable to discontinued operations) at the reporting date based on contractual repayment obligations.

Group	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
At 31 December 2015				
Financial liabilities:				
Trade and other payables	284,604	-	-	284,604
Loans and borrowings	534,477	395,054	147,102	1,076,633
Total discounted financial liabilities	819,081	395,054	147,102	1,361,237
At 31 December 2014				
Financial liabilities:				
Trade and other payables	168,540	-	-	168,540
Loans and borrowings	794,464	376,825	111,682	1,282,971
Total discounted financial liabilities	963,004	376,825	111,682	1,451,511

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

Company	On demand or within one year RM'000	Total RM'000
At 31 December 2015		
Financial liabilities:		
Trade and other payables	42,007	42,007
Financial guarantees*	314,899	314,899
Total discounted financial liabilities	356,906	356,906
At 31 December 2014		
Financial liabilities:		
Trade and other payables	51,936	51,936
Loans and borrowings	150,000	150,000
Financial guarantees*	688,968	688,968
Total discounted financial liabilities	890,904	890,904

* Based on maximum amount that can be called for under the financial guarantee contract.

(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.

The Group's and the Company's exposure to interest rate risk arises primarily from their loans and 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.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Interest rate risk (cont'd)

Sensitivity analysis for interest rate risk

At the reporting date, a change of 50 basis points ("bp") in interest rates would have (decreased)/increased post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
50 bp increase in interest rates	(3,364)	(3,868)	-	(683)
50 bp decrease in interest rates	3,364	3,868	-	683

(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 currencies giving rise to this risk is primarily the United States Dollar ("USD").

The Group's exposure to foreign currency risk (excluding those arising from discontinued operations), based on carrying amounts as at the end of the reporting period was:

Group	Denominated in USD RM'000
2015	
Trade and other receivables	78,516
Trade and other payables	(47,530)
Loans and borrowings	(510,154)
Net exposure	(479,168)
2014	
Trade and other receivables	584
Trade and other payables	(760)
Loans and borrowings	(194,393)
Net exposure	(194,569)

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's (excluding discontinued operations) profit net of tax and other comprehensive income net of tax ("OCI") 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		Other comprehensive income net of tax	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
USD / RM				
- strengthening of USD 5% (2014: 5%)	**(17,969)**	(7,296)	**(416)**	3,771
- weakening of USD by 5% (2014: 5%)	**17,969**	7,296	**416**	(3,771)

(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 is exposed to equity price risk arising from its investments in quoted equity instruments which are mainly listed on Bursa Malaysia.

Sensitivity analysis for market price risk

At the reporting date, a 5% (2014: 5%) strengthening in the FTSE Bursa Malaysia KLCI would have increased the Group's pre-tax profit and other comprehensive income by RM300,000 (2014: RM159,000) and RM4,266,000 (2014: RM2,378,000) respectively. A 5% weakening in the FTSE Bursa Malaysia KLCI would have an equal but opposite effect on the Group's pre-tax profit and other comprehensive income.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(f) Fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair values

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximations of fair values:

	Note
Trade and other receivables	21
Loans and borrowings	24
Trade and other payables	25

The carrying amounts of these financial assets and liabilities are reasonable approximations of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The carrying amounts of the current portion of loans and borrowings are reasonable approximation of fair values due to insignificant impact of discounting.

The fair values of loan and borrowings are estimated by discounting expected future cash flows at the market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

Quoted equity instruments

Fair value is determined directly by reference to their published market bid price at the reporting date.

Derivatives

Interest swap contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation technique include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Financial guarantees

The Company provides financial guarantees to banks for credit facilities granted to certain subsidiaries. The fair value of such guarantees is not expected to be material due to the following reasons:

- The likelihood is remote that the guaranteed party will default within the guaranteed period; and

- The estimated loss exposure to the Company arising from the outstanding credit facility that is not recovered if the guaranteed party were to default is not expected to be significant as the guaranteed party has net assets in excess of the outstanding amount of credit facilities.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(f) Fair value (cont'd)

Fair value hierarchy

The following table provides the fair value measurement hierarchy of the Group's and Company's assets and liabilities:

		<------- Fair value measurement using ------->		
	Total RM'000	Quoted prices in active markets (Level 1) RM'000	Significant observable inputs (Level 2) RM'000	Significant un-observable inputs (Level 3) RM'000
Assets measured at fair value				
Group				
At 31 December 2015				
Quoted shares	86,599	86,599	-	-
Quoted warrants	6,005	6,005	-	-
Fund investments	67,652	-	67,652	-
Derivative financial instruments	1,325	-	-	1,325
Investment properties	115,028	-	-	115,028
At 31 December 2014				
Quoted shares	48,964	48,964	-	-
Quoted warrants	3,189	3,189	-	-
Fund investments	14,924	-	14,924	-
Derivative financial instruments	2,449	-	-	2,449
Investment properties	110,768	-	-	110,768

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(f) Fair value (cont'd)

		<------- Fair value measurement using ------->		
	Total RM'000	Quoted prices in active markets (Level 1) RM'000	Significant observable inputs (Level 2) RM'000	Significant un-observable inputs (Level 3) RM'000
Assets measured at fair value				
Company				
At 31 December 2015				
Quoted shares	63,605	63,605	-	-
Quoted warrants	6,005	6,005	-	-
Investment properties	115,028	-	-	115,028
	184,638	69,610	-	115,028
At 31 December 2014				
Quoted shares	20,830	20,830	-	-
Quoted warrants	3,189	3,189	-	-
Investment properties	110,768	-	-	110,768
	134,787	24,019	-	110,768

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34. FINANCIAL INSTRUMENTS

The financial instruments of the Group and the Company as at 31 December are categorised into the following classes:

Group	Note	2015 RM'000	2014 RM'000
(a) Loans and receivables			
Trade and other receivables	21	**529,352**	204,873
Cash and cash equivalents	23	**1,532,399**	342,597
Unquoted redeemable convertible preference shares	18	**10,000**	10,000
		2,071,751	557,470
(b) Available-for-sale financial assets			
Other investments	18	**312,597**	44,001
(c) Financial assets at fair value through profit or loss - held for trading			
Interest rate swap	22	**1,325**	2,449
Quoted warrants	18	**6,005**	3,189
Quoted shares	18	**22,719**	28,134
		30,049	33,772
(d) Financial liabilities measured at amortised cost			
Trade and other payables	25	**284,604**	168,540
Loans and borrowings	24	**909,186**	1,202,185
		1,193,790	1,370,725

34. FINANCIAL INSTRUMENTS (CONT'D)

Company	Note	2015 RM'000	2014 RM'000
(a) Loans and receivables			
Trade and other receivables	21	**704,594**	197,253
Cash and cash equivalents	23	**1,349,170**	160,630
		2,053,764	357,883
(b) Financial assets at fair value through profit or loss -held for trading			
Quoted warrants	18	**6,005**	3,189
(c) Available-for-sale financial assets			
Other investments	18	**64,373**	21,598
(d) Financial liabilities measured at amortised cost			
Trade and other payables	25	**42,007**	51,936
Loans and borrowings	24	**-**	150,000
		42,007	201,936

35. 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. During the year, the Group has undertaken a selective capital reduction and repayment exercise which is expected to be completed in the second half of 2016. Further details are disclosed in Note 31(e)."

