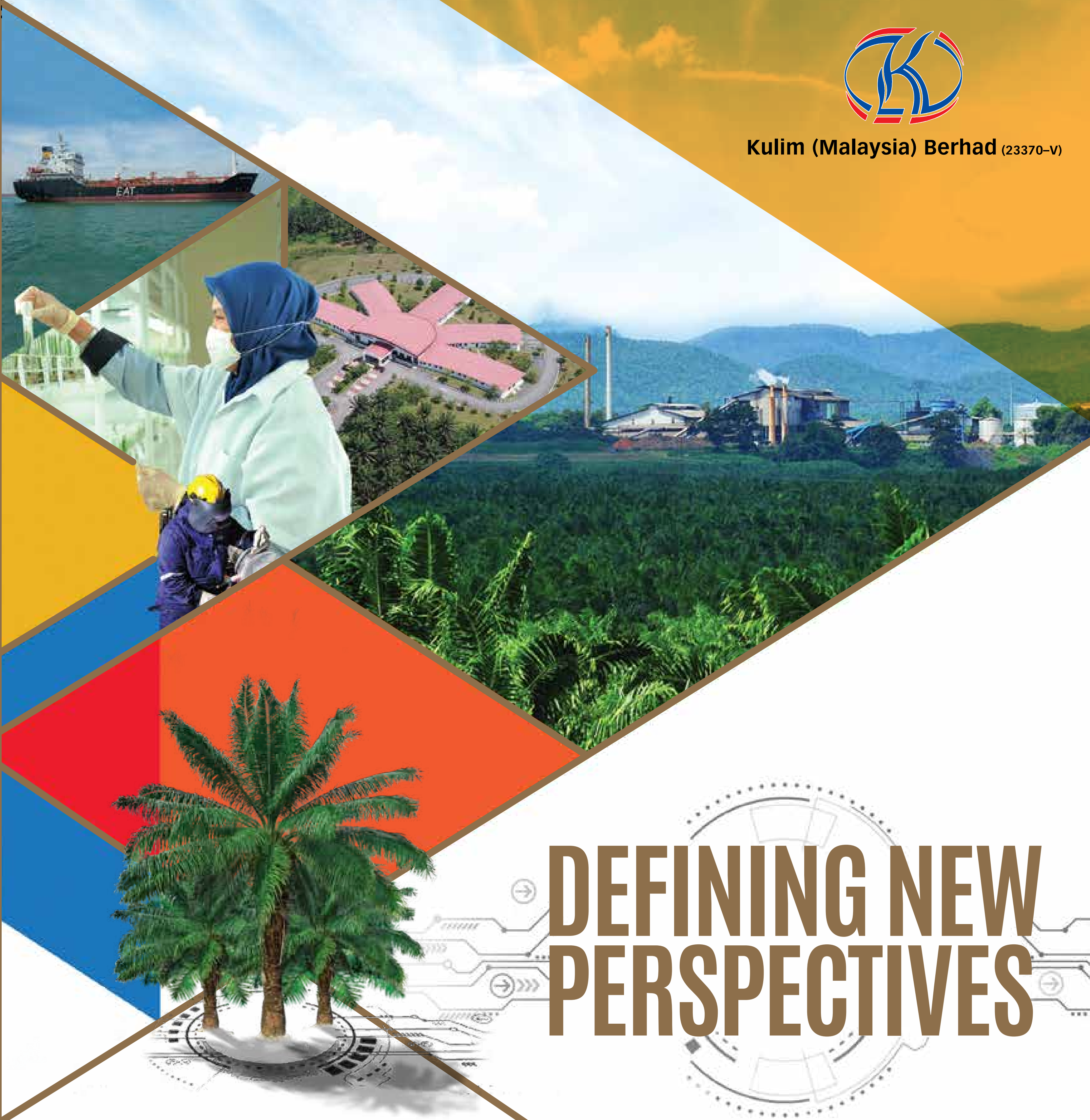
Kulim (Malaysia) Berhad (23370–V)



DEFINING NEW PERSPECTIVES

INTEGRATED ANNUAL REPORT 2017

RATIONALE

Focused on continuously delivering value, we are committed and determined to forge ahead equipped with sound business acumens and solid strategies.

The theme "***Defining New Perspectives***" for Kulim's Integrated Annual Report 2017 illustrates the Group's realigned strategic direction and clearly highlights the synergistic strengths derived from the diverse business portfolio's that we manage whilst staying focused on our core businesses.

We at Kulim, will realise our infinite potential by creating enterprise value through strategic innovation, embarking on expansionary measures into new income streams and establishing beneficial long term entrepreneurship principles that will ensure the Group's sustainable growth into the future.

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KULIM'S INTEGRATED ANNUAL REPORT 2017

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Kulim's new Research & Development ("R&D") complex in Kota Tinggi, Johor

CORPORATE DEVELOPMENT HIGHLIGHTS

1 SEPTEMBER 2017

Kulim had ceased the operations of three (3) Intrapreneur Ventures ("IV") companies, SIM Manufacturing Sdn Bhd, Jejak Juara Sdn Bhd and Kulim Civilworks Sdn Bhd.

22 NOVEMBER 2017

Kulim completed the disposal of the entire 76% equity holdings in Classruum Technologies Sdn Bhd ("CRTSB") to Johor Corporation ("JCorp").

28 DECEMBER 2017

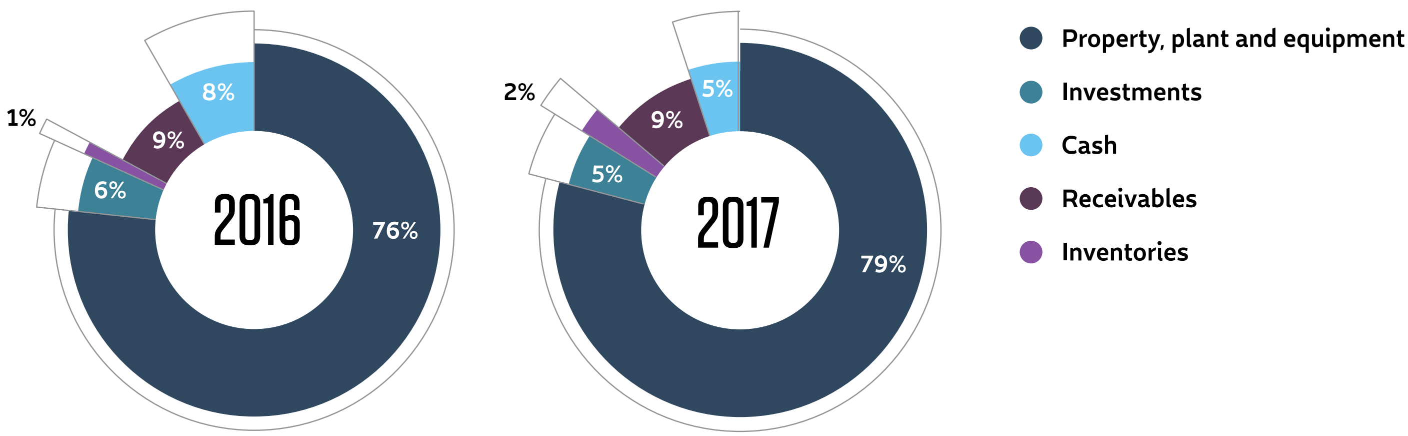
Kulim completed the disposal of Menara Ansar to Waqaf An-Nur Corporation Berhad ("WanCorp").

28 DECEMBER 2017

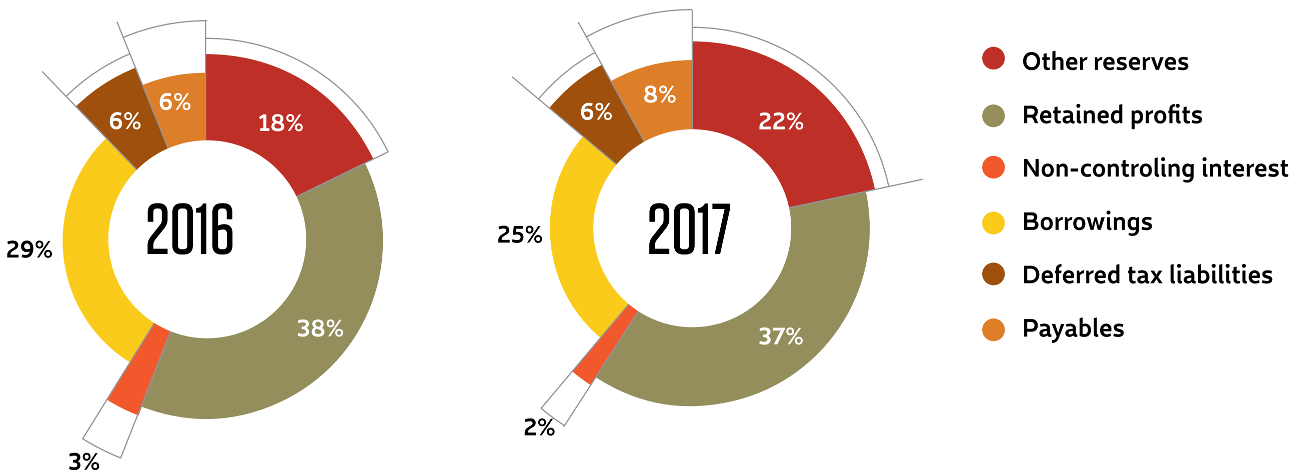
Kulim completed the rationalisation of investment in Indonesia Plantation at Central Kalimantan ("BarUt").

SIMPLIFIED GROUP STATEMENT OF FINANCIAL POSITION

TOTAL ASSETS



TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY



PERFORMANCE
FOR THE YEAR 2017

Revenue
RM1.54
billion
4.39%

PBT
RM43.44
million
27.49%

Average Selling Price

CPO
FY 2017:
RM2,852
12.63%
FY 2016:
RM2,532

PK
FY 2017:
RM2,427
1.68%
FY 2016:
RM2,387

Dividend to Shareholders
RM50 million

Net Gearing Ratio: **0.33**

Gross Gearing Ratio: **0.41**

CORPORATE PROFILE

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

Over the years, Kulim has grown to become a diversified plantation company and continues to strengthen its position by securing new hectarages whilst developing and strengthening its intrapreneur 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 ("BarUt"). Subsequently, on 28 December 2017, Kulim completed the disposal of BarUt. The rationalisation of investments undertaken as part of our exit strategy to unlock the value of BarUt.

On 23 June 2016, Kulim completed the acquisition of PT Tempirai Palm Resources ("PT TPR") and PT Rambang Agro Jaya ("PT RAJ") adding 8,345 hectares of oil palm planted in South Sumatera. With the completion of this strategic acquisition, the Kulim Group's total oil palm planted area boosted to 55,443 hectares at end-2017 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 as socially and environmentally responsible corporate citizen
- Operate with due regard for the welfare, health and safety of employees, the local community and the wider public

OUR CORE BUSINESSES

PLANTATION

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.

INTRAPRENEUR VENTURES

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.

OIL & GAS

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.

CORPORATE PHILOSOPHY

BUSINESS POLICY

Our operation is currently focused on Palm Oils, IV, O&G, Agrofoods businesses and Property – a balanced growth strategy with involvement in industries that will reduce income and profit fluctuations for the Group; of which will be managed with due skill, care and prudence.

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.

WE COMPETITIVE ACTION RESPONSIBLE ETHICAL

CORPORATE VALUES

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

We 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.

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Biocompost produced from the Group's milling operations enabled efficient use of by-products covering larger planting areas – Sindora Estate, Kluang

MESSAGE FROM THE CHAIRMAN

"Dear Stakeholders,

Throughout our long history, the overarching ambition of Kulim (Malaysia) Berhad ("Kulim") has always been to deliver value to all its stakeholders. Moving forward from the Selective Capital Reduction and Repayment ("SCR") exercise completed on 4 August 2016, we have taken steps to recalibrate and reinvigorate the businesses we are in."

As part of Johor Corporation Group ("JCorp"), our values are also synergistic with the ambition of our parent company in terms of sustainable growth, creating value through innovation, expansion into new income streams and forging entrepreneurship principles. It is notable that in an increasingly challenging and rapidly changing environment, Kulim has been resilient to weather all circumstances with sound business acumens and solid strategies, hence, the theme for this year's Integrated Annual Report ("IAR") is "Defining New Perspective".

Forging ahead, our goal is to create enterprise value through a raft of strategies. These have been carefully crafted to produce near-term results and reinforce the foundation for future success by:

- Remaining focused on our core business, while continually evaluating and reshaping our portfolio to unlock the value of our investments by selectively divesting and monetising of non-strategic assets.
- Actively identifying and investing in new income streams, even venturing into uncharted territory to exploit opportunities within the entire chain of our plantation business that could offer long-term strategic value.
- Driving capital discipline while maximizing productivity and cost management.
- Encouraging our people to be more innovative in generating new products, patents and processes that will be a departure from tradition.
- Pursuing our Sustainability Agenda driven by the Roundtable on Sustainable Palm Oil ("RSPO") and Malaysian Sustainable Palm Oil ("MSPO") Certification.

DEFINING NEW PERSPECTIVES

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

MESSAGE FROM THE CHAIRMAN

Pasir Panjang Estate, Kota Tinggi

This year's annual report also marks our fourth edition of the integrated format, which was adopted by Kulim in 2014 to enhance and consolidate traditional reporting practices. By integrating both material financial and non-financial information and incorporating infographics we hope to capture elements of our business in an upbeat, forward-looking and interesting way.