A subsidiary of the Group which is involved in insurance broking and consultancy is required by Bank Negara Malaysia to maintain a minimum shareholders' fund of RM600,000 at any point in time. This externally imposed capital requirement has been complied with by the above-mentioned subsidiary for the financial years ended 31 December 2015 and 2014.

Bursa Malaysia Practice Note No. 17/2005 imposes a requirement on the Company to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid up capital (excluding treasury shares) and such shareholders' equity is to be not less than RM40 million. The Company has complied with this requirement.

35. CAPITAL MANAGEMENT (CONT'D)

The Group monitors capital using the debt-to-equity ratio. The Group's policy, which is unchanged from 2014, is to maintain the debt-to-equity ratio at the lower bound of the band between 0.5:1 and 0.8:1. The debt-to-equity ratios at 31 December 2015 and at 31 December 2014 were as follows:

	Group	
	2015 RM'000	**2014 RM'000**
Total borrowings (Note 24)	**909,186**	1,202,185
Less: Cash and bank balances (Note 23)	**(1,532,399)**	(342,597)
Net debt	**(623,213)**	859,588
Total equity	**5,026,414**	5,612,703
Debt-to-equity ratios	**(0.12)**	0.15

36. 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 they require different technology and marketing strategies. The Group Managing Director (Group MD) 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
- Intrapreneur ventures - Information and communication technology business sales of wood based products and others
- Oil & gas ("O&G") support services - Sea transportation and construction of oil & gas equipment
- Agrofood - Commercial cattle farming and trading and distribution of tropical fruits
- Property investment - Rental of office building

Performance is measured based on segment profit before tax and interest as included in the internal management reports that are reviewed by the Group MD. 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.

Other operations of the Group mainly comprise investment holding and other miscellaneous activities which are not of sufficient size to be reported separately.

36. SEGMENT INFORMATION (CONT'D)

	Plantations RM'000	Intrapreneur ventures RM'000	O & G support services RM'000	Agrofood RM'000	Property investment RM'000	Other operations RM'000	Adjustments and eliminations RM'000	Notes	Consolidated RM'000
31 December 2015									
Segment revenue	777,264	64,057	582,304	6,837	8,609	30,535	-		1,469,606
Results									
Interest income	1,018	116	2,322	14	4	33,435	-		36,909
Finance costs	15,827	657	16,184	39	-	292	-		32,999
Depreciation of property, plant and equipment	63,590	2,283	50,694	5,249	-	13,433	-		135,249
Amortisation of intangible assets	-	991	-	-	-	1,609	-		2,600
Share of result of associate	-	-	-	-	-	(5,996)	-		(5,996)
Segment profit/(loss)	85,445	1,629	62,205	(9,571)	5,068	19,816			164,592
Assets									
Investments in associates	-	-	-	-	-	2,749	-		2,749
Intangible assets	-	4,229	12,560	-	-	105,063	-		121,852
Additions to non-current assets	121,524	3,545	173,594	4,477	-	510	-		303,650
Segment assets	4,819,765	91,542	1,013,260	27,391	115,028	346,580	-		6,413,566
Segment liabilities	446,441	82,483	704,864	31,525	-	121,839	-		1,387,152

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36. SEGMENT INFORMATION (CONT'D)

	<------ Plantations ------>									
	Malaysia and Indonesia RM'000	Papua New Guinea & Solomon Islands (dis-continued) RM'000	Intrapreneur ventures RM'000	O & G support services RM'000	Agrofood RM'000	Property investment RM'000	Other operations RM'000	Adjustments and eliminations RM'000	Notes	Consolidated RM'000
31 December 2014										
Segment revenue	760,536	2,097,946	70,103	181,803	14,405	8,836	57,993	(2,097,957)	A	1,093,665
Results										
Interest income	8,802	54	122	2,163	7	7	719	(54)	A	11,820
Finance costs	37,324	27,761	1,159	14,969	777	-	968	(27,761)	A	55,197
Depreciation of property, plant and equipment	71,607	232,317	1,978	25,172	6,860	-	13,489	-		351,423
Amortisation of intangible assets	-	-	1,099	-	-	-	69	-		1,168
Share of result of associate	-	-	-			-	586	-		586
Segment profit/(loss)	125,814	419,009	(1,084)	32,524	(8,799)	6,128	(21,631)	(413,637)	A	138,324
Assets										
Investments in associates	-	-	-			-	76,522	-		76,522
Intangible assets	-	160,449	4,690	12,560	-	-	16,189	(160,449)	A	33,439
Additions to non-current assets	113,500	238,882	8,047	143,067	7,033	-	5,379	-		515,908
Segment assets	3,391,268	4,819,085	53,573	681,729	29,218	110,768	104,431	68,485	B	9,258,557
Segment liabilities	1,016,132	2,084,517	75,696	404,239	31,795	-	33,475	-		3,645,854

Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A The amounts relating to discontinued operations have been excluded to arrive at the amounts shown in the consolidated statement of comprehensive income as they are presented separately in the statement of comprehensive income within one line item, "Gain from discontinued operations, net of tax".

B This amount comprises of other items which cannot be allocated to any operating segment.

36. SEGMENT INFORMATION (CONT'D)

Geographical information

Revenue and total assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Total Assets	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Continuing operations:				
- Malaysia	**1,469,606**	1,093,665	**6,335,416**	4,359,856
- Indonesia	**-**	-	**78,150**	79,616
	1,469,606	1,093,665	**6,413,566**	4,439,472
Discontinued operations:				
- Papua New Guinea	**-**	238,985	**-**	536,215
- Europe (mainly United Kingdom and Netherlands)	**-**	1,858,961	**-**	4,282,870
	-	2,097,946	**-**	4,819,085
	1,469,606	3,191,611	**6,413,566**	9,258,557

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31 DECEMBER 2015

37. DIVIDENDS

	Group and Company	
	2015 RM'000	2014 RM'000
Recognised during the financial year:		
Dividends on ordinary shares:		
- Interim tax exempt (single-tier) dividend for 2014: 9.50 sen per share	-	126,111
- Special tax exempt (single-tier) dividend for 2015: 37.65 sen per share	500,107	-
	500,107	126,111

38. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on 16 March 2016.

39. SUPPLEMENTARY INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS AND LOSSES

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed entities pursuant to Paragraph 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued another directive on the disclosure and the prescribed format of presentation.

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2015, into realised and unrealised profits, pursuant to the directive, is as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Total retained earnings of the Company and its subsidiaries:				
- realised	3,962,280	2,965,387	2,640,962	659,924
- unrealised	(242,114)	(244,782)	(4,288)	(99,293)
	3,720,166	2,720,605	2,636,674	560,631
Total share of retained earnings of associate:				
- realised	(4,046)	1,846	-	-
	3,716,120	2,722,451	2,636,674	560,631
Add: Consolidated adjustments	(839,983)	(778,855)	-	-
Total retained earnings	2,876,137	1,943,596	2,636,674	560,631

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1. Determination of realised and unrealised Profits or Losses in the context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by Malaysian Institute of Accountants on 20 December 2010.

SECTION 08

OTHER CORPORATE INFORMATION

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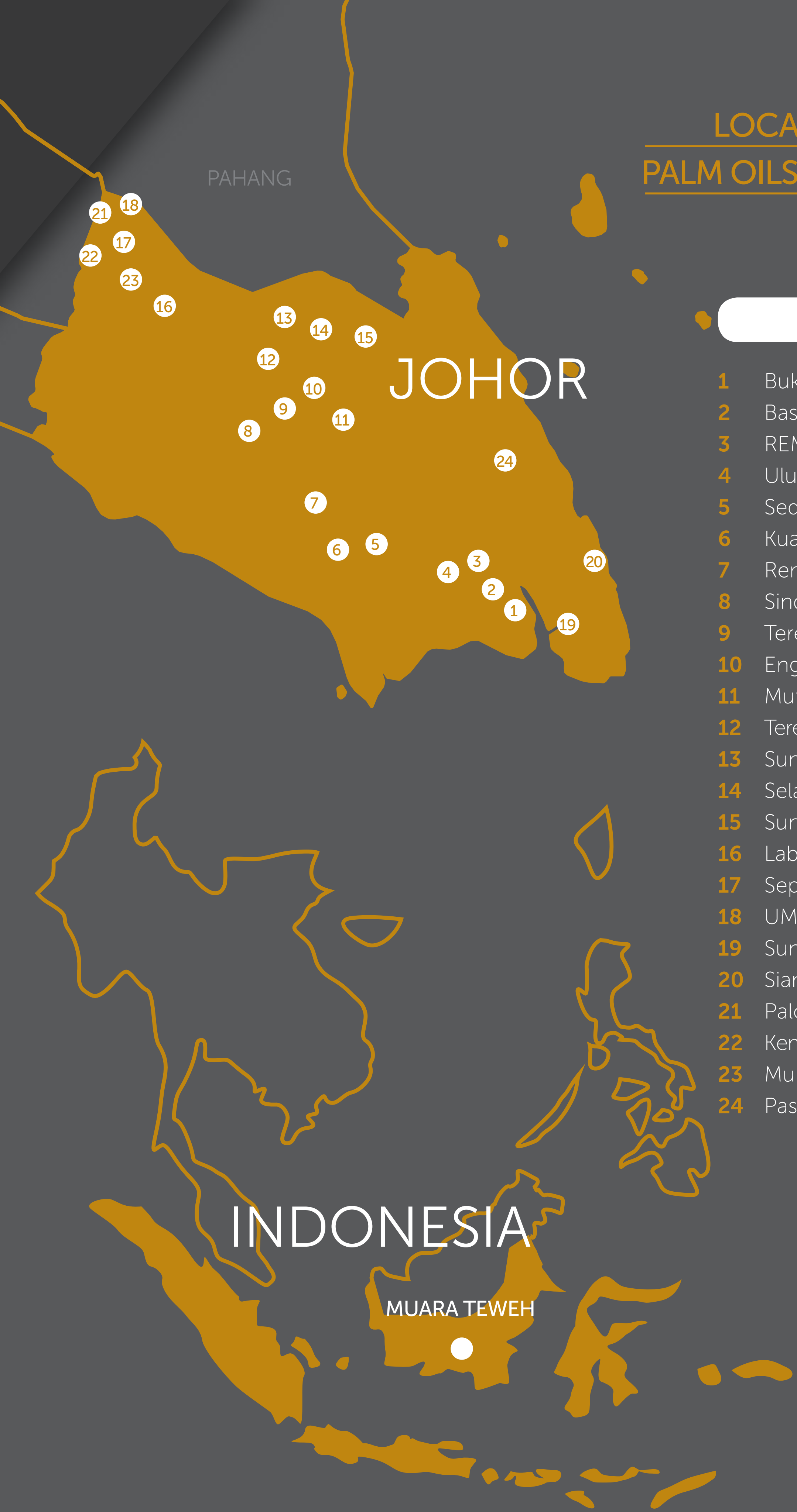
• Proxy Form

LOCATION OF THE GROUP'S PALM OILS DIVISION OPERATIONS



ESTATES AND MILLS:

1 Bukit Layang Estate
2 Basir Ismail Estate
3 REM Estate
4 Ulu Tiram Estate
5 Sedenak Estate and Mill
6 Kuala Kabung Estate
7 Rengam Estate
8 Sindora Estate and Mill
9 Tereh Selatan Estate
10 Enggang Estate
11 Mutiara Estate
12 Tereh Utara Estate and Tereh Mill
13 Sungai Tawing Estate
14 Selai Estate
15 Sungai Sembrong Estate
16 Labis Bahru Estate
17 Sepang Loi Estate
18 UMAC Estate
19 Sungai Papan Estate
20 Siang Estate
21 Palong Estate
22 Kemedak Estate and Palong Cocoa Mill
23 Mungka Estate
24 Pasir Panjang Estate and Mill

PROPERTIES OF THE GROUP IN MALAYSIA

	Tenure	Hectares	Description	Net Book Value @ 31.12.2015 RM'000	Year of Acquisition/ Revaluation
KULIM (MALAYSIA) BERHAD					
Labis Bahru Estate K B 517 85009 Segamat, Johor	Freehold	2,108	Oil palm and rubber estate	43,950	1997*
Mutiara Estate P O Box 21 Kampung Baru Kahang 86700 Kahang, Johor	Leasehold expiring: 20.06.2085 26.09.2085 4.11.2074	 1,613 324 607	Oil palm estate	28,499	1997*
Basir Ismail Estate K B 502 81909 Kota Tinggi, Johor	Freehold	2,872	Oil palm estate	432,330	1997*
REM Estate K B 501 81909 Kota Tinggi, Johor	Freehold Leasehold expiring: 12.03.2911 15.04.2093 14.03.2100 (Building age: 17 years)	1,567 990 4 1	Oil palm estate Oil palm estate Staff training centre	329,553	1997*
Sg. Sembrong Estate P O Box 21 Kampung Baru Kahang 86700 Kahang, Johor	Leasehold expiring: 05.05.2074 25.11.2082 13.10.2102	 607 607 29	Oil palm estate	14,815	1997*
Ulu Tiram Estate K B 710 80990 Johor Bahru, Johor	Freehold	502	Oil palm estate	93,491	1997*
Kuala Kabung Estate No 70, Jalan Ria 3 Taman Ria, Bukit Batu 81020 Kulai, Johor	Leasehold expiring: 16.08.2081	1,693	Oil palm estate	-	1997*
Mukim of Plentong, Johor (also known as Sg. Kim Kim) Lot 1581 Lot 2222 Lot 2223 Lot 2226 Lot 2227	 Freehold Freehold Freehold Freehold Freehold	 5 8 66 4 5	Vacant land	17,458	1997*
Menara Ansar 65, Jalan Trus 80000 Johor Bahru	Leasehold expiring: 18.12.2080 (Building age: 17 years)	-	21-storey intelligent office building comprising 3-level basement carpark, 5-level podium and 16-level tower	112,000	1998
Mukim Sungai Tiram PTD 3932 HSD 454418	Leasehold expiring: 16.01.2068	8	Vacant land	22,151	2008
Mukim of Plentong, Johor PTD 155633 HSD303856	Leasehold expiring: 18.05.2060	6	Container depot	51,693	2015
		13,626		1,145,940	