Kulim's maiden efforts at integrated reporting have earned recognition by professional bodies within Malaysian and regionally. However, like Kulim's own unfolding story, integrated reporting is a journey. We hope to do better with each successive year in our quest to provide clarity on what Kulim is all about. Any comments and feedback will be welcome as they will help us shape our reporting for future years.

On behalf of the Board of Directors, it is my pleasure to present the fourth Integrated Annual Report and Audited Financial Statements of Kulim (Malaysia) Berhad for the financial year ended 31 December 2017 ("FY 2017").

A CREDIBLE PERFORMANCE

Globalisation is recasting the business landscape and throughout 2017, the Kulim Group continued to operate in a dynamic and evolving operating environment, characterised by currency fluctuations, volatility in commodity prices and a changing regulatory landscape.

To achieve our strategic agenda, we have a Balanced Scorecard where we use financial and non-financial metrics to measure the performance and efficiency of our business. We constantly assess our progress against this scorecard where Key Performance Indicators ("KPIs") were identified for four (4) areas - Financial, Stakeholders, Internal Processes and Organisational Capacity. As at year-end 2017, we met 85% of our KPIs to keep the Group on a strong and stable trajectory.

Financial numbers aside, we were also focused on further improving our operating performance, streamlining and improving internal structures and processes to improve efficiency, productivity and cost savings. The importance of employee engagement cannot be overstated and in FY 2017, Kulim's top management engaged with staff on no less than seven (7) occasions at various venues where we operate. As they are the key enablers, we want our people to share in our vision. By actively engaging them in a two-way dialogue, we ensure their buy-in of ongoing changes and developments in our transformation journey.

In the face of significant headwinds, revenue declined marginally to RM1.54 billion in 2017, compared to RM1.61 billion recorded the previous year. The Group's core Plantation Segment remained the main contributor to Group revenue, accounting for 67% or RM1.03 billion. Profit Before Tax ("PBT") decreased by 27.49% from RM59.92 million to RM43.44 million. Core operations from Plantation recorded a gain of RM209.94 million whilst our subsidiary involved in Oil and Gas (O&G") support services suffered a one time loss of RM131.90 million driven by its Engineering, Procurement, Contracts, Installation and Constructions ("EPCIC") project.

Revenue
RM1.54 billion
↓ 4.39%

PBT
RM43.44 million
↓ 27.49%

MESSAGE FROM THE CHAIRMAN

CORE OBJECTIVE

To maintain a balanced portfolio which meets our financial objectives, while earning recognition as a leader in responsible and sustainable business.

OUR STRATEGY

- Disciplined and responsible investment
- Operational Excellence
- Sustainable Growth
- Robust Corporate Governance and Risk Management Framework
- Enhancing the Kulim Brand's strong reputation

OUR PHILOSOPHY

- Our Business Policy emphasises a Balanced Growth Strategy focused on Plantation, Intrapreneur Ventures and Oil & Gas
- We adhere to the highest standards of ethics, integrity and governance
- Our people are given utmost priority to ensure individual well-being and career success
- Responsible and sustainable growth is the cornerstone of the way we conduct our businesses

DIVIDENDS

Notwithstanding the ever rising challenge to balance investment with payables and cash flows, Kulim remains steadfast to its commitment of shareholders value creation. In living up to this promise, the Board has approved a total dividend payment of RM50 million for the financial year ended 31 December 2017.

CORPORATE DEVELOPMENTS

In defining new perspectives, we are continually fine-tuning our portfolio of assets to provide an operational base that will continue to deliver optimum results. Our approach to portfolio optimisation takes into account various factors such as market dynamics, assets that are under-performing or are no longer in line with the Group's strategic vision or when we can realise our investment at an attractive premium.

In line with our strategy to monetise certain non-strategic assets, we undertook a variety of corporate exercises during 2017. The operations of some companies were ceased, while we disposed our stake in another. We also sold a prime property asset in Johor Bahru and rationalised our investment in Central Kalimantan. This will be discussed at greater length in the Management Discussion and Analysis ("MD&A").

OUR SUSTAINABILITY AGENDA

Our quest for sustainability is a never-ending journey, with stretchable targets in an ever evolving space. Kulim was among the first companies in Malaysia to become a member of the RSPO, the global standard that is an assurance that palm oil is produced without causing harm to the environment or society.

As we continue to be standard bearer in this regard, almost all of our plantations in Malaysia have been fully RSPO-certified since January 2009. In addition, five (5) mills have earned RSPO certification, the latest being the Pasir Panjang Palm Oil Mill which was certified on 9 March 2017, including those of JCorp's estate managed by Kulim.

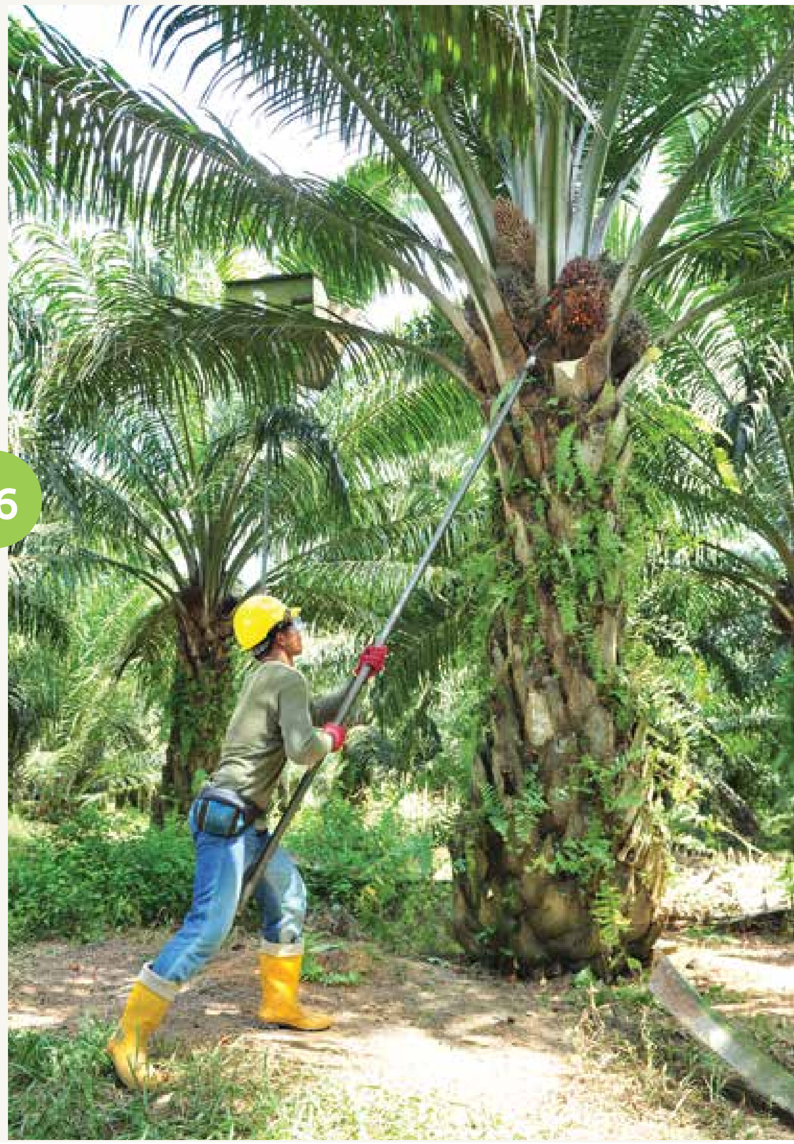
Furthermore, two (2) mills have also earned RSPO Identity Preserved ("IP") status. Four (4) of our mills have been accorded International Sustainability & Carbon Certification ("ISCC") status. Being certified means that any Sustainable Palm Oil ("SPO") produced at the mill can be traced throughout the supply chain, from estate to factory to retailer. We have set a target for our fully segregated mills, with the exception of the Sedenak Palm Oil Mill, to gain the benefits of SPO premium. Sustainability premium could become an important contributor to the Group's margin in future, given on-going international scrutiny and pressures in this regard.

We set our sights to establish biogas plant at all of our five (5) mills by 2025. As at end 2017, three (3) biogas plant have been installed with two (2) of them in operations. By generating biogas from Palm Oil Mill Effluent ("POME"), it can help reduce emissions while generating energy, thereby improving the Greenhouse Gas ("GHG") impacts of palm oil production.

We have also set our sights to obtain the MSPO Certification by end-2018. Covering seven (7) main principles, MSPO certification was first launched in 2015 on a voluntary basis and has become mandatory for all Malaysian palm oil producers by 2019.

The Group has taken steps to take its sustainability agenda to the next level by continually developing and deploying new technology, utilising environment-friendly fertilizers, improving field mechanisation, providing on-the-field training for operational optimisation, allocating more funds for Research & Development ("R&D") to produce improved clones with higher yields, switching to alternative energy sources and imposing more stringent controls on operational costs.

Our strategy of sustainability embraces the 3Ps of People, Planet and Profit, which will be further elaborated in the Sustainability Reporting Section.



MESSAGE FROM THE CHAIRMAN

AWARDS AND ACCOLADES

Over the years, we have been the recipient of numerous industry-wide awards and accolades. The year under review was no exception and we are pleased that our efforts to be a responsible and sustainable entity have been recognised.

Each and every award or accolade that we receive means a lot to us as a measure of our performance. It was especially gratifying to be the winner in the Excellence Category for the Plantation Sector for the Global Responsible Business Leadership Award 2017. The Award builds on the United Nations Sustainable Development Goals and is among the most prestigious forms of recognition for companies from all over the world that have demonstrated leadership in Corporate Social Responsibility ("CSR") and Corporate Sustainability.

At the 9th Annual Global CSR Summit Awards 2017, Kulim was the winner in three (3) categories. Kulim has always acknowledged the important role women play in our workforce. We work hard to empower women through various initiatives, notably our Women OnWards ("WOW") was established in July 2008 as part of a larger women's employee outreach programme. WOW also promotes gender equality and empowers women's knowledge and skill. In recognition of our support of WOW, we won Gold in the Empowerment of Women Award.

Kulim was also honoured with the Bronze in two (2) other categories, for the Best Workplace Practices Award and the CSR Leadership Award. The Global CSR Summit Awards is Asia's most prestigious programme for CSR, recognising companies for outstanding, innovative and world-class products, services, projects and programmes.

Not be outdone, our subsidiaries also won their share of awards. Kulim Pineapple Farm ("KPF") was awarded the *Anugerah Pengeksport Nanas Segar* at the 60th Anniversary of Lembaga Perindustrian Nanas Malaysia ("LPNM"). Danamin (M) Sdn Bhd was awarded a Certificate of Appreciation as an Improved Performance Contractor at the PETRONAS Contractor Forum 2017.

BLUE OCEAN STRATEGY: "ENHANCE VALUE THROUGH INNOVATION"

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

GOING FORWARD

Having defined new perspectives and with the appropriate strategies in place, the coming Financial Year 2018 ("FY 2018") will be a busy and eventful one. We have set ourselves targets that are both realistic and aggressive for each of our operating segments.

Plantation. To compete successfully in today's challenging environment, we can no longer operate with an old mindset and have identified various latent opportunities. We need to keep focused and continue exploring any opportunities to be more involved in the plantation business.

Kulim has therefore adopted the Blue Ocean Strategy to "Enhance Value through Innovation", through a three-pronged approach:

1

VENTURING INTO UNCHARTED TERRITORY

Kulim has been looking into opportunities to expand its palm oil business in uncharted territory which is expected to generate revenue and contribute significant earnings to the Group.

2

ENHANCING MECHANISATION

Kulim is developing new mechanisation in harvesting activity of oil palm, which is expected to increase efficiency and productivity of the Group.

3

RESEARCH AND DEVELOPMENT ("R&D") INITIATIVES

Kulim's R&D Division has successfully introduced new high yielding oil palm clones to gear a level up than its peers.

MESSAGE FROM THE CHAIRMAN

Intrapreneur Ventures. JCorp introduced the Intra 2.0 programme on December 2016 and implementation across all IV companies was held in 2017. This to create a conducive ecosystem for intrapreneurs with the context of a 21st Century economic and business landscape. The programme identifies three (3) categories of intrapreneurs, with emphasis on their financial contribution as one of the key bottom lines as well as their business sustainability.

Kulim has been reassessing the performance of the companies it has taken under its wing. Consistent with the corporate direction we have taken, priority will be given to nurturing companies that are related to our core palm oil business.

Kulim stands at the crossroad of a pivotal stage of its development. These are exciting times as we continue to lay the foundations that will anchor new growth to future success. We have a viable plan and the strategies we have crafted will serve us well in a changing and challenging market environment. Time will show the validation of the Group's vision and the actions taken today.

Oil and Gas. On 10 December 2014, our wholly-owned subsidiary, Kulim Energy Nusantara Sdn Bhd ("KENSB") signed a Conditional Subscription and Shares Purchase Agreement ("CSSPA") to acquire a 60% stake in PT Citra Sarana Energi ("PT CSE") for USD133.55 million. Two subsidiaries of PT CSE, namely PT Rizki Bukit Barisan Energi ("PT RBBE") and PC SKR International ("PC SKR") have been awarded a Production Sharing Contract ("PSC") for the South West Bukit Barisan ("SWBB") Production Sharing Contract (PSC"), located in the West Sumatera Province. On 7 February 2016, a Supplemental Agreement ("SA CSSPA") was signed with the vendors, revising the investment cost downward to USD80 million to take into account lower crude oil prices.