PROPERTIES OF THE GROUP IN MALAYSIA

	Tenure	Hectares	Description	Net Book Value @ 31.12.2015 RM'000	Year of Acquisition/ Revaluation
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	33,892	1997*
Tereh Utara Estate K B 536 86009 Kluang, Johor	Freehold Leasehold expiring: 27.08.2078 Leasehold expiring: 27.06.2079	834 1,560 607	Oil palm estate	53,381	1997*
		5,799		87,273	
MAHAMURNI PLANTATIONS SDN BHD					
Rengam Estate K B 104 86300 Rengam, Johor	Freehold	2,418	Oil palm and rubber estate	165,397	1997*
Sedenak Estate K B 726 80990 Johor Bahru, Johor	Freehold	2,816	Oil palm estate	185,912	1997*
UMAC Estate P O Box 64 86007 Segamat, Johor	Leasehold expiring: 17.03.2070 29.08.2071 11.12.2071 28.11.2072 25.02.2074	 239 237 324 383 475	Oil palm estate	16,171	1997*
Siang Estate K B 515 81909 Kota Tinggi, Johor	Leasehold expiring: 23.01.2087	3,391	Oil palm estate	97,580	2011
Sg. Papan Estate PO BOX 15, Bandar Penawar 81909 Kota Tinggi, Johor	Leasehold expiring: 22.09.2090	2,996	Oil palm estate	89,395	2011
Palong Estate K B 530 85009 Segamat, Johor	Leasehold expiring: 11.09.2112	1,928	Oil palm estate	53,470	2012
Mungka Estate K B 525 85009 Segamat, Johor	Leasehold expiring: 11.09.2112	1,924	Oil palm estate	53,104	2012
Kemedak Estate K B 525 85009 Segamat, Johor	Leasehold expiring: 11.09.2112	1,785	Oil palm estate	49,423	2012

PROPERTIES OF THE GROUP IN MALAYSIA

	Tenure	Hectares	Description	Net Book Value @ 31.12.2015 RM'000	Year of Acquisition/ Revaluation
Pasir Panjang Estate K B 527 81909 Kota Tinggi, Johor	Leasehold expiring: 16.09.2112	1,610	Oil Palm estate	50,203	2013
		20,526		760,655	
ULU TIRAM MANUFACTURING COMPANY (MALAYSIA) SDN BHD					
Bukit Layang Estate K B 502 81909 Kota Tinggi, Johor	Freehold	398	Oil palm estate	52,383	1997*
		398		52,383	
SELAI SDN BHD					
Enggang Estate K B 503 86009 Kluang, Johor	Freehold	1,735	Oil palm estate	25,872	1997*
Selai Estate K B 529 86009 Kluang, Johor	Freehold	1,800	Oil palm estate	23,618	1997*
		3,535		49,490	
KUMPULAN BERTAM PLANTATIONS BERHAD					
Sepang Loi Estate K B 520 85009 Segamat	Freehold	970	Oil palm estate	9,609	2003
		970		9,609	
SINDORA BERHAD					
Sindora Estate K B 539 86009 Kluang, Johor	Leasehold expiring: 24.01.2086	3,919	Oil palm estate	51,693	1987
Sg. Tawing Estate K B 531 86009 Kluang, Johor	Leasehold expiring: 27.06.2079	2,226	Oil palm estate	31,528	2009
		6,145		83,221	
Total - Plantation		**50,999**		**2,188,571**	

* These properties were revalued in 1997. The accounting policy on revaluation is disclosed in Note 2.10 to the Financial Statements.

PROPERTIES OF THE GROUP IN MALAYSIA

	Tenure	Area	Description	Net Book Value @ 31.12.2015 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: 16 years)	2.56 hectares	Industrial land and building	116	2000
	Leasehold (60 years) Expiring: 30.01.2041 (Building age: 33 years)	2,344 ,000 sq. ft.	Industrial land and building for office and factory	6,155	1983
	Leasehold (60 years) Expiring: 30.01.2041 (Building age: 30 years)	5,000 sq. ft.	Factory building	39	1986
No 1, Jalan Temenggong 10 Bandar Tenggara 81000 Kulai, Johor	Leasehold expiring: on 18.04.2085 (Building age: 29 years)	6,000 sq. ft.	1 unit of double-storey bungalow (staff residence)	51	1987
No 17, Jalan Resam Green Plains, Taman Bukit Tiram 81800 Ulu Tiram, Johor	Leasehold (Building age: 26 years)	0.5699 hectares	1 unit of double -storey bungalow (staff residence)	580	1990
				6,941	
E.A. TECHNIQUE (M) BERHAD					
Setiawangsa Business Suites Unit C-3A-3A No 2, Jalan Setiawangsa II Taman Setiawangsa 54200 Kuala Lumpur	Freehold (Building age: 10 years)	6,402 sq. ft.	Office building	1,031	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	741	2013
11&13, Jalan Serangkai 1, Taman Bukit Dahlia, 81700 Pasir Gudang, Johor	Leasehold (89 years)	348 m^2	Shop office	925	2013
2, Jalan Bukit 6, Kawasan Perindustrian MIEL, Bandar Baru Seri Alam, 81750 Masai, Johor	Leasehold (82 years)	291 m^2	Store	106	2013
Expansion Plant in Bandar Penawar Kawasan Perindustrian MIEL, Bandar Baru Seri Alam, 81750 Masai, Johor	Leasehold (60 years)	2,600 m^2	Industrial land and building for plant	7,824	2014
				9,596	
DQ-IN Sdn Bhd					
Lot PT 11254, Taman Perindustrian Paka, 23100 Paka Dungun Terengganu	Leasehold (85 years)	143 m^2	Shop office	294	2014
Total - Intrapreneur Ventures				**17,862**	

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE FORTY FIRST (41ST) ANNUAL GENERAL MEETING OF KULIM (MALAYSIA) BERHAD WILL BE HELD AT PERMATA BALLROOM, LEVEL B2, THE PUTERI PACIFIC HOTEL JOHOR BAHRU, JALAN ABDULLAH IBRAHIM, 80000 JOHOR BAHRU, JOHOR, MALAYSIA ON TUESDAY, 3 MAY 2016 AT 11:30 AM, FOR THE FOLLOWING PURPOSES :-

ORDINARY BUSINESS

1. To receive and adopt the Directors' and Auditors' Reports and Audited Financial Statements in respect of the year ended 31 December 2015. **Resolution 1**

2. To re-elect the following Directors who retire in accordance with the Company's Articles of Association:

   (i) Zulkifli Ibrahim **Resolution 2**
   (ii) Jamaludin Md Ali **Resolution 3**
   (iii) Abdul Rahman Sulaiman **Resolution 4**
   (iv) Rozaini Mohd Sani **Resolution 5**

3. To consider, and if thought fit, to pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965 ("Act"); **Resolution 6**

   "**THAT** Tan Sri Dato' Seri Utama Arshad Ayub, who is over the age of seventy (70) years, be hereby re-appointed as Director of the Company to hold office until the next Annual General Meeting ("AGM") of the Company."