The completion date of the CSSPA and SA CSSPA has been further extended to 4 November 2018, pending approval of the Indonesian Government and Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi ("SKK MIGAS"). The Plan of Development ("POD") approval is expected to be obtained by the first half of 2018. In the meantime, PT RBBE has fulfilled all its obligations to drill four (4) exploratory wells as required under the POD and the SKK MIGAS.

Agrofoods. Kulim is currently evaluating the viability of expanding its cattle and pineapple cultivation operations. Our cattle operations are contributing towards the nation's food security programme, while Malaysian pineapples have a high marketability worldwide.

Property Development. As a plantation-based company, Kulim has a vast landbank, with sizeable tracts suitable for development. The first phase, at Taman R.E.M. is being developed to provide staff housing and is expected to be completed by end-2018. Several of our estates in the vicinity of Pengerang also hold the potential of property development as a spill-over from the Petronas' Refinery and Petrochemical Integrated Development ("RAPID") project.

Palong Cocoa Palm Oil Mill, Segamat, produced 38,000 mt CPO in 2017

ACKNOWLEDGEMENTS

My confidence in the future of Kulim is strong. This is because I know I can harness the knowledge, experience, professionalism and commitment of our employees, who will undoubtedly play a decisive role in shaping our corporate future. In a demanding year, it has been inspirational how everyone, both management and staff, have pulled together to achieve all we have set out to do. On behalf of the Board, I express my sincere appreciation for all your efforts.

In this time of revitalisation and preparing for the next thrust forward, we are grateful for the backing we receive from several quarters. Our parent company, JCorp, has always been there to provide guidance and support. We have also benefited from the support of our business partners and associates, consultants, financiers, media and the relevant government and regulatory authorities both in Malaysia and Indonesia. Your support has always made the difference.

The momentum has been established and we look forward to achieving many more milestones.

I thank all of you.

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

MANAGEMENT DISCUSSION AND ANALYSIS

DEAR SHAREHOLDERS,

In a year where we still faced significant headwinds, FY 2017 was a mixed bag of results for Kulim. Our core Plantation Division benefitted from more favourable weather conditions and improved commodity prices in 2017.

Q **How would you describe the year in review?**

ED In a year where we still faced significant headwinds, FY 2017 was a mixed bag of results for Kulim. Our core Plantation Division benefitted from more favourable weather conditions and improved commodity prices in 2017. Kulim has also implemented Good Agricultural Practices ("GAP") and enhanced the use of natural organics material, such as using fronds to help in soil conservation and Empty Fruit Bunches ("EFB") for mulch to retain moisture and return organic matter to soil.

However, it was a tough year for our Oil and Gas ("O&G") Division and this resulted in lower contribution to Group revenue. The contribution from the Group's Intrapreneur Ventures ("IV") Division was insignificant.

Q **In the Chairman Statement indicated that a number of corporate exercises were carried out during the year. Please elaborate.**

ED In 2017, various corporate exercises have been undertaken to strengthen IV Business. On 1 September 2017, three (3) of IV companies, SIM Manufacturing Sdn Bhd, Jejak Juara Sdn Bhd and Kulim Civilworks Sdn Bhd had ceased their operations and became dormant. In another development, Sindora Timber Sdn Bhd had ceased all of its activities excluding oil palm management activities at Sungai Simpang Kiri

right:
ZULKIFLY ZAKARIAH
Executive Director (ED)

left:
SHAHROM MOHD SAAD
Head of Finance Division (HOF)

THE PLANTATION SEGMENT REMAINED OUR MAIN CASH COW, CONTRIBUTING RM1.03 BILLION OR 67% OF THE GROUP'S REVENUE.

Estate. Furthermore, on 22 November 2017, Kulim completed the disposal of its entire 76% equity holdings in Classruum Technologies Sdn Bhd ("CRTSB") to JCorp. As the developer of Classruum.com, a virtual classroom that offers online learning facilities with social media applications, CRTSB is a better-fit for JCorp's and the Johor State's educational programmes, named E-Learning Johor, which was launched by the Chief Minister of Johor, YAB Dato' Mohamed Khaled Nordin on 27 April 2017.

Two (2) corporate developments took place on 28 December 2017. First, Kulim completed the disposal of the 21-storey Menara Ansar at Johor Bahru to Waqaf An-Nur Corporation Berhad ("WanCorp"), a company established to manage the assets and shares of the JCorp Group endowed for waqaf. The Group has opted to dispose its investment in Menara Ansar as it would allow us to unlock the value of our non-core asset as well as realise our investment in the property. The resulting cash inflow of RM155.78 million including 6% of GST from the sale will be used to repay borrowings and lower our gearing level.

In another development, on 28 December 2017, we completed the disposal of 40,645 hectares of plantation landbank at Central Kalimantan ("BarUt"). The conversion of the BarUt land to *Hak Guna Usaha* ("HGU") status had been stalled since 2014. Only 307 hectares had been planted, with no new developments in 2017 owing to resistance from the local authority and lack of clarity on the land status and legal ownership. As an RSPO-certified Group, we take the matter seriously, as we try to strike a balance between the business and sustainability principles. In the long-run, this would affect Kulim's planting programme and the return on investment. The rationalisation on investment was therefore undertaken as part of our exit strategy to unlock the value of BarUt. With our exit from BarUt, the Group will focus on the development and rehabilitation of our plantation in South Sumatera ("SumSel"), where new planting will commence in stages from 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Q **2017 has been described by in the media quarters as a recovery year for the Malaysian economy and the Ringgit. Please describe currency movements during the year under review?**

HOF Supported by positive domestic developments, the Malaysian economy is expected to grow by between 5.2% and 5.7% in 2017 (2016: 4.2%). (*Source: Ministry of Finance Economic Report 2017/18, pages 3 and 43*). The movement of the Ringgit was relatively lethargic during the first half of 2017 and then began to improve aggressively till the end of the year. Bullish foreign funds inflows, improved foreign investments and robust economic growth were among factors that contributed to the strengthening of the Ringgit. The Ringgit traded at RM4.4900/4950 to the US Dollar ("USD") at the start of 2017 and finished at an all-time high for the year at RM4.0440/0500 to emerge as one of the top performing currencies in Asia. (*Source: Malay Mail Online, 30 December 2017*). However, the full benefits of the resurgent Ringgit were dampened by our USD-denominated contracts from the Group's O&G support division.

Q **What were the main external factors that impacted on Group performance?**

ED Challenges were also posed by shifts in the policy stance of the new United States ("US") administration and following the United Kingdom's Brexit Referendum. Increasing monetary policy divergence in the developed countries heightened uncertainty for the Malaysian economy, affecting sentiments and labour market conditions. The industry also faced intense competition from other edible oils and fats, especially soybean. Improved biotechnology to increase yields, has progressively led to a glut in the world's supply of edible oils/ fats and resultant declining long-term prices. In an increasingly inter-connected world, we are also exposed to political risks, either directly or indirectly. Any political instability in Indonesia, for instance, could affect our plantation and O&G investments there.

THE GROUP TURNED IN SATISFACTORY FINANCIAL PERFORMANCE, WE WERE ABLE TO DELIVER RM50 MILLION IN DIVIDEND PAYMENT TO OUR SHAREHOLDERS.

Scenic view of Pasir Panjang Palm Oil Mill, Kota Tinggi

Q **Against the operating environment that you have just described, how did Kulim perform on the financial front?**

HOF Considering the many challenges in the operating environment, the Group turned in satisfactory financial performance. There was a marginal decrease in revenue from RM1.61 billion registered in 2016 to RM1.54 billion in 2017. However, PBT declined significantly to RM43.44 million from RM59.92 million posted the previous year.

Notwithstanding the results, we were able to deliver RM50 million in dividend payment to our shareholders.

Revenue
RM1.54 billion

Profit Before Tax
RM43.44 million

MANAGEMENT DISCUSSION AND ANALYSIS

Q **Which was biggest contributor to Group revenue and profitability?**

ED The Plantation Segment remained our main cash cow, contributing RM1.03 billion or 67% of the Group's revenue. 2017 was a year of abundance for the segment, with 995,129 tonnes of FFB produced compared to only 851,435 tonnes in 2016, an increase of 16.88%. FFB production cycle reached its peak during the months of June to August. As if in synchronisation, prices of CPO began to trend upwards over the same period, soaring to a hefty RM2,900 per tonne during the third quarter. However, CPO prices began to slide in the fourth quarter as supply began to normalise. The Group's Malaysian operations reported an average CPO price of RM2,852 per tonne for 2017 compared to RM2,532 per tonne for the previous year. The average price of Palm Kernel ("PK") also improved to RM2,427 per tonne, against RM2,387 per tonne registered in 2016.

Q **How did the other segments perform?**

HOF Unfortunately, the encouraging results from the Plantation Segment were offset by the below par performance of our O&G support business. Revenue fell from RM626.17 million in 2016 to RM419.71 million in 2017. From a PBT of RM21.03 million in the previous year, the O&G business registered a Loss Before Tax ("LBT") of RM130.28 million . The decrease in revenue and loss recorded was attributed mainly due to higher costs incurred in the Engineering, Procurement, Construction, Installation and Commisioning ("EPCIC") project of E.A. Technique ("EA Tech") against the contracted sum and also increase in administrative expenses. Higher administrative expenses was due to discount on receivables and amortisation of intangible asset for the acquisition of Libra Perfex Precision Sdn Bhd. The strengthening Ringgit against the USD also took a bite at the segment's financial position by impacting on working capital.

For FY 2017, the Group's IV Segment generated revenue of RM56.23 million, a decrease of 2.39% from RM57.61 million reported in 2016. PBT also took a downward slide from RM0.705 million achieved in 2016 to LBT of RM1.86 million in 2017.

Q **Please describe Kulim's balance sheet strength.**

HOF Despite the challenges of its operating environment and negative contributions from some segments, the Group remains relatively strong, being supported by the fixed asset-heavy nature of its business. Our landbank of 65,505 hectares has remained intact even as its value continues to appreciate. In 2017, Kulim also undertook an exercise to restructure RM500 million of its short-term to long-term loans in order to match the expected income from its investments. This has improved the Group's gross gearing ratio to a manageable 0.41 times (FY 2016: 0.49 times), which is in line with JCorp's zero gearing target by 2022.

The banks' willingness to extend their facilities is further testament to Kulim's robust financial standing and bodes well for its ability to tap the capital markets for additional funds in future, if and when required. As at 31 December 2017, we had a cash balance of RM325.47 million compared with RM530.78 million in the preceding year.

Q **Apart from the financial numbers, what were the achievements or highlights of FY 2017?**

ED Notwithstanding the challenges of the operating environment, we consider among our achievements and highlights the following:

FFB production registered a 16.88% increase to 995,129 tonnes, while CPO and PK production rose by 9.74% and 12.91% respectively over the preceding year.

Achieved an Oil Extraction Rate ("OER") of 20.44% and a Kernel Extraction Rate ("KER") of 5.39%.

The cost per tonne of FFB was lowered to RM251 against the targeted RM290.71, resulting in savings of 13.66%. Correspondingly, cost per mature hectare was lowered to RM6,019.14, representing savings of 0.76%.

Our five (5) palm oil mills processed a total of 1,467,696 tonnes of FFB, an increase of 9.56% from 2016. Our milling costs stood at RM44.62 per tonne FFB, 7.94% lower than the Group's own 2017 estimate.

Already a trail blazer in many areas, our R&D team has developed new high-yielding oil palm clones.

The Group achieved a Lost Time Accident Rate ("LTAR") of 3.41, to meet our target of below 10.

The Biogas Plant at Sindora Palm Oil Mill was completed in December 2017, furthering Kulim's Sustainability Agenda through the increased use of biogas as an alternative source of energy.

The Group won no less than five (5) awards for 2017, including the prestigious Global Responsible Business Leadership Award 2017 and Annual Global CSR Summit and Awards Ceremony 2017.

Kulim continued to contribute to the well-being of the community, disbursing a total of RM7.15 million.

Q **Within the context of "Defining New Perspectives", does this mean that Kulim has changed its business model?**

ED While the fundamental pillars of Kulim's business model are sound, our responsible approach to business means we are committed to generate sustainable returns for our stakeholders. As a dynamic entity, Kulim is constantly evaluating and fine-tuning its portfolio to deliver value not only to our shareholder but for all our stakeholders. This means fine-tuning our business model in sync with an ever evolving business landscape. Thus, while our model remains anchored in Plantations, O&G and IV, while Agrofoods and Property Development businesses are gaining new prominence as drivers of growth and profitability.

We need a paradigm shift in our thinking. Fortune favours the bold and we are looking to exploit growth opportunities to derive new revenue streams. We will even venture into uncharted territory, but will only do so within the palm oil business, where we already have a strong competitive advantage that is within our appetite for risks. Our strategy is driven by the factor of low Capital Expenditure ("CAPEX") investment while maximising revenue and profits.

Q **The monetisation of assets is a key strategy and FY 2017 has already seen several corporate developments to this effect. Are there plans for more divestments in the pipeline?**

ED Yes. On 28 December 2017, Kulim completed the rationalisation of investment in Indonesia Plantation at BarUt. No further development took place in 2017 due to some resistance from the local authority. The rationalisation is in line with Kulim's strategy of constantly evaluating its portfolio of investments and where possible, seeking opportunities to unlock the value of its investments.

In the O&G segment, Kulim is targeting to focus development in SWBB PSC and expecting to obtain the Plan of Development ("POD") approval by the first half of 2018.

The year under review also saw the cessation of the operations of several companies, while rationalising our investment in others. The Group has also earmarked several properties, comprising both land and buildings, for sale to prospective buyers from now until the year 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Q **In "Defining New Perspectives", the Chairman mentioned that Kulim will be guided by the "Blue Ocean Strategy" and JCorp's "Intrapreneur 2.0 Programme". Please elaborate.**

ED The Blue Ocean Strategy was adopted by the 11th Malaysia Plan, in a bid to create a new economic model so that the country will not remain in the middle-income trap. Launched in 2009, the strategy emphasises the optimal use of resources with a focus on high-impact projects that meet the criteria of being high-impact, low-cost, efficient and can be swiftly implemented.

In a similar vein, JCorp embarked on its Intrapreneur 2.0 Programme to establish a stronger foundation in order to elevate the IV business to greater heights. The Programme emphasises meritocracy, financial contribution as a key bottom line and business sustainability. To meet these objectives, JCorp may adopt some of the practices of venture capitals for the programme.

Q **In all organisations, human capital is seen as key to maintaining business momentum and to realise corporate aspirations. How did Kulim fare in this pivotal area?**

ED Developing our human capital is one of our KPIs to enhance organisational capacity and shape our corporate future. For FY 2017, we have invested a total of RM862,184 for manpower development and training which represents 1.48% of total emolument. As a measure of where we stand in striving to be an Employer of Choice, in 2017 our turnover rate was below 5%, a strong indication of the Group's retention power.

We provide a wide array of training and developmental programmes for staff at all levels. In addition, we offer qualified candidates the opportunity to earn professional qualifications. For 2017, a total of 24 employees were enrolled for various programmes such as the Johor Leadership Programme ("JLP"), Association of Chartered Certified Accountants ("ACCA") Chartered Institute of Management Accountants ("CIMA"), Certified Internal Auditor ("CIA"), Malaysian Institute of Human Resource Management ("MIHRM") and Certified Association of Human Resource Manager ("CAHRM") programmes.

As a future-focused organisation, we recognise the importance of succession planning to ensure a ready pipeline of talents to assume leadership positions, thereby ensuring business continuity and corporate robustness. A talent calibration exercise was completed during the year to identify high potentials for Kulim's talent pool.

Q **In today's operating environment, corporations are expected to engage stakeholders to help drive long-term sustainability. How does Kulim view stakeholder's engagement as the key to a source of competitive advantage and long-term sustainability?**

ED Kulim sees its long-term success closely tied to its interactions with its stakeholders, which include our employees, customers, investors, regulators, local communities, government agencies, financiers, members of the media and Non-Governmental Organisations ("NGOs"), among others. By systematically engaging our stakeholders to discuss matters of shared interest, we draw valuable insights and constructive feedback.

Q **Strengthening corporate governance was among the KPIs for 2017. In April and December 2017, Bursa Malaysia released the new Malaysian Code on Corporate Governance 2017 ("MCCG 2017"). A key feature of the new Code is the introduction of the Comprehend, Apply and Report ("CARE") approach and the introduction of "Step Up" practices to encourage companies to go further in achieving good corporate governance. To what extent is Kulim complying with the new set of best practices?**

ED Kulim regards good corporate governance as a key element underpinning the sustainable long-term growth of its business. The Board considers strong governance as one of the key strategic determinants in building corporate accountability and competitiveness, whilst achieving its set of corporate and business objectives and ultimately, deliver shareholders' value while taking into account the interest of other stakeholders.

As such, we subscribe to and fully support the MCCG 2017 as a basis for practices to enhance corporate governance. We are committed to apply all the 36 practices and 4 Step Up practices as recommended in the MCCG 2017. With a few exceptions, which are being addressed, we have to date conformed with all the MCCG 2017 recommendations.

Q **What were the new measures introduced by Kulim during the year to strengthen its corporate culture anchored on accountability and transparency?**

ED Kulim is fully committed to uphold the highest standards of ethics, transparency and good governance. In 2017, we introduced a Policy on Conflict of Interest, which serves to reinforce and provide guidelines on good Corporate Business Principles by establishing non-negotiable minimum standards of behavior in key areas. The Policy was circulated to employees group-wide and briefing sessions were also organised to create awareness. Aligning ourselves with our parent company, we also adopted "JCorp Core Values 2.0" which promotes five (5) key values – Integrity, Professionalism, Innovativeness, Loyalty and Teamwork. These are the foundations on which a sustainable business must be built and must be assimilated into our corporate culture.

Q **Please provide a brief "SWOT" (Strengths, Weaknesses, Opportunities, Threats) of Kulim.**

ED Corporate SWOT for Kulim as follows:

STRENGTHS

More than forty years of being in the Plantation Business have given us a pedigree second to none. Although Kulim has many strengths, we consider among our greatest, the Kulim Brand which resonates not only within Malaysia but in the global marketplace. Our Brand is reinforced by our extensive knowledge and experience in the business, backed by strong R&D support, an experienced and professional management team and a deeply-ingrained sustainability-driven culture.

OPPORTUNITIES

The oil palm sector is a key component of the Malaysian economy, the Government will continue to facilitate the development of the palm oil industry, especially in value-added downstream activities. In a better informed world and as consumers become more conscious about sustainability issues, SPO-certified palm oil products will be a priority for consumers. Palm oil is one of the least expensive and most popular oils in the world. As a food, it is one of the few highly saturated vegetable fats that does not contain cholesterol. It also enjoys demand from various end-use industries.

WEAKNESSES

The high dependency on foreign workers poses risks to the country's palm oil industry. According to the Malaysia Palm Oil Board ("MPOB"), 77% of plantation workers are foreigners. Ageing mills and palms also pose a problem, although the latter is being addressed through a continuous replanting programme in Malaysia to improve the age profile. In 2017, 2,086 hectares were replanted with new high-yielding clones. Limitation of land in Malaysia for large-scale of palm oil plantations hampers the future development of this sector.

THREATS

Kulim and the industry it is in face a variety of threats ranging from extreme weather conditions posed by the El Nino and La Nina phenomena, manpower shortages and resultant rising costs and competition from other vegetable oils. We also have to contend with increasing discriminatory policies under the sustainability agenda. Any political and/or social disorder can affect our operations in Indonesia.

MANAGEMENT DISCUSSION AND ANALYSIS

Q **Looking to FY 2018, what is the business outlook for FY 2018? What will the challenges and opportunities in the operating environment?**

HOF The Malaysian economy is projected to continue its strong growth momentum with real Gross Domestic Product ("GDP") expanding between 5% and 5.5% in 2018 *(Source: Economic Report 2017/18, page 73)*. The bullish outlook is against the backdrop of the global economy growing by 3.1% in 2018, as the recovery in investment, manufacturing, trade and commodity prices continues *(Source: The World Bank, Press Release, 9 January 2018)*.

Nevertheless, many of the challenges the Group faced in 2017 will continue into the new financial year. Although the value of the Ringgit against the Greenback continued to rally as we moved into 2018, some economists and fund managers see a confluence of factors that could prove negative for the Ringgit, such as the outcome of the 14th General Elections and a possible slowing of Malaysia's economic growth.

Q **What is the outlook for Kulim in the coming financial year?**

ED The outlook for FY 2018 is promising. As in the previous year, we have set ambitious yet realistic KPIs for the main areas identified in our Balanced Scorecard. The performance of our core Plantation Segment will remain dependent on CPO prices, which in turn, are subject to supply and demand market dynamics and are also sensitive to stiff competition from substitutes. The segment will also be affected by ever rising labour and fertilizer costs as well as increasingly stringent environmental concerns.

However, the Plantation segment has taken steps to ensure sustainability by deploying newer technology, fertilizer substitution, improved field mechanisation, increased on-the-field training to optimise operations and exercise more stringent controllable operational costs. Additional funds will be allocated for R&D in the never-ending quest to develop improved planting materials and to explore alternative energy options.

The below par performance of our O&G Segment is only a temporary set-back and is expected to be over with the completion of the EPCIC project by the first half of 2018. No new EPCIC projects will be undertaken in the foreseeable future. With improved operational efficiency and better service quality, the core Marine Charter and Floating Storage and Offloading ("FSO") business is expected to bring the segment back to greener pastures.

Q **What targets have you set for the short, medium and long-term period?**

ED In the short term, within the next year or so, the plan is to fully capitalise on our status as a RSPO-certified mills, a status that we enjoyed since 2009, when we achieved full RSPO certification. In an age when consumer awareness of environmental and social issues has never been higher, RSPO-certified sustainable palm oil fetches a premium. By banking on innovation, we will continue our focus on enhancing efficiencies and cost management. We will also expand our palm oil business footprint into uncharted territory.

Our medium-range plan is to increase the size of the palm oil business to reap better economies of scale, while exploiting opportunities to move further up the palm oil value chain. Plans are also in the pipeline to divest non-performing businesses or to optimise returns on investments. Within our IV Segment, the new emphasis will be on companies that are related to our core palm oil business. We are currently evaluating the viability of both our pineapple growing and cattle rearing projects. To crystalise the value of Kulim's significant landbank, the first phase of Kulim's housing project at Taman R.E.M, is expected to be completed by end-2018. Sungai Papan estate has been earmarked for a mixed property development project, while the Sedenak Estate will be converted into the Sedenak Data Centre and Robotic Valley.

Over the long term, the target is to scale up FFB production and achieve year-on-year positive growth in palm product yields and extraction rate. Our long-term vision includes the identification of new income streams via the Blue Ocean Strategy. A raft of financial strategies will be put in place to enhance profitability and ensure more rigorous management of our cash flows towards achieving JCorp's zero gearing target by 2022.

Q Kulim was delisted from the Main Board of Bursa Malaysia on 4 August 2016 and became a 100% subsidiary of JCorp. Do the long-term plans for Kulim, include a re-listing exercise?

ED Kulim will continue to evaluate numerous initiatives, business opportunities and proposals. These include a re-listing exercise should the right conditions and opportunities come our way in order to enhance Kulim's growth and value over the long-term.

Q What is the biggest contributing factor towards Kulim's success to date?

ED Without question, it is the vision and leadership of our commercially-driven management, ably supported by a talented and dedicated pool of employees. Together they make up a formidable team and this will ensure Kulim's continued progress and sustainable growth well into the future.

Oil Palm nursery at Sedenak Estate managed by Kulim Nursery Sdn Bhd

PLANTATION

KULIM'S CORE PLANTATION SEGMENT RECORDED POSITIVE EARNINGS AS A RESULT OF RISING CPO PRICES AND FAVOURABLE FFB PRODUCTION.

Fresh Fruit Bunches ("FFB")

Produced

995,129 tonnes

↑ **16.88%**

Processed

1,467,696 tonnes

↑ **9.56%**

Yield Per Hectare

23.98 tonnes

↑ **14.97%**

AT A GLANCE

Group's Plantation Landbank

Malaysia: **50,994** hectares
Indonesia: **14,511*** hectares
* area with HGU

Plantation Revenue
RM1.03 Billion
↑ **14.22%**

67%
Contribution to Group Revenue

5 Palm Oil Mills in Operation

- **5 RSPO and *Halal* certified mills**
- **4 ISCC certified mills**
- **2 Identity Preserved ("IP") certified mills**
- **3 Biogas Plant**

PLANTATION

The year under review was a favourable one for Kulim's core Plantation Segment. Recovering from the El Nino phenomenon experienced in 2016, FFB production rebounded to 995,129 tonnes in 2017. The prices of CPO also began to trend upwards in the first quarter of the year before soaring to a peak of RM2,900 per tonne in the third quarter of 2017. In the fourth quarter of the year, the bullish trend was capped by record high soybean production. As a result, CPO prices trended lower at RM2,400 per tonne as supplies began to normalise.

FINANCIAL PERFORMANCE

Kulim's Plantation Segment remained by far the biggest contributor to Group revenue, accounting for 67% in 2017. Total revenue earned amounted to RM1.03 billion, an increase of 14.22% from RM899.52 million recorded in 2016. The increase in revenue was attributed not only to higher FFB and PK production but also higher prices. Kulim achieved an average CPO price of RM2,852 per tonne in 2017, against RM2,532 per tonne registered the previous year.

TOTAL PLANTATION LANDBANK

Kulim has plantation operations in Peninsular Malaysia as well as in Indonesia, with a total landbank of 65,505 hectares of this, 50,994 hectares or 78% are located in the southern part of Peninsular Malaysia, with the balance of 14,511 hectares that have been granted with *Hak Guna Usaha* ("HGU") status in South Sumatera, Indonesia.

Oil palm planted area as at 31 December 2017:

	Titled area (ha)	Mature (ha)	Immature (ha)	Total Planted (ha)
Malaysia	50,994	41,497	5,601	47,098
Indonesia	14,511*	3,524	4,821	8,345
Total	**65,505**	**45,021**	**10,422**	**55,443**

*area with HGU

As at 31 December 2017, the Group had a total of 55,443 hectares planted with oil palms, of which 47,098 hectares are located in Malaysia. The total planted area of mature plants stands at 45,021 hectares, of which 41,497 hectares are in Malaysia. We only have 3,524 hectares of mature planted areas in Indonesia.

For the year, total production amounted to 997,194 tonnes of FFB, of which 995,129 tonnes were contributed by our Malaysia operations. Our plantation in Indonesia produced 2,065 tonnes of our total production.

CONSOLIDATING OUR INVESTMENT

The Group is continually evaluating and reshaping its portfolio, not only to ensure it remains competitive but also to unlock the value of its investment when an opportunity arises. Kulim has therefore decided to consolidate its investment in Indonesia with the disposal of its stake in 40,645 hectares of plantation land at Central Kalimantan ("BarUt"). The focus now will be on the development of our plantation in South Sumatera ("SumSel").