4. To consider, and if thought fit, to pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965 ("Act"); **Resolution 7**

   "**THAT** Dr. Radzuan A. Rahman, who is over the age of seventy (70) years, be hereby re-appointed as Director of the Company to hold office until the next AGM of the Company."

5. To consider, and if thought fit, to pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965 ("Act"); **Resolution 8**

   "**THAT** Datuk Haron Siraj, who is over the age of seventy (70) years, be hereby re-appointed as Director of the Company to hold office until the next AGM of the Company."

6. To approve the payment of Directors' fees in respect of the financial year ended 31 December 2015. **Resolution 9**

7. To appoint Messrs. PricewaterhouseCoopers ("PwC"), having consented to act as Auditors of the Company for the financial year ending 31 December 2016 in place of retiring Auditors, Messrs Ernst & Young to hold office until the conclusion of the next AGM and to authorise the Directors to fix their remuneration.

   Notice of Nomination pursuant to Section 172(11) of the Companies Act, 1965 (a copy of which is attached and marked as "Annexure A" in the 2015 Integrated Annual Report) has been received by the Company for the nomination of Messrs. PwC, for the appointment as Auditors in place of the retiring Auditors, Messrs. Ernst & Young. **Resolution 10**

8. SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions:

8.1 Ordinary Resolution

In line with Recommendation 3.2 and 3.3 of the Malaysian Code on Corporate Governance ("MCCG") 2012, the Nomination Committee ("NC") had conducted an assessment of independence under the nomination and election process of Independent Non-Executive Directors ("INED"), whereby the NC reviewed whether the nominated candidate had satisfied the criteria for an independent director as prescribed in Bursa Malaysia Securities Berhad ("Bursa Malaysia") Main Market Listing Requirements ("Main Market LR") and its Practice Note 13 prior to seeking shareholders' approval at the 41st AGM on the appointment as INED.

To consider, and if thought fit, to pass the following resolution pursuant to Practice Note 13 of the Bursa Malaysia Listing Requirements; **Resolution 11**

"**THAT** Tan Sri Dato' Seri Utama Arshad Ayub, whose tenure on the Board exceeds a cumulative term of more than nine (9) years be hereby re-appointed as Independent Non-Executive Director of the Company." (See Explanatory Note 1 on Special Business below)

8.2 Ordinary Resolution

In line with Recommendation 3.2 and 3.3 of the MCCG 2012, the NC had conducted an assessment of independence under the nomination and election process of INED, whereby the NC reviewed whether the nominated candidate had satisfied the criteria for an independent director as prescribed in Bursa Malaysia Main Market LR and its Practice Note 13 prior to seeking shareholders' approval at the 41st AGM on the appointment as INED.

To consider, and if thought fit, to pass the following resolution pursuant to Practice Note 13 of the Bursa Malaysia Listing Requirements; **Resolution 12**

"**THAT** Datuk Haron Siraj, whose tenure on the Board exceeds a cumulative term of more than nine (9) years be hereby re-appointed as Independent Non-Executive Director of the Company." (See Explanatory Note 2 on Special Business below)

8.3 Ordinary Resolution

In line with Recommendation 3.2 and 3.3 of the MCCG 2012, the NC had conducted an assessment of independence under the nomination and election process of INED, whereby the NC reviewed whether the nominated candidate had satisfied the criteria for an independent director as prescribed in Bursa Malaysia Main Market LR and its Practice Note 13 prior to seeking shareholders' approval at the 41st AGM on the appointment as INED.

To consider, and if thought fit, to pass the following resolution pursuant to Practice Note 13 of the Bursa Malaysia Listing Requirements; **Resolution 13**

"**THAT** Dr. Radzuan A. Rahman, whose tenure on the Board exceeds a cumulative term of more than nine (9) years be hereby re-appointed as Independent Non-Executive Director of the Company." (See Explanatory Note 3 on Special Business below)

NOTICE OF ANNUAL GENERAL MEETING

8.4 Ordinary Resolution

Proposed Renewal of Shareholders' Mandate to Enable the Company to Purchase up to Ten Percent (10%) of its Issued and Paid-up Share Capital ("Proposed Renewal of the Share Buy-Back Authority") **Resolution 14**

"**THAT** subject to the Act, rules, regulations and orders made pursuant to the Act, provisions of the Company's Memorandum and Articles of Association and the Main Market LR of Bursa Malaysia and any other relevant authority, the Company be and is hereby authorised to purchase and/or hold such amount of ordinary shares of RM0.25 each in the Company's issued and paid-up share capital through Bursa Malaysia upon such terms and conditions as the Directors may deem fit in the interest of the Company provided that:

(a) the aggregate number of shares so purchased and/or held pursuant to this ordinary resolution ("Purchased Shares") does not exceed ten percent (10%) of the total issued and paid-up share capital of the Company at any one time; and

(b) the maximum amount of funds to be allocated for the Purchased Shares shall not exceed the aggregate of the retained profits and/or share premium of the Company.

AND THAT the Directors be and are hereby authorised to decide at their discretion either to retain the Purchased Shares as treasury shares (as defined in Section 67A of the Act) and/or to cancel the Purchased Shares and/or to retain the Purchased Shares as treasury shares for distribution as share dividends to the shareholders of the Company and/or be resold through Bursa Malaysia in accordance with the relevant rules of Bursa Malaysia and/or cancelled subsequently and/or to retain part of the Purchased Shares as treasury shares and/or cancel the remainder and to deal with the Purchased Shares in such other manner as may be permitted by the Act, rules, regulations, guidelines, requirements and/ or orders of Bursa Malaysia and any other relevant authorities for the time being in force;

AND THAT the Directors be and are hereby empowered to do all acts and things (including the opening and maintaining of a central depositories account(s) under the Securities Industry (Central Depositories) Act, 1991 and to take such steps and to enter into and execute all commitments, transactions, deeds, agreements, arrangements, undertakings, indemnities, transfers, assignments, and/or guarantees as they may deem fit, necessary, expedient and/or appropriate in the best interest of the Company in order to implement, finalise and give full effect to the Proposed Renewal of the Share Buy-Back Authority with full powers to assent to any conditions, modifications, variations (if any) as may be imposed by the relevant authorities;

AND FURTHER THAT the authority conferred by this ordinary resolution shall be effective immediately upon passing of this ordinary resolution and shall continue in force until the conclusion of the next AGM of the Company or the expiry of the period within which the next AGM of the Company is required by law to be held (whichever is earlier), unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting, but shall not prejudice the completion of purchase(s) by the Company before that aforesaid expiry date and in any event in accordance with provisions of the Listing Requirements and other relevant authorities." (See Explanatory Note 4 on Special Business below).