In Defining New Perspectives, plans are also afoot in the pipeline to expand our palm oil business by venturing into uncharted territory that could offer a long-term strategic value.

PLANTATIONS IN MALAYSIA

ESTATE OPERATIONS

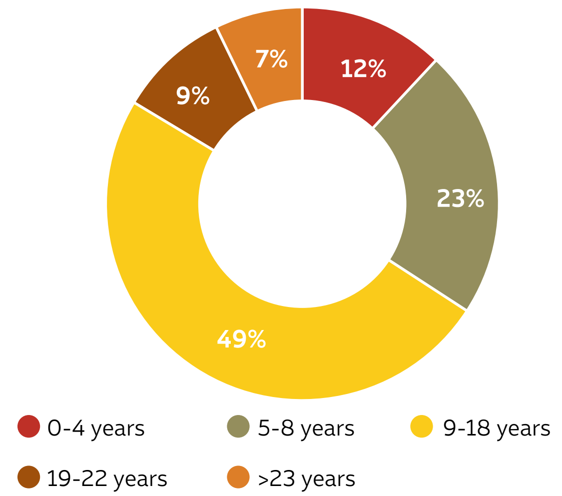
2017 was a bumper year for Kulim's plantation operations given the more favourable weather conditions, a relatively more stable workforce in combination with various initiatives to boost productivity. For the year, the Group's Malaysian operations produced a total of 995,129 tonnes of FFB, a 16.88% increase from 851,435 tonnes produced in 2016. Accordingly, Yield Per Hectare ("YPH") increased to 23.98 tonnes from 20.86 tonnes recorded the previous year. The Group's FFB performance was by far superior as compared to the average yield achieved by the Industry in Johor as well as Peninsular Malaysia, which stood at 20.66 tonnes and 18.70 tonnes respectively.

Left:
MOHD AKHIR WANTEH
Head of Plantation Division

Middle:
ZAINURIAH ABDULLAH
Head of Plantation Advisory & Services Division

Right:
WAN ADLIN WAN MAHMOOD
Senior Manager, Engineering

Palm Age Profile - Malaysia



The increase in the Group's FFB production mirrored the general industry trend, when a rebound in production during the first half of 2017 has almost offset the collapse in the previous corresponding year. Our estates also recorded a significant increase in FFB production in the second half of the year, which accounted for 63% of the total FFB production for the year.

To ensure its performance is sustainable, Kulim is committed to a programme of replanting to improve the age profile of its palms and for optimal productivity. In 2017, a total of 2,086 hectares were replanted with high yielding clones. Replanting was undertaken on a staggered basis to maximise the crop's potential before felling. As at year end 2017, the Group's planted area in Malaysia comprised 58% prime mature areas, 35% immature/young mature areas with old palms above 23 years making up another 7%.

The Malaysian plantation sector continues to experience a tight labour market, which was impacted by additional controls imposed by the Government on the recruitment of foreign workers. This has caused plantation owners to resort to all possible means to attract and retain workers. In 2017, Kulim recruited 1,382 new foreign workers for the Group's estates.

MILL OPERATIONS

During the year under review, Kulim's five (5) palm oil mills processed a total of 1,467,696 tonnes of FFB, including 312,962 tonnes sourced from external smallholders and outgrowers. This represented an increase of 9.56% from 2016, attributed mainly by an increase in FFB supplied by the Group's estates.

Total CPO production from our mills amounted to 299,981 tonnes, a 9.74% increase from 273,354 tonnes recorded in 2016. During the same period, total production of PK also increased by 12.91% to 79,071 tonnes. Our OER improved to 20.44%, from 20.40% achieved previously. As in previous years, our OER is higher than the industry average of 19.21% for Peninsular Malaysia and 19.72% for Malaysia as a whole. We also achieved a higher KER of 5.39%, against 5.23% recorded in 2016.

COST MANAGEMENT AND PRODUCTIVITY INITIATIVES

Being a commodity, palm oil products are largely price takers, as opposed to price makers. Many factors are beyond the control of palm oil producers and they are unable to significantly influence or affect market prices. Given this scenario, producers like Kulim have no option but to look into cost control and productivity improvement measures to enhance their bottom line. For the year under review, the Group was successful in containing field costs at RM251 per tonne FFB, which was lower by 13.66% compared to the budget estimates of RM290.71 We also beat our own 2017 estimate to lower milling costs by 7.94% to RM44.62 per tonne FFB.

As a counter-measure to rising wage costs, it has long been an integral part of the Group's balance strategy to enhance efficiency and productivity. This is being achieved through the adoption of Good Agricultural Practices and Manufacturing Practices in our plantation operations. These practices have been endorsed by the Food and Agricultural Organisation ("FAO") of the United Nations and cover an entire spectrum of activities from nursery preparation, field planting, application of fertilizers at appropriate times and quantity, restoring soil organic content, right up to FFB harvesting, transportation and processing.

PLANTATION

Over the years, the Group has progressively stepped up its mechanisation and automation programmes to reduce reliance on manual labour. Innovations such as the Scissor Lift Tractor and Bin Systems are now widely deployed throughout the Group for quicker and more efficient loading and evacuation.

Under the 11th Malaysia Plan, 2016-2020, the Government through the MPOB has launched an incentive scheme to promote the ownership and use of machinery on oil palm plantations, especially in harvesting and transportation of FFB. Known as the Oil Palm Industry Mechanisation Incentive Scheme ("OPIMIS"), the incentive is given to approved applicants who stand to reduce the cost of purchase of machinery by some 20%. Kulim's estates have benefitted from this scheme through the purchase of the mechanical buffalo.

To improve work efficiency at the estate level, Kulim has introduced an In-Field Data Execution and Analytics System ("IDEAS"). The system is designed to capture and record daily data on workers' attendance, bunch count numbers, loose fruit records and total bunch numbers. Portable digital barcode terminals facilitate the collection and processing of the field data.

RENEWABLE ENERGY PROJECTS

A waste-product in the production of CPO is Palm Oil Mill Effluent ("POME"), which produces huge amount of methane gas from its anaerobic process and has 21 times the Global Warming Potential ("GWP") compared to other gases. However, the high organic content of POME carries great potential for biogas production, a source of renewable energy. In killing two birds with one stone and to achieve its goal of reducing the Group's overall carbon footprint to 58% by 2020, Kulim will establish biogas plants at all of its five (5) mills by 2025. At end-2017, three (3) biogas plants have already been installed, with two (2) of them in operation.

The Group's first biogas plant at the Sedenak Palm Oil Mill commenced operations in 2014. During the year under review, it produced 1,586,552.34 cubic metres of biogas for power generation and flaring and clocked 2,284 hours of operation.

The biogas plant located at Pasir Panjang Palm Oil Mill was commissioned in July 2017. It produced a total of 1,258,159.10 cubic metres of biogas that was utilized as a secondary fuel in the boiler. Our third biogas plant, located at the Sindora Palm Oil Mill, was completed in December 2017.

As another waste product of our milling operations, about 92,650 tonnes of Palm Kernel Shells ("PKS") were produced. A total of 14,406 tonnes were sold for external use as a replacement for fossil-based fuels.

PLANTATION IN INDONESIA

The 40,645 hectares of plantation land at BarUt was acquired by the Group in early 2014 to diversify its geographical presence into other locations suitable for the cultivation of oil palm. Since then, the conversion of the BarUt land to HGU status has been stalled. In view of the ongoing challenges, Kulim has opted to consolidate its plantation operations in Indonesia.

Kulim and its partner PT Graha Sumber Berkah ("GSB") mutually agreed that it would be implausible to procure the HGU in North Barito as per the Shareholder Agreement dated 14 February 2014 within the stipulated time period. Both parties have therefore agreed to dispose 95% share of PT WIN in PT Sawit Sumber Rejo, PT Harapan Barito Sejahtera and PT Wahana Semesta Kharisma to GSB. The disposal was completed on 28 December 2017 when GSB signed a Settlement Agreement to fully refund the total amount invested by Kulim in the venture.

In South Sumatera, the rehabilitation process has been carried out according to the programme schedule. PT Tempirai Palm Resources ("PT TPR") completed 95% of the 2,500 hectares field rehabilitation whilst PT Rambang Agro Jaya ("PT RAJ") completed 77% of the 2,500 hectares field rehabilitation. PT RAJ's programme was disrupted by heavy rainfall of more than 45 days during November and December 2017 causing inundated fields.

PT Tempirai Palm Resources, South Sumatera, Indonesia.

Progress was also made in infrastructure development, PT TPR has completed 14.7 km of access roads, desilted 27 km of the main canal, completed staff quarters and fertiliser and chemical stores. While, PT RAJ completed 25 km of access road, desilted 39.7 km of main canal, completed staff quarters, weighbridge unit, fertilizer and chemical stores. All construction activity was carried out in compliance with the RSPO's Principles and Criteria.

Out of 3,222 hectares available in PT TPR under HGU, 2,500 hectares has been identified for development. In meeting with RSPO's New Planting Procedures ("NPP"), PT TPR will engage RSPO certified consultants to carry out respective assessments and determine suitability of futher development on the identified area. Rest assured, PT TPR will also communicate to respective stakeholders.

Another positive development is the construction of the Jakarta to Palembang toll road, which is expected to be completed in 2018 and will cut across 63 hectares of PT RAJ. This will consequently increase land valuation in the surrounding areas.

RESEARCH AND DEVELOPMENT

Research and Development ("R&D") is the game changer for the global palm oil industry. Thanks to R&D, what was once basically a wild crop has been transformed into one that now dominates the world trade in oils and fats.

Kulim has long invested in R&D to stay at the fore-front of the business. This is epitomised by the establishment of a dedicated R&D centre known as the Kulim Agro-Tech Centre in Kota Tinggi, Johor. The R&D centre is supported by a team of highly trained and research personnel with expertise in agronomy, remote sensing, microbiology, seed production, plant breeding, biotechnology and chemistry, among other relevant disciplines.

PRECISION AGRICULTURE AND ANALYTICAL SERVICES

The Kulim Agrotech Information System ("KATIS") is based on the concept of precision agriculture. It aims to optimise field-level management by combining the Global Positioning System ("GPS"), Geography Information System ("GIS") and the Oil Palm Monitoring Programme to capture agronomic and management data. The data collected gives a quick overview of an estate's performance so under-performing areas can be identified and remedial actions taken.

Drones are deployed to capture high-resolution aerial photographs, which are then integrated into available GPS digital maps. Apart from the drone, the system is equipped with avionics-autopilot, an imaging sensor (digital camera or any advance sensor) and a cradle system, ground control points and photogrammetric processing software.

From the data collected, we can efficiently improve land utilisation, control precisely the fertilizer recommended, map fields accurately, monitor crop health for signs of diseases and pest infestations.

PLANTATION

Bird's eye view of Sindora Estate, Sindora Palm Oil Mill and Biogas Plant

The Group has also ventured into computerised terrain modeling using digital elevation data taken from an airborne Interferometric Synthetic Aperture Radar ("IFSAR") sensor. A Digital Elevation Model ("DEM") is a digital geographic dataset of elevations in xyz coordinates. The elevations for ground positions are sampled at regularly spaced horizontal intervals. The data obtained can be used to improve land preparation during replanting.

ANALYTICAL SERVICES

Kulim's Ulu Tiram Central Laboratory ("UTCL") specialises in the chemical and physical testing of samples, making agronomic and fertilizer recommendations to improve productivity and effluent testing for palm oil mills. It 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 fast and reliable analytical results for both in-house and external customers.

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

UTCL's expertise has been widely acknowledge and recognised globally. This is underpinned by the Mutual Recognition Agreement ("MRA") endorsed by the International Laboratory Accreditation Cooperation ("ILAC"). ILAC is the international organisation for accreditation bodies operating in accordance with ISO/IEC 17011 and is involved in the accreditation of conformity assessment bodies including calibration laboratories, testing laboratories, medical testing laboratories and inspection bodies. Over 90 accreditation bodies from more than 80 countries have signed the ILAC MRA.

PLANTATION

AGRONOMY

Agronomy is the science and technology of soil management and crop production. Kulim has a database built up over more than 20 years to gauge the performance of different planting areas, provide analysis and recommendations on best practices, identify sites for new agronomy trials and put forward suitable measures to overcome outbreaks.

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

MAXIMISING YIELDS

By applying the best management practices, Kulim, like many other plantation companies, is increasingly turning to agronomic services to maximise yields and outputs in a sustainable manner:

- Nutrient management as well as soil characterisation and conservation are deployed to improve soil management.
- Long-term fertilizer studies look into the efficiency of specific nutrient applications and evaluate the use of pesticides for effectiveness and cost competitiveness, whist ensuring it is less toxic and more environmentally friendly.
- One of the primary tasks of Kulim's agronomists and chemists is to closely monitor the fertilizers used at all its estates to ensure that they are of a good quality.
- Emphasis is also placed on achieving an optimal balance of inorganic and organic fertilizers so as to promote efficient energy usage and sustainably achieve higher oil palm yields. This will also enhance soil ameliorant, thus improving soil fertility and health.
- In the wake of increasing prices of inorganic fertilizers, biocompost produced from the Group's milling operations have enabled the efficient use of by-products covering larger planting areas.

- Whilst it has been proven that achieving high yields of above 30 tonnes per hectare is possible with good terrain and rainfall, the challenge in going forward is to sustain the high yields.
- Cognizant of the importance of water, especially in the drier zones of the Segamat area, Kulim has embarked on studies utilizing available water resource to irrigate small sections of its plantation under a yield intensification initiative.