8.5 Ordinary Resolution

Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions ("RRPT") of a Revenue and/or Trading Nature and New Mandate for Additional RRPT of a Revenue and/or Trading Nature ("Proposed Shareholders' Mandate for RRPT") **Resolution 15**

"**THAT** authority be and is hereby given in line with Paragraph 10.09 of the Listing Requirements, for the Company, its subsidiaries or any of them to enter into any of the transactions falling within the types of the RRPT, particulars of which are set out in the Circular to Shareholders dated 11 April 2016 ("the Circular"), with the Related Parties as described in the Circular, provided that such transactions are of revenue and/or trading nature, which are necessary for the day-to-day operations of the Company and/or its subsidiaries, within the ordinary course of business of the Company and/or its subsidiaries, made on an arm's length basis and on normal commercial terms which those generally available to the public and are not detrimental to the minority shareholders of the Company;

AND THAT such authority shall commence immediately upon the passing of this ordinary resolution until:

(a) the conclusion of the next AGM of the Company following the general meeting at which the ordinary resolution for the Proposed Shareholders' Mandate for RRPT is passed, at which time it shall lapse, unless the authority is renewed by a resolution passed at the next AGM; or

(b) the expiration of the period within which the next AGM after the date it is required by law to be held; or

(c) revoked or varied by ordinary resolution passed by the shareholders of the Company at a general meeting of the Company,

whichever occurs first;

AND FURTHER THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or give effect to the Proposed Shareholders' Mandate for RRPT." (See Explanatory Note 5 on Special Business below)

9. To transact any other business of which due notice shall have been given.

BY ORDER OF THE BOARD

IDHAM JIHADI ABU BAKAR.ACIS (MAICSA 7007381)
NURALIZA A. RAHMAN.ACIS (MAICSA 7067934)
Company Secretaries

Johor Bahru, Johor
11 April 2016

NOTICE OF ANNUAL GENERAL MEETING

NOTES:

Proxy

1. A proxy may but need not be a member of the Company, an advocate, an approved company auditor or a person approved by the Registrar of Companies, and the provisions of Section 149(1)(b) of the Companies Act 1965 shall not apply to the Company.
2. In the case of a corporate member, the instrument appointing a proxy shall be (a) under its Common Seal or (b) under the hand of a duly authorised officer or attorney and in the case of (b), be supported by a certified true copy of the resolution appointing such officer or certified true copy of the power of attorney.
3. A member shall not, subject to Paragraphs (4) and (5) below, be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy to attend and vote at the same meeting, each proxy appointed shall represent a minimum of 100 shares and such appointment shall be invalid unless the member specifies the proportion of his shareholding to be represented by each proxy.
4. Where a member is an authorised nominee, as defined under the Securities Industry ("Central Depositories") Act 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds which is credited with ordinary shares of the Company. The appointment of two (2) proxies in respect of any particular securities account shall be invalid unless the authorised nominee specifies the proportion of its shareholding to be represented by each proxy.
5. Where a member is an exempt authorised nominee ("EAN") as defined under the Securities Industry ("Central Depositories") Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the EAN may appoint in respect of each omnibus account it holds.
6. Any alteration to the instrument appointing a proxy must be initialised. The Instrument appointing a proxy must be deposited at the registered office at Level 11, Menara KOMTAR, Johor Bahru City Centre, 80000 Johor Bahru, Johor not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in such instrument proposes to vote; otherwise the person so named shall not be entitled to vote in respect thereof.

Abstention from Voting

1. All the Non-Executive Directors ("NED") of the Company who are shareholders of the Company shall abstain from voting on Resolution 9 concerning remuneration to the NED at the 41st AGM.
2. Any Director referred to in Resolution 2, 3, 4 and 5, who is a shareholder of the Company shall abstain from voting on the resolution in respect of his election or re-appointment at the 41st AGM.
3. Any Director or Directors who is the appointed nominee of the shareholder(s) of the Company as set out in the Circular to Shareholders dated 11 April 2016 shall abstain from voting on Resolution 15 in respect of RRPT at the 41st AGM.

Explanatory Notes for Special Business

1. **Ordinary Resolution 11 – Re-appointment of Director pursuant to Recommendation 3.2 and 3.3 of the Malaysian Code on Corporate Governance (MCCG) 2012**

   The Nomination Committee is satisfied with the skills, contribution and independent judgment that Tan Sri Dato' Seri Utama Arshad Ayub delivers to the Board. Tan Sri Dato' Seri Utama Arshad Ayub has satisfactorily demonstrated that he is independent of management and free from any business or other relationship which could interfere with the exercise of independent judgment, objectivity or the ability to act in the best interests of the Company. In view thereof, the Board recommends and supports the re-appointment of Tan Sri Dato' Seri Utama Arshad Ayub, as he has offered himself for re-appointment as Independent Non-Executive Director ("INED") of the Company, to be approved by shareholders at the 41st AGM of the Company as follows :-

   "**THAT** Tan Sri Dato' Seri Utama Arshad Ayub, whose tenure on the Board exceeds a cumulative term of more than nine (9) years be hereby re-appointed as Independent Non-Executive Director of the Company."

   Tan Sri Dato' Seri Utama Arshad Ayub, aged 88, was appointed on 31 January 1987 as INED of the Company. His profile is as set out in page 77, Section 2 of the Integrated Annual Report. Tan Sri Dato' Seri Utama Arshad Ayub has exceeded his tenure on the Board a cumulative term of more than nine (9) years since his appointment date. Pursuant to Recommendation 3.2 and 3.3 of the MCCG 2012, he may be regarded as Non-Independent Non-Executive Director, for continuing to hold office as a Director of the Company exceeding nine (9) years from his date of appointment.

   The Board, subject to the assessment of the Nomination Committee is satisfied with the level of Independence of Tan Sri Dato' Seri Arshad Ayub and based on the justification above, hereby recommends that Tan Sri Dato' Seri Utama Arshad Ayub be re-appointed as INED of the Company until the next AGM of the Company.

2. **Ordinary Resolution 12 – Re-appointment of Director pursuant to Recommendation 3.2 and 3.3 of the Malaysian Code on Corporate Governance (MCCG) 2012**

   The Nomination Committee is satisfied with the skills, contribution and independent judgment that Datuk Haron Siraj delivers to the Board. Datuk Haron Siraj has satisfactorily demonstrated that he is independent of management and free from any business or other relationship which could interfere with the exercise of independent judgment, objectivity or the ability to act in the best interests of the Company. In view thereof, the Board recommends and supports the re-appointment of Datuk Haron Siraj, as he has offered himself for re-appointment as Independent Non-Executive Director ("INED") of the Company, to be approved by shareholders at the 41st AGM of the Company as follows :-

   "**THAT** Datuk Haron Siraj, whose tenure on the Board exceeds a cumulative term of more than nine (9) years be hereby re-appointed as Independent Non-Executive Director of the Company."

Datuk Haron Siraj, aged 72, was appointed on 9 January 2006 as INED of the Company. His profile is as set out in page 78, Section 2 of the Integrated Annual Report. Datuk Haron Siraj has exceeded his tenure on the Board a cumulative term of more than nine (9) years since his appointment date. Pursuant to Recommendation 3.2 and 3.3 of the MCCG 2012, he may be regarded as Non-Independent Non-Executive Director, for continuing to hold office as a Director of the Company exceeding nine (9) years from his date of appointment.

The Board, subject to the assessment of the Nomination Committee is satisfied with the level of Independence of Datuk Haron Siraj and based on the justification above, hereby recommends that Datuk Haron Siraj be re-appointed as INED of the Company until the next AGM of the Company.