INTEGRATED PEST MANAGEMENT ("IPM")

Based on experience and integral to its sustainability agenda, Kulim recognises the need for a balanced IPM approach to pest and disease control so as to reduce an over-dependence on pesticides. Kulim has the distinction of being amongst the first industry players to collaborate with well-known Tyto Alba (barn owl) researcher, Dr Chris Small, on the use of owls to control pest population in oil palm plantations in the early 1980s. Barn owls and snakes have a useful role to play in helping keep check on rodent populations, while predatory insects, parasitoids and entomopathogenic fungi keep defoliating insects at bay.

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

RESEARCH COLLABORATION

Kulim has long collaborated with research institutions such as the MPOB and University Putra Malaysia ("UPM") for the further advancement of the palm oil industry. A long-standing collaboration is research into a major oil palm disease, Ganoderma, with the aim of determining the possible mitigating factors, which include the use of microbes. Another collaborative project that is in the pipeline involves further research into plant recessive genes to overcome diseases.

ZERO-BURNING REPLANTING

The zero-burning replanting technique has been adopted as the industry standard in palm oil replanting since the early 1990s. As opposed to burning, the environmentally-friendly technique involves the shredding of oil palm stands and leaving them to decompose naturally in situ, thereby recycling nutrients into the soil. Apart from complying with local environmental legislation and RSPO, zero-burning is our contribution to minimise global warming through emissions of Green House Gases ("GHG").

PLANT BREEDING

CONVENTIONAL BREEDING

The past few decades have seen significant progress in oil palm breeding programmes to increase yields. However, it is important for the sector to continue improving agricultural productivity in the face of increasing competition from other vegetable oils.

While conventional breeding will continue to play an important role in yield enhancements, industry players are continually looking towards advancements in variety improvements, with relatively shorter production cycles and better yields.

The primary objective of Kulim's palm breeding programme is to produce elite planting materials to achieve high oil yields. To this end, several new crosses were nurtured for the 2017 planting programme.

Experiments were undertaken to find new sources of improved Dura and Pisifera parental palms that can be used as future planting materials. Besides dami duras, another two different duras of ex-Oil Palm Genetic Laboratory ("OPGL") selection were used as mother palms for dura population enrichment. Our efforts have resulted in a total of 0.4 million commercial DxP seeds being produced and sold.

PLANTATION

TISSUE CULTURE

a. Selection of high yielding tenera clones for recloning

A number of tenera palms with Oil/Bunch ("O/B") over 33% and oil yield above nine (9) tonnes per hectare per year from three (3) clones of different genetic backgrounds were selected and 24 palms were recloned. A total of 3,500 high yielding ramets were commercially field planted.

b. Cloning of elite dura

A number of seedlings of two (2) elite clonal duras of ex-OPGL selection were laid down in nursery and will be used as mother palms for future semi-clonal DxP seed production. The O/B of the dura clones are 23% and 31%, respectively, which is expected to produce in higher oil yield.

Two (2) embryo-cultured pisiferas of different origins were laid down in nursery and to be planted in 2018 for conservation and further selection for bi-clonal DxP seed production.

TOTAL QUALITY MANAGEMENT

Kulim has embraced Total Quality Management to systematically address every area of its business processes. Five (5) of the Group's operating units, namely Tereh Selatan Estate, Palong Cocoa Palm Oil Mill, Tereh Palm Oil Mill, Sindora Palm Oil Mill and Sedenak Palm Oil Mill have all earned accreditation to ISO 9001:2008, the International Standards Organisation's ("ISO") flagship standard that specifies the requirements for a Quality Management System ("QMS"). Having an ISO 9001 QMS in place enables the Group to continually monitor and manage quality across all its operations and identify ways to achieve and benchmark consistent performance and service. Internationally, it is the QMS of choice, with over 1.1 million certificates issued worldwide.

Kulim aims to grow its business sustainably. In this regard, three (3) of its operating units namely, Sindora Estate, Sedenak Estate and Sindora Palm Oil Mill, have also earned certification to ISO EMS 14001:2004. The world's most recognised environmental management system standard. In discharging its responsibility to its stakeholders, Kulim has embraced ISO EMS 14001:2004 as a means to reduce its environmental footprint.

The new revised versions of both ISO QMS 9001:2015 and ISO EMS 14001:2015 have recently been enforced. Beginning March 2017, all of Kulim's certified units have been transiting to the new standards. Apart from a number of new requirements and concepts, the latest editions incorporate new approaches in the Quality and Environmental Management System. In addition to meeting rising stakeholder expectations, the focus will be on performance as opposed to merely managing the processes.

Plantation Performance Committee ("PPC")

Tereh Selatan Estate, produced 60,000 tonnes of FFB in 2017

Kulim's UTCL has also earned certification to ISO/IEC 17025, which is the main ISO standard used by testing and calibration laboratories to be deemed technically competent. During the year under review, UTCL has expanded the scope of testing for fertilizers and water for water quality index or WQI.

Since May 2015, four (4) of our palm oil mills, namely the Palong Cocoa Palm Oil Mill, Tereh Palm Oil Mill, Sindora Palm Oil Mill and Sedenak Palm Oil Mill, have earned *Halal* Certification for its products, issued by Jabatan Kemajuan Islam Malaysia ("JAKIM"). Our Pasir Panjang Palm Oil Mill was the latest addition to this list, having received *Halal* Certification for a period of validity of two (2) years starting from 1 February 2017, subject to an annual audit review.

5S CERTIFICATION

JCorp has mandated that all companies within its corporate umbrella be certified to '5S', in a quest to effect continual improvements in the workplace. In embracing 5S as a quality management tool, Kulim strives to attain the following main objectives:

- Improve the corporate image of Kulim
- Ensure the participation of all employees to inculcate good work habits
- Achieve an average score of 75% for all zones
- Set a target of file and item retrieval of 30 seconds

With its origins in Japan, 5S is a management tool to improve workplace efficiency, whilst reducing costs and boosting productivity. Abbreviated from the Japanese words, Seiri, Seiton, Seiso, Seiketsu and Shitsuke, it loosely translates into Sort, Set in order, Shine, Standardise and Sustain.

The 5S principle is premised on the notion that cleanliness and tidiness contributes towards a safe and conducive work environment. This in turn, would have a bearing on performance and ultimately, profitability.

Kulim obtained its QE/5S certification on 8 January 2015 and successfully cleared the first Surveillance Audit on 17 January 2016. Subsequently, internal audits were conducted on 28 August and 27 November 2016. We were also successful in the second Surveillance Audit conducted on 12 March 2017, with Certification Body of Malaysia Productivity Corporation ("MPC").

OUTLOOK AND PROSPECTS

At the first Palm Oil Internet Seminar ("POINTERS") organised by the Malaysian Palm Oil Council ("MPOC") in January 2018, a panel of experts was bullish about CPO prices in the first quarter of 2018. The average price is forecast to settle at a range between RM2,600 and RM2,700 per tonne for the benchmark CPO spot price. However, for the remainder of the three quarters of 2018, the experts anticipate that CPO prices will trend lower, settling at between a range of RM2,500 to RM2,659 per tonne (*Source : MPOC, CPO Price Trend for 2018*).

The segment will also have to contend with the perennial challenges presented by labour shortages, rising operating costs and dwindling demand in traditional markets. The industry as a whole also has to contend with protectionist moves, such as draft measures being put in place by the European Parliament to ban the use of palm oil in biofuels by 2021.

The Malaysian palm oil industry celebrated its 100th Anniversary in 2017 and the prospects for the industry going forward remain bright. Palm oil is a vital component in the global food security basket. From cookies and ice-cream to instant noodles, about half of all packaged foods sold in supermarkets contain palm oil and constitutes up to 80% of our daily fat consumption. Contrary to what some lobbyists are advocating, palm oil cannot be taken out of the vegetable oil market altogether and each year, more value-added uses for palm oil are being developed. The challenge for the industry is to enhance the image of palm oil and create better acceptance of the commodity through awareness of various technological and economic advantages and environmental sustainability.

INTRAPRENEUR VENTURES

KULIM'S CORE INTRAPRENEUR VENTURES SEGMENT CONTINUED TO OPERATE IN A VERY DYNAMIC AND VOLATILE ENVIRONMENT

AT A GLANCE

Revenue
RM56.23
Million

↓ 2.39%

Total Intrapreneur
Ventures companies:

IV Company - 11

Corporate
Intrapreneur Co - 4

JCorp Intrapreneur
2.0

INTRAPRENEUR VENTURES

"The Intrapreneur Ventures ("IV") Division was established as one of Kulim's principal growth thrusts and plays an important role in the Group's Balanced Business Strategy. With some 15 companies under its wing, the Division is involved in a diverse range of businesses, including support operations for plantations, O&G, biofertilizers, agricultural machinery, as well as IT-related and insurance-broking services."

FINANCIAL PERFORMANCE

In 2017, the IV Division recorded a revenue of RM56.23 million, a decline of 2.39% compared with RM57.61 million posted the preceding year. The Division incurred a Loss Before Tax ("LBT") of RM1.86 million in 2017, from a PBT of RM0.705 million registered previously.

Extreme Edge Sdn Bhd ("EESB") Group was the most profitable company within the Division, generating a profit of RM2.13 million. The other companies that have recorded a satisfactory performance included MIT Insurance Brokers Sdn Bhd ("MIT"), Perfect Synergy Trading Sdn Bhd ("PSTSB"), Kulim Safety Training and Services Sdn Bhd ("KSTS"), Special Appearance Sdn Bhd ("SASB") and Edaran Badang Sdn Bhd ("EBSB").

CORPORATE DEVELOPMENTS

During the year under review, Kulim undertook a number measures to strengthen its IV business to provide a operational base that will provide the desired results. These measures, included amongst others, the cessation of loss-making operations or companies, changing the business model of others, merging and disposing of companies that were under-performing or that are no-longer in line with the Group's strategic vision and the diversification and outsourcing of certain businesses and activities.

Accordingly, on 1 September 2017, three (3) companies, Jejak Juara Sdn Bhd, SIM Manufacturing Sdn Bhd and Kulim Civilworks Sdn Bhd had ceased their operations and became dormant. In another development, Sindora Timber Sdn Bhd has ceased operations except for oil palm management activities at the Sungai Simpang Kiri Estate. Effective 22 November 2017, the business operations of Classruum Technologies Sdn Bhd were transferred to Yayasan Johor Corporation.

EXTREME EDGE SDN BHD ("EESB")

Incorporated on 1 January 2010, EESB aims to be a premier information technology solution integrator and business performance enhancer in Malaysia's competitive Information Communications Technology ("ICT") business landscape. The company has held its own despite competing with more established players, evolving from a start-up to become a successful technology and networking services provider in its own right.

EESB's client base cuts across a broad spectrum of businesses that include marine vessel building and repairs, premier parking services, logistics providers, timber works, civil works and maintenance contractors, personal growth and training centres, livestock and fish farming, fast food chains, production houses and Information Technology ("IT") solutions integrators. EESB also enjoys a strong rapport with its major principals, including IBM, HP, DELL, Microsoft, Cisco and Symantec for better services as well as pricing.

For the year under review, EESB recorded a revenue of RM14.56 million, a decline of 28.71% when compared to RM20.42 million posted in 2016. The decline was attributed mainly to lower sales contribution from a wholly-owned subsidiary, Sovereign Multimedia Resources Sdn Bhd ("SMR"), which has changed its direction to 100% services to JCorp after completion of Kedai Ayamas & Rasamas ("KARA") projects. Hardware and software products accounted for the bulk of the sales in 2017. In terms of PBT, EESB recorded a marginal decline of 12.89% to RM2.13 million in 2017, from RM2.44 million posted the previous year due to better control of its operational cost.

Left :
IDHAM JIHADI ABU BAKAR
Head of Corporate Services Division

Right :
AZIZAN YAMAN
Senior Manager, Intrapreneur Ventures

EESB has positioned itself in the ICT space as a one-stop centre providing networking, communications, consultation services, project management services as well as back-up and recovery solutions. Its networking and communications solutions include planning for network diagrams and equipment, designing and implementing communication equipment deploying the latest technology. In the event of failures, disasters, human error and data corruption, the company provides back-up and recovery solutions that include Seagate, Acronis, Oracle Dataguard and RMAN Recovery System. ESSB also offers website designing, development, hosting and management solutions for financial, risk management, human resource management and E-procurement systems. Other areas of expertise include servicing and maintenance of servers, UPS systems and PCs in addition to project management and consultation services.

MIT INSURANCE BROKERS SDN BHD ("MIT")

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

In 2017, MIT earned a revenue of RM8.81 million, a decline of 8.13% when compared with the previous year. Concurrently, PBT declined by 24.35% to RM1.11 million, against RM1.46 million recorded in 2016. During the year under review, gross premiums handled by MIT amounted to RM61.04 million, a decrease of 6.96% from RM65.60 million recorded the year before.

MIT considers among its strengths, the linkages it has established with some of the world's leading underwriters and brokers in the business, based in Singapore, Hong Kong and the United Kingdom, among others. Its network of associates comprises a pool of highly trained engineers and consultants with the breadth and depth of knowledge and experience to handle a varied project portfolio. In terms of skills, experience, expertise and global access, MIT is well-placed to become a leading insurance service provider in the country.