3. **Ordinary Resolution 13 – Re-appointment of Director pursuant to Recommendation 3.2 and 3.3 of the Malaysian Code on Corporate Governance (MCCG) 2012**

The Nomination Committee is satisfied with the skills, contribution and independent judgment that Dr. Radzuan A. Rahman delivers to the Board. Dr. Radzuan A. Rahman has satisfactorily demonstrated that he is independent of management and free from any business or other relationship which could interfere with the exercise of independent judgment, objectivity or the ability to act in the best interests of the Company. In view thereof, the Board recommends and supports the re-appointment of Dr. Radzuan A. Rahman, as he has offered himself for re-appointment as Independent Non-Executive Director ("INED") of the Company, to be approved by shareholders at the 41st AGM of the Company as follows :-

"**THAT** Dr. Radzuan A. Rahman, whose tenure on the Board exceeds a cumulative term of more than nine (9) years be hereby re-appointed as Independent Non-Executive Director of the Company."

Dr. Radzuan A. Rahman, aged 73, was appointed on 1 November 2006 as INED of the Company. His profile is as set out in page 79, Section 2 of the Annual Report. Dr. Radzuan A. Rahman has exceeded his tenure on the Board a cumulative term of more than nine (9) years since his appointment date. Pursuant to Recommendation 3.2 and 3.3 of the MCCG 2012, he may be regarded as Non-Independent Non-Executive Director, for continuing to hold office as a Director of the Company exceeding nine (9) years from his date of appointment.

The Board, subject to the assessment of the Nomination Committee is satisfied with the level of Independence of Dr. Radzuan A. Rahman and based on the justification above, hereby recommends that Dr. Radzuan A. Rahman be re-appointed as INED of the Company until the next AGM of the Company.

4. **Ordinary Resolution 14 – Proposed Renewal of the Share Buy-Back Authority**

Ordinary Resolution 14, if passed will enable the Company to utilise any of its surplus financial resources to purchase its own shares through Bursa Securities up to ten percent (10%) of the issued and paid-up capital of the Company. This authority will, unless revoked or varied at a General Meeting, expire at the conclusion of the next AGM of the Company.

Further information on the Proposed Renewal of the Share Buy-Back Authority are set out in the Circular to Shareholders of the Company which is dispatched together with the Company's Integrated Annual Report for the year ended 2015.

5. **Ordinary Resolution 15 – Proposed Shareholders' Mandate for RRPT**

The proposed Ordinary Resolution 15 if passed is primarily to authorise the Company and/or its unlisted subsidiaries to enter arrangements or transactions with Related Parties, particulars of which are set out in Section 3.2, 3.3 and 3.4 of the Circular to Shareholders dated 11 April 2016 circulated together with this Integrated Annual Report, which are necessary for the day-to-day operations of the Group and are based on normal commercial terms that are not more favourable to the Related Parties than those generally made available to the public.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

PURSUANT TO PARAGRAPH 8.28(2) OF THE LISTING REQUIREMENT OF THE BURSA MALAYSIA

1. Directors who are standing for re-election at the 41st Annual General Meeting are as follows:

   (i) Zulkifli Ibrahim
   (ii) Jamaludin Md Ali
   (iii) Abdul Rahman Sulaiman
   (iv) Rozaini Mohd Sani

   Particulars of Directors seeking re-election at the Annual General Meeting are set out below:

	Resolution 2	Resolution 3
	Zulkifli Ibrahim	**Jamaludin Md Ali**
Nationality/Age:	Malaysian / 58	Malaysian / 58
Academic/Professional Qualification(s):	• Fellow of the Association of Chartered Certified Accountants, United Kingdom • Member of the Malaysian Institute of Accountants	• Bachelor of Economics (Honours) degree, University of Malaya • Master of Business Administration from University of Strathclyde, Glasgow, Scotland
Present Directorship(s):	• Chairman and Director of several other companies within the JCorp Group	• Chairman and Director of several other companies within the JCorp Group
Present Appointment(s):	Non-Independent Non-Executive Director, Kulim (Malaysia) Berhad	Executive Director, Kulim (Malaysia) Berhad
Appointed to the Board of the Company:	1 July 2011	1 July 2012

	Resolution 4	Resolution 5
	Abdul Rahman Sulaiman	**Rozaini Mohd Sani**
Nationality/Age:	Malaysian / 58	Malaysian / 43
Academic/Professional Qualification(s):	• Bachelor of Science (Honours) in Agribusiness, Universiti Pertanian Malaysia • Master of Business Administration from Henley Management College, United Kingdom	• Bachelor of Commerce (Accounting and Finance) with Merit degree from University of New South Wales, Australia • Fellow of Chartered Accountants Australia and New Zealand
Present Directorship(s):	• Chairman and Director of several other companies within the JCorp Group	• Director of several other companies within the JCorp Group
Present Appointment(s):	Executive Director, Kulim (Malaysia) Berhad	Non-Independent Non-Executive Director, Kulim (Malaysia) Berhad
Appointed to the Board of the Company:	1 September 2013	15 January 2015

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

PURSUANT TO PARAGRAPH 8.28(2) OF THE LISTING REQUIREMENT OF THE BURSA MALAYSIA

2. Further details of Director who is standing for re-apppointment as per Agenda 3, 4, 5, 8.1 and 8.2 of the Notice of 41st AGM are as follows:

	Resolution 6 & 11
	Tan Sri Dato' Seri Utama Arshad Ayub
Nationality/Age:	Malaysian / 88
Academic/Professional Qualification(s):	• Diploma in Agriculture, College of Agriculture, Serdang • Bachelor of Science Degree in Economics with Statistics, University College of Wales, Aberystwyth, United Kingdom • Diploma in Business Administration, IMEDE Lausanne (now IMD), Switzerland
Present Directorship(s):	• Pro Chancellor of UiTM • Chancellor of KPJ International University College • Chairman of University of Malaya Board • Chairman of Malayan Flour Mills Berhad • Chairman of Tomypak Holdings Berhad • Chairman of Karex Berhad • Director of Top Glove Corporation Berhad
Present Appointment(s):	Independent Non-Executive Director, Kulim (Malaysia) Berhad
Appointed to the Board of the Company:	31 January 1987

	Resolution 7 & 13	Resolution 8 & 12
	Dr. Radzuan A. Rahman	**Datuk Haron Siraj**
Nationality/Age:	Malaysian / 73	Malaysian / 72
Academic/Professional Qualification(s):	• Bachelor in Agricultural Science (Honours) degree, University of Malaya • Master and PhD in Resource Economics, Cornell University, New York	• Bachelor of Arts (Honours) in Economics in 1968 from the University of Manchester, United Kingdom • Master of Art in Development Economics from Williams College, United States of America
Present Directorship(s):	• Idaman Unggul Berhad • Inch Kenneth Kajang Rubber Pte Ltd • Kenangan Cergas Sdn Bhd • Maep Management Sdn Bhd • Green Capital Sdn Bhd	• HSBC Amanah Takaful Sdn Bhd • Apex Communications Group Sdn Bhd
Present Appointment(s):	Independent Non-Executive Director, Kulim (Malaysia) Berhad	Independent Non-Executive Director, Kulim (Malaysia) Berhad
Appointed to the Board of the Company:	1 November 2006	9 January 2006

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

PURSUANT TO PARAGRAPH 8.28(2) OF THE LISTING REQUIREMENT OF THE BURSA MALAYSIA

3. The 40th Annual General Meeting of the Company was held at Permata Ballroom, Level B2, The Puteri Pacific Hotel Johor Bahru, Jalan Abdullah Ibrahim, 80000 Johor Bahru, Johor, Malaysia on Tuesday, 2 June 2015 at 12:00 noon.