EESB Group Revenue
RM14.56 million
↓ 28.71%

MIT Group Revenue
RM8.81 million
↓ 8.13%

MIT portfolio includes four (4) types of specialist services, namely Financial Solutions ("FINSOL"), Specialty, Commercial and Employees' Benefits. In providing FINSOL services, specialist lawyers and economists are engaged to assess a company's exposure, as liability risks are often complex and extensive. Specialty services cover the provision of solutions for the infrastructure, power and utilities, marine and energy sectors, including political risk exposures. In the commercial sector, MIT designs, manages and administers insurance programmes for growing organisations that are expanding. In addition to providing needs-based planning under employee benefits, MIT also provides its corporate clientele a tailor-made and cost-effective healthcare programme. As a value-added service, MIT will also provide ongoing consultancy services on employee healthcare trends and updates in an ever evolving environment.

INTRAPRENEUR VENTURES

MIT is venturing into Captive Insurance to diversify its earnings base. A 'captive' is an insurance company that is set up and wholly-owned by one or more non-insurance companies to insure the risks of its owners. It is essentially a form of self insurance as the insurance is owned wholly by the insured parties. With captive insurance, the benefits include lower insurance costs, improved cash-flow, broader coverage, more attractive risk management elements, access to the lower cost re-insurance market and tax advantages. Presently, MIT has established its captive insurance company, MIT Captive, on the island of Labuan, offshore Sabah, which has a well-established reputation as a captive domicile.

PERFECT SYNERGY TRADING SDN BHD ("PSTSB")

PSTSB was incorporated on 8 July 2010 as a trader and supplier of fertilizers and chemicals. Operating at Kota Tinggi Industrial Area, the company's main customers are estates within JCorp and the Kulim Group. As an assurance of quality, PSTSB's products meet the stringent requirements set by the Malaysia Standards Department and are also certified to MS ISO/IEC 17025:2005 under the Malaysia Laboratory Accreditation Scheme ("MLAS").

Recovering from a set-back in 2016, PSTSB's revenue in 2017 has improved 16.98% to RM9.61 million. Concurrently, PBT improved to RM865,825, an increase of 17.90% compared to the previous year.

KULIM SAFETY TRAINING & SERVICES SDN BHD ("KSTS")

KSTS was incorporated on 1 January 2013, as a subsidiary of Kulim's wholly-owned EPA Management Sdn Bhd. Guided by its motto, "Safety Make a Difference", KSTS offers a growing clientele specialised Occupational, Safety and Health ("OSH") services, with the emphasis on OSH training, human resource development, motivation and quality-related field works.

For the financial year under review, KSTS generated a revenue of RM3.42 million, representing an increase of 3.88% from RM3.29 million posted in 2016. PBT increased by 18.29% to RM788,579 compared to the previously recorded RM666,640. The company has also extended its customer reach with the setting up of an additional outfit to tap into the fast-developing RAPID project in Pengerang, Johor.

PSTSB Revenue
RM9.61 million
↑ 16.98%

KSTS Revenue
RM3.42 million
↑ 3.88%

KSTS area of expertise is in providing advisory services on matters related to Occupational, Heath and Safety Management Systems ("OHSAS 1800") and ISO Quality Management Systems. It also undertakes auditing and inspection, looking into cases relating to deaths, accidents and dangerous occurrences at the workplace and making recommendations for improvements.

Other services provided include health screening (medical surveillance), noise monitoring, gas testing, as well as administering urine and drugs tests. KSTS also takes on the role of a visiting medical officer and a foreign workers' medical screening expert on behalf of the Foreign Workers Medical Examination Monitoring Agency ("FOMEMA"). Its other expertise include purchasing, supplying, installation and maintenance of fire-fighting equipment, providing advisory services on road safety, security and the eradication of pests such as bats and termites.

SPECIAL APPEARANCE SDN BHD ("SASB")

SASB was incorporated on 4 December 2008 and its corporate motto is "Let's Turn Ideas Into Treasure, Sketches to Cash, Benefits to Profits". The company's expertise is on replanting contracts, estate management as well as event management.

In 2017, SASB earned a revenue of RM7.69 million, a decline of 9.53% compared to RM8.50 million posted the previous year. However, PBT was recorded at RM599,671, a hefty 151.10% hike from 2016. The significant increase in profitability was attributed mainly to the contract secured during the year to manage the Mersing Hill Estate as well as the recovery of debts.

For the coming financial year 2018, SASB has been awarded a contract by JCorp to manage 218 hectares of oil palm estates at Bakri, Muar. As in all its business undertakings, SASB aspires to be a strategic partner to its customers by offering value-added services with a view towards a long-term relationship.

EDARAN BADANG SDN BHD ("EBSB")

EBSB's mission is to help overcome the plantation industry's over-dependence on human labour through mechanisation. The company strives to set itself apart by providing its customers not only with the best products and services, but also exceed their expectations through a well-established distribution network.

FY 2017 was a good year for EBSB, which saw revenue improve by 18.24% to RM25.16 million. Correspondingly, PBT surged substantially to RM802,616 from a LBT of RM299,525 in 2016.

EBSB Revenue
RM25.16 million
↑ 18.24%

SASB Revenue
RM7.69 million
↓ 9.53%

INTRAPRENEUR VENTURES

The invention of a three-wheeled multi-purpose "mechanical buffalo", called Badang, has carved a niche for EBSB in the market. Badang is used in FFB evacuations and other field works such as manuring and mulching. EBSB has expanded its business activities to include dealership for other agricultural tools and equipment. It is presently an authorised dealer for tractors bearing well-known names like EUROSTAR, KINTA, Cummin, Hansen, TRP Chain, Renold Chain, Sime Pole, Kingoya Pole, among many others.

To further penetrate the local market, EBSB has opened three (3) product distribution centres at Lahad Datu, Bintulu and Kuantan. Apart from Badang, the Lahad Datu centre is also the sole distributor in Sabah for a range of agricultural equipment bearing the Beluga, Rhyno, Tiger and Lion trademarks imported from Korea.

Looking to the future, the challenge for EBSB is to keep abreast with the latest developments in mechanisation that will benefit the oil palm and the agricultural sector as a whole. In the face of a persistent labour shortage, large scale estates are increasing turning to mechanisation to improve productivity and efficiciency as well as to reduce costs.

AGROFOODS

Cattle Project

Kulim has built a strong portfolio anchored in three (3) business segments : Plantation, O&G and IV. Nonetheless, the Group is continually exploring opportunities to invest in new businesses that are synergistic with its core operations. Our foray into Agrofoods meets a two-fold objective. Firstly, in line with our sustainability agenda, it enables us to promote green activities through the recycling of compost and fruit waste to support our feedlot and cattle integration activities. Secondly, it helps support our partners and outgrowers in building successful ventures, thereby contributing to the national food security programme.

During the year under review, Kulim made significant strides in its Agrofoods business. Cattle projects generated over RM8.30 million in revenue from the sale of cattle, whilst our pineapple plantation continued to prosper with revenue of RM4.70 million.

Cattle projects generated over RM8.30 million in revenue from the sale of cattle

Total Pineapple Production
2,176 tonnes

Total Cattle Population
6,930 heads

Kulim's involvement in the Agrofoods business was a logical offshoot of its traditional palm oil business. It started with small-scale cattle rearing in the oil palm estates as a biological control under the weeding programme. Today, there are over 6,000 heads of cattle grazing on Kulim's 12 estates. Estate owners have been encouraged by the Government to implement a cattle breeding and rotational grazing programme in compliance with Good Animal Husbandry Practices ("GAHP").

Feedlot is the other aspect of Kulim's cattle-rearing programme. As of 1 January 2017, Kulim Livestock Sdn Bhd ("KLSB"), a wholly-owned subsidiary of Kulim, has taken over the management of JCorp's feedlot business previously under the care of Ihsan Permata Sdn Bhd ("IPSB"). This development involved two (2) feedlots in Lubuk Bakul which was funded by TERAJU under a Government grant and later the operations were transferred under KLSB's management in July 2017. KLSB's key activity is the rearing and fattening of cattle for one (1) cycle of four (4) months before they sold or slaughtered.

As at 31 December 2017, the feedlots housed a total of 653 heads of cattle, of which 374 were housed in Feedlot Bukit Nyamuk, 49 heads in Feedlot Lubuk Bakul and 230 heads in Feedlot Peta Temalik. Under the integration segment, the total head count was 6,277 at end-2017, versus 7,208 heads at end-2016. As at year end-2017, we had a total cattle population of 6,930 heads, decreased of 8.39% (2016: 7,565 heads). The decrease in population size was attributed to the sale of culled cows that are no longer productive and also the removal of 141 heads of unhealthy cattle.

Pineapple Business

Kulim has involved in the pineapple industry since 1994. The MD2 pineapple farms production run by Kulim Pineapple Farm ("KPF") which located at Ulu Tiram, Johor. As at 31 December 2017, Kulim has some 200.15 hectares planted with the premium MD2 variety of pineapples. Total production of pineapples in 2017 amounted to 2,176 tonnes of this, 83% were sold domestically with the remainder exported to countries such as the Middle East, South Korea and Europe. Marketed under the brand name of Melita, the demand for MD2 pineapples in both local and overseas markets is good.

KPF aims to be a cost leader in the pineapple business, promoting Melita as a premium yet affordable brand. In addition to producing premium fruits and suckers, the Group will focus on optimising land usage with a higher density of plants per acre.

Adding value to the production of fresh fruits, we have also ventured downstream to produce a variety of pineapple-based products. These include tarts, jam, frozen yogurt, chips and drinks retailed under the Melita brand.

Pineapple plantation at Ulu Tiram Estate, managed by Kulim Pineapple Farm (KPF)

OIL & GAS

KULIM'S CORE OIL & GAS SEGMENT CONTINUED TO OPERATE IN A VERY DYNAMIC AND VOLATILE ENVIRONMENT


MEKAR BERGADING
SAFETY

AT A GLANCE

Revenue

RM419.71 Million

↓ **32.97%**

Orderbook:

EA Tech - approx.

RM609.13 Million

Danamin - approx.

RM70 Million

Indonesia O&G –
expected to obtain Plan of Development ("POD") approval by

first half 2018

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

FY 2017 was a challenging one for Kulim's O&G Division. The volatility in crude oil prices and a weaker local currency took its toll on operating performance. Revenue was posted at RM419.71 million, which is a 32.97% decline compared to RM626.17 million achieved the previous year. From a Profit Before Tax ("PBT") of RM21.03 million recorded in 2016, the Division has slipped into the red with a Loss Before Tax ("LBT") of RM130.28 million.

During the year under review, our subsidiary, E.A. Technique (M) Berhad ("EA Tech") contributed of RM366.97 million to Group revenue, a decrease of 37.98% compared with RM591.66 million recorded in 2016. EA Tech posted a LBT of RM131.90 million, against a PBT of RM21.54 million in 2016.

FY 2017 was a satisfactory year for Danamin (M) Sdn Bhd ("Danamin"), an engineering and quality assurance provider that caters to niche industries. Danamin recorded revenue of RM48.08 million in 2017, a 39.36% increase from RM34.50 million posted the previous year. PBT decreased marginally to RM1.12 million, against PBT of RM1.32 million recorded previously.

In Indonesia, the acquisition of PT Citra Sarana Energi ("PT CSE") did not create a significant impact on our earnings in 2017. The PT CSE deal in Indonesia is part of our strategic decision to venture into upstream O&G business and move up the O&G value chain into Exploration and Production ("E&P") activities.

However, for Kulim, this Indonesian venture remains exploratory at the current stage. Although it offered little or no contribution to the Group's 2017 financial performance, we are confident that its contribution will grow significantly within the next few years as it enters into the production and commercialisation phase.

Given that O&G exploration, production and operations involve a variety of risks, which may expose the Group to substantial liability, Kulim ensures that the organisation practices high standard of safety precautions. Our Risk Management team continually monitors data and has in place a sound risk management strategy.

INDUSTRY DYNAMICS

Despite agreement reached by 22 OPEC and non-OPEC oil producers to cut crude output by 1.2 million barrels per day to reduce global over-supply, oil prices trended lower during the first half of the year. This was because of high inventories, a recovery in United States shale oil production and rising output from OPEC members Libya and Nigeria, neither of which were party to the pact to reduce production. However, as crude inventories were drawn down and the market started to rebalance, crude oil prices rose by 1.6% in the third quarter of 2017 to average USD50.20 per barrel. Crude oil prices ended the year at USD60 per barrel, the highest end-of-year level since 2013. (*Source: World Oil Magazine, 3 January 2018*)

Within Malaysia, the decision taken by PETRONAS in 2016 to slash Operating Expenses ("OPEX") and Capital Expenditure ("CAPEX") over the next four (4) years took its toll on almost all sectors of the domestic O&G industry. The reduction in spending has impacted overall activity and margins in the O&G sector and has delayed the implementation of bigger ticket CAPEX projects. This has indirectly posed a tremendous challenge to our marine vessel operations that support the O&G sector.

O&G Revenue
RM419.71 million
↓ 32.97%

Left:
NOOR EFFENDY MOHD ALI
Head of Business Development and Marketing Division

Right:
MAHMUD SAIDOO
Head of Indonesia Operation Division

UPSTREAM ACTIVITIES - INDONESIA

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

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

The completion date of the CSSPA and SA CSSPA has been further extended to 4 November 2018 due to pending fulfillment of approval of the Indonesian Government and *Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi* ("SKK MIGAS") in respect of the change of control of the PSC which is anticipated to be obtains by the first half of 2018.

Based on the POD and requirements by SKK MIGAS, PT RBBE has completed all its obligations to drill four (4) exploration wells. PT RBBE is working closely with the Indonesian authorities to obtain the POD approval which expected by the first half of 2018.