4. A total of seven (7) Board meetings were held during the financial year ended 31 December 2015. Details of attendance of Directors at Board meetings held during the financial year ended 31 December 2015 are as follows:

	281st BOD 23.2.2015	282nd BOD 19.5.2015	Special BOD 2.6.2015	283rd BOD 24.8.2015	Special BOD 5.11.2015	Special BOD 17.11.2015	284th BOD 14.12.2015	%
Dato' Kamaruzzaman Abu Kassim	/	/	/	/	/	/	/	100
Ahamad Mohamad	/	/	/	/	/	/	/	100
Tan Sri Dato' Seri Utama Arshad Ayub	/	/	/	/	/	/	/	100
Tan Sri Datin Paduka Siti Sa'diah Sh Bakir	/	/	X	/	/	/	/	86
Zulkifli Ibrahim	/	/	/	/	/	/	/	100
Jamaludin Md Ali	/	X	/	/	/	/	/	86
Datuk Haron Siraj	/	/	/	/	/	/	/	100
Dr. Radzuan A. Rahman	/	/	/	/	/	/	/	100
Leung Kok Keong	/	/	/	/	/	/	/	100
Abdul Rahman Sulaiman	/	/	/	/	/	X	X	71
Rozaini Mohd Sani	/	/	/	/	/	/	/	100

Notes:
- Rozaini Mohd Sani was appointed to the Board as Non-Independent Non-Executive Director on 15.1.2015;
- Tan Sri Datin Paduka Siti Sa'diah Sh Bakir was re-designated as Independent Non-Executive Director on 1.5.2015.

5. Details of the Board meetings held during the financial year ended 31 December 2015 are as follows:

Meeting No.	Date	Venue
281st BOD Meeting	23 February 2015	Board Room, Ulu Tiram Estate, Johor
282nd BOD Meeting	19 May 2015	Bilik Teraju, Level 24, Menara KOMTAR, Johor Bahru City Centre, Johor Bahru
Special BOD Meeting	2 June 2015	Jauhar II Meeting Room, Level 16, Pacific Sky Lounge, The Puteri Pacific Hotel Johor Bahru, Jalan Abdullah Ibrahim, Johor Bahru, Johor.
283rd BOD Meeting	24 August 2015	Room 306, Level 3, Persada Johor International Convention Centre, Jalan Abdullah Ibrahim, Johor Bahru, Johor
Special BOD Meeting	5 November 2015	Bilik Teraju, Level 24, Menara KOMTAR, Johor Bahru City Centre, Johor Bahru
Special BOD Meeting	17 November 2015	Meeting Room, Office of Johor Corporation Level 11, Menara JCorp 249 Jalan Tun Razak, Kuala Lumpur
284th BOD Meeting	14 December 2015	

Kulim (Malaysia) Berhad (23370-V)

PROXY FORM

No. of ordinary shares held	CDS account no. of authorised nominee (i)

I/We *____
(Full name and NRIC No. / Company No. in block letters)

of ____
(Full address in block letters)

being a member(s) of KULIM (MALAYSIA) BERHAD hereby appoint ____

____
(Full name in block letters)

of ____
(Full address in block letters)

or failing him/her ____
(Full name in block letters)

of ____
(Full address in block letters)

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us* on my/our* behalf at the 41st Annual General Meeting of the Company to be held at Permata Ballroom, Level B2, The Puteri Pacific Hotel Johor Bahru, Jalan Abdullah Ibrahim, 80000 Johor Bahru, Johor, Malaysia on Tuesday, 3 May 2016 at 11:30 am and at any adjournment thereof in respect of my/our holdings of shares in the manner indicated below:

RESOLUTION	DESCRIPTION	FOR	AGAINST
1	To adopt the Directors' and Auditors' Reports and Audited Financial Statements 2015		
2	To re-elect Director – Zulkifli Ibrahim		
3	To re-elect Director – Jamaludin Md Ali		
4	To re-elect Director – Abdul Rahman Sulaiman		
5	To re-elect Director – Rozaini Mohd Sani		
6	To re-appoint Director – Tan Sri Dato' Seri Utama Arshad Ayub		
7	To re-appoint Director – Dr. Radzuan A. Rahman		
8	To re-appoint Director – Datuk Haron Siraj		
9	To approve payment of Directors' fees		
10	To appoint Messrs. PwC in place of retiring auditors		
11	To re-appoint Independent Non-Executive Director - Tan Sri Dato' Seri Utama Arshad Ayub		
12	To re-appoint Independent Non-Executive Director - Datuk Haron Siraj		
13	To re-appoint Independent Non-Executive Director - Dr. Radzuan A. Rahman		
14	Proposed renewal of Share Buy-Back		
15	Authority Proposed Shareholders' Mandate for RRPT		
	Any other business		

(Please indicate with a (√) in the appropriate box whether you wish your vote to be cast for or against the resolution. In the absence of specific direction, your proxy will vote or abstain as he/she thinks fit. However, if more than one proxy is appointed, please specify in the table below the number of shares represented by each proxy, failing which the appointment shall be invalid)

For appointment of two proxies, percentage of shareholdings to be presented by the proxies:

	No. of shares	Percentage
Proxy 1		
Proxy 2		
Total		100%

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

Dated this ......day of 2016

NOTE:

i. Applicable to shares held through a nominee account.
ii. A proxy may but need not be a member of the Company, an advocate, an approved company auditor or a person approved by the Registrar of Companies, and the provisions of Section 149(1)(b) of the Companies Act 1965 shall not apply to the Company.
iii. In the case of a corporate member, the instrument appointing a proxy shall be (a) under its Common Seal or (b) under the hand of a duly authorised officer or attorney and in the case of (b), be supported by a certified true copy of the resolution appointing such officer or certified true copy of the power of attorney.
iv. A member shall not, subject to Paragraphs (v) and (vi) below, be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy to attend and vote at the same meeting, each proxy appointed shall represent a minimum of 100 shares and such appointment shall be invalid unless the member specifies the proportion of his shareholding to be represented by each proxy.
v. Where a member is an authorised nominee, as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds which is credited with ordinary shares of the Company. The appointment of two (2) proxies in respect of any particular securities account shall be invalid unless the authorised nominee specifies the proportion of its shareholding to be represented by each proxy.
vi. Where a member is an Exempt Authorised Nominee ("EAN") as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the EAN may appoint in respect of each omnibus account it holds.
vii. Any alteration to the instrument appointing a proxy must be initialised. The Instrument appointing a proxy must be deposited at the registered office at Level 11, Menara KOMTAR, Johor Bahru City Centre, 80000 Johor Bahru, Johor not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in such instrument proposes to vote; otherwise the person so named shall not be entitled to vote in respect thereof.

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STAMP

The Secretary

KULIM (MALAYSIA) BERHAD
Level 11
Menara KOMTAR
Johor Bahru City Centre
80000 Johor Bahru
Johor, Malaysia

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