EA TECH Group Revenue
RM366.97 million
↓37.98%

SUPPORT SERVICES - MALAYSIA

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

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

FINANCIAL PERFORMANCE

For FY 2017, EA Tech posted a revenue of RM366.97 million, a decline of 37.98% from RM591.66 million recorded the preceding year. LBT was posted at RM131.90 million, as compared to a PBT of RM21.54 million in 2016. The loss was attributed mainly due to higher costs incurred in the EPCIC project against the contracted sum and also increase in administrative expenses.

The higher cost of the EPCIC Project was mainly due to additional work requests from the client. The final hand-over of the project was initially scheduled for the second quarter of 2017, but to accommodate the additional work requests, the completion date has been pushed back to the by the first half of 2018. EA Tech is presently negotiating with the client to recoup some of the costs incurred in carrying out the variation orders.

Higher administrative expenses was due to discounts on receivables and amortisation of intangible asset for the acquisition of Libra Perfex Precision Sdn Bhd a company engaged in the hiring and chartering of marine vessels.

OIL & GAS

CORPORATE DEVELOPMENTS

As disclosed in the last report, EA Tech entered into a Conditional Sale and Purchase Agreement with MTC Engineering Sdn Bhd ("MTCE") on 22 November 2016 for the purchase of topside engineering equipment costing USD24 million. At an Extraordinary General Meeting ("EGM") held on 20 March 2017, EA Tech received the unanimous approval of shareholders to proceed with the purchase. The acquisition was duly completed on 1 August 2017 and is in line with the EA Tech's strategy of pursuing new projects involving the provision of Floating Storage Unit ("FSU") solutions for Malaysia's marginal fields.

OPERATIONAL REVIEW

EA Tech operates a total of 43 vessels, comprising 7 tankers, 2 FSUs/ Floating Storage Off Loading ("FSOs"), 3 Offshore Support Vessels ("OSVs"), 28 harbour tug boats and 3 vessels charted from external parties. The average age of the tanker fleet is 9.3 years, with the exception of the Princess Sofea that has been in service for 26 years and is due for replacement. All the vessels undergo regular and periodic maintenance, including dry-docking at EA Tech's *Hutan Melintang* shipyard.

In 2016, EA Tech acquired one (1) chemical tanker and one (1) oil tanker, both of which have been refurbished and delivered in the second quarter of 2017. The year under review also saw the conversion of M.T.Nautica Muar into a FSU and it is currently being deployed by Vestigo Petroleum Sdn Bhd ("VPSB"), a wholly-owned subsidiary of PETRONAS, at the Bentara SK315 field offshore Sarawak.

EA Tech's ship repair and minor fabrication capabilities are vested in its 100%-owned subsidiary, Johor Shipyard and Engineering Sdn Bhd ("JSE"). Operating from its new shipyard at *Hutan Melintang* in Perak, JSE has the capabilities to construct one (1) vessel of up to 10,000 Dead Weight Tonnes ("DWT") or six (6) harbor tugboats at any one time. Upgrading works, including the construction of a new slipway which are currently still in planning stage, with targeted commissioning rescheduled for 2018.

To reduce an over-dependence on the O&G sector, EA Tech has been actively pursuing new business opportunities in providing port marine services. During the year under review, three (3) new contracts for the charter hire of vessels were secured, of which two (2) were with Bintulu Port Sdn Bhd (Nautica Tanjung Puteri XXVII and Nautica Tanjung Puteri XXIX) and one (1) with ExxonMobil Exploration & Production Malaysia Inc. (Nautica Tanjung Puteri).

OUTLOOK & PROSPECTS

Looking ahead, EA Tech remains upbeat on its operating performance from its respective business segments. The fundamentals of the company remain strong, underpinned by a substantial orderbook of around RM609.13 million as at 31 December 2017, with an additional RM329.28 million for potential extension. The company has long-term contracts for its marine vessels, which provide a stable and recurring revenue stream.

FSO Mekar Bergading - Floating Storage Offloading ("FSO") unit with capacity of about 113041 dwt.

An immediate challenge for EA Tech in the coming year is to focus its resources and energy to translate well-defined plans and strategies to turnaround the company. Given its significant strengths in the business, EA Tech is well-positioned to continue delivering shareholder value and to achieve sustainable progress.

DANAMIN (M) SDN BHD ("Danamin")

Danamin provides high quality, cost-effective and technology-driven Engineering, Non-Destructive Testing ("NDT"), Quality Assurance, Asset Integrity Management and Inspection services to the O&G, Marine, Petrochemical, Refinery and Pipeline industries. Backed by a team of over 200 professional employees with the relevant certifications, the company has branches strategically located in the vicinity of its customers' facilities.

FINANCIAL PERFORMANCE

The principal contributors to Danamin's revenue are its fabrication and NDT businesses. For the year under review, Danamin generated a revenue of RM48.08 million, a 39.36% increase from RM34.50 million posted in 2016. PBT decreased to RM1.12 million, compared to the previously recorded of RM1.32 million.

OPERATIONAL REVIEW

Danamin's vision is to be the preferred service provider to industries in the O&G and other specialised sectors. To realise this vision, Danamin complies with internationally recognised standards such as ISO 9001:2008 for NDT, Heat Treatment ("HT") and Steel Structure Fabrication, ISO 14001:2008 and OHSAS 18001:2007 for NDT & HT as well as classification societies such as Bureau Veritas ("BV").

Danamin is a relative new-comer to the fabrication business, having commenced operations only in 2013. However, the business is expected to take off with the official launch of *Pihak Berkuasa Tempatan* ("PBT") Pengerang in January 2017 to fast-track the development of the Pengerang Integrated Petroleum Complex ("PIPC") industrial zone and its surrounding areas, which includes PETRONAS' RAPID Project.

Taking advantage of its proximity to the RAPID project, Danamin has already established rapport with big market players such as Malaysia Marine and Heavy Engineering Holdings Berhad ("MHB"), Lotte Chemical Engineering, Toyo Engineering Corporation, Chec Construction and Petrovietnam Engineering for a slice of the potentially lucrative Pengerang market.

OUTLOOK & PROSPECTS

Moving forward, Danamin has an order book of approximately RM70 million, of which RM45 million were contributed by the fabrication business with another RM25 million from the NDT business.

Danamin is also exploring possibilities to diversify into areas where it can capitalise on its resources and capabilities. Possibilities include entering into a smart partnership with Kulim's R&D arm, Kulim Smart Technology Sdn Bhd constructing of the prototype Intelligent In-Line Inspection System ("ILIS"), a pipe inspection device that can be used in detecting metal fatigue in vessels and pipelines. At the initial stage, the focus will be on the production of MICRO-ILIS, designed to inspect pipelines with a diameter as small as three (3) inches.

Danamin Revenue
RM48.08 million
↑ 39.36%

CORPORATE EVENT HIGHLIGHTS 2017

1 10 JANUARY

Sime Darby Convention Centre, Kuala Lumpur
ACCA Malaysia Sustainability Reporting Awards (MaSRA 2016). Kulim was shortlisted for the Integrated Annual Report 2015.

2 16 JANUARY

Bandar Penawar, Kota Tinggi
Launching of PBT Pengerang. The event was officiation by YAB Dato' Mohamed Khaled Nordin.

3 6 FEBRUARY

Persada, Johor Bahru
Pedoman Kulim 2016.

4 13 FEBRUARY

Mandarin Oriental, KLCC
Appreciation Dinner for the board members who served the Board of Directors of Kulim.

5 16 MARCH

Kulim Eco-TRAIL Retreat, Basir Ismail Estate, Ulu Tiram
Official visit by Minister of Foreign Affairs of Indonesia, Ibu Retno L.P Marsudi.

6 30 MARCH

Nexus Bangsar South, Kuala Lumpur
Global Responsible Business Leadership Award 2017. Kulim was awarded as the winner in Excellence Category for Plantation Sector.

7 30 MARCH

Petronas, KLCC
Petronas Contractor Forum 2017 - Danamin (M) Sdn Bhd was awarded as Improved Performance Contractor - Certificate of Appreciation.

8 30 – 31 MARCH

Langkawi International Convention Centre, Langkawi
9th Annual Global CSR Summit Awards Ceremony 2017. Kulim was awarded as the winner in three (3) categories:

1) Empowerment of Women Award (Gold).
2) Best Workplace Practices Award (Bronze).
3) CSR Leadership Award (Bronze).

9 31 MARCH

Sheraton Imperial, Kuala Lumpur
Majlis Anugerah Merai Kecemerlangan Personaliti Industri & Usahawan 2017. Microwell Bio Solution Sdn Bhd was awarded *Anugerah Personaliti Industri & Usahawan Malaysia 2017 – Inovasi & Teknologi (Industri Bioteknologi)*.

10 14 – 16 APRIL

Dataran Tasik Bandar Penawar, Kota Tinggi
100 *Hari Bersama* PBT Pengerang. Participation by Kulim through our subsidiaries Danamin (M) Sdn Bhd, Kulim Safety Training Sdn Bhd & Melita.

11 16 APRIL

Tereh Mill, Kluang
Visit and opening ceremony of Tereh Complex's futsal court by YB Dato' Seri Hishammuddin Tun Hussein, Ministry of Defence.

12 27 APRIL

Maktab Sultan Abu Bakar (English College Hall), Johor Bahru
Launching ceremony of 'E-Learning Johor' by YAB Dato' Mohamed Khaled Nordin.

13 **31 APRIL**

Sindora Estate, Kluang
Program Ziarah Kasih Sayang with Parlimen Sembrong & Deputy Ministry of Health, Dato' Seri Dr Helmi Yahya.

14 **19 – 21 MAY**

Berjaya Waterfront Expo Hall, The Zone, Johor Bahru
5th Agroworld Expo 2017. Participation of Melita Products by Kulim.

15 **25 – 26 MAY**

Sungai Tawing Estate, tereh Palm Oil Mill, Kulim Eco-TRAIL Retreat, Basir Ismail Estate
RSPO Secretariat Field Trip to Kulim Eco - Trail Retreat, Tereh Palm Oil Mill, Tereh Selatan Estate and Sungai Tawing Estate.

16 **9 JUNE**

Restaurant Selasih, Sri Gelam, Puteri Pacific, Johor Bahru
Majlis Berbuka Puasa Johor Corporation with Media Johor.

17 **16 JUNE**

Sindora Estate, Kluang
Social visit by Bapak Haris Nugroho, the Consulate Jenderal Republic of Indonesia.

18 **11 – 13 JULY**

Kuala Lumpur Convention Centre
The 16th Asian Oil, Gas and Petrochemical Engineering Exhibition (OGA 2017). Participation by Danamin (M) Sdn Bhd.

19 **12 AUGUST**

Kulim Pineapple Farm
Business matching trip to Malaysia by Fine Field Trading LLC Dubai, Ministry of Agriculture & Agro Based Industry Malaysia (MOA) and Malaysia Pineapple Industry Board (MPIB).

20 **16 AUGUST**

Kulim Pineapple Farm
Visit by the Ministry for Primary Industries New Zealand to Kulim Pincapple Farm.

21 **6 – 8 SEPTEMBER**

Asia World-Expo, Hong Kong
Asia Fruit Logistica 2017, participation by Melita.

22 **9 – 12 SEPTEMBER**

Ulu Tiram & Kota Tinggi
Kembara Mahkota Johor 2017.

23 **6 – 14 OCTOBER**

Dataran Mahkota, Kota Iskandar, Iskandar Puteri
EKSPO Johor Berkemajuan 2017. Participation by Corporate Affairs and KPF.

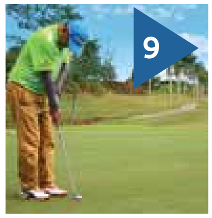
24 **3 – 5 NOVEMBER**

Nanning, China
Malaysian Durian Festival 2017. Participation of Melita at Nanning, China.

25 **13 DECEMBER**

Persada, Johor Bahru
Hari Misi Innovasi Bisnes Johor Corporation 2017.









SUSTAINABILITY EVENT HIGHLIGHTS 2017

1 8 JANUARY

Masjid Jamek, Ulu Tiram Estate
Majlis Sambutan Maulidurrasul 1438H.

2 12 JANUARY

Stadium Arena, LGM, Kota Tinggi
KSRT Football Friendly Match. KSRT vs. *Lembaga Getah Malaysia (LGM).*

3 21 JANUARY

The Legend Sedenak Golf & Country Resort, Kulai
KSRT Golf Inter Region

4 22 JANUARY

KSRT Clubhouse
Sukan Muhibbah KSRT 2017 bersama O-I BJC Glass Malaysia.

5 19 FEBRUARY

Masjid Jamek, Ulu Tiram Estate
Forum Perdana: Amanah Dalam Bekerja.

6 18 MARCH

Kulim Eco-TRAIL Retreat Basir Ismail Estate
Southern Drone Race. Co-organised by KSRT & KETR.

7 23 MARCH

Universal Studio, Singapore
KSRT Fun Trip to Universal Studio Singapore.

8 31 MARCH – 1 APRIL

Lotus Desaru Beach, Kota Tinggi
"WOW" on Weekend Programme at Lotus Desaru Beach Resort organised by Women OnWards ("WOW").

9 1 APRIL

ELS Club, Desaru
Kejohanan Sukan Golf Mini GEMAPUTERA 2017. Participation by KSRT' Golfers.

10 5 APRIL

Dewan Utama, Kompleks Mutiara, Jland
Program 'Jom Santai' bersama Ustaz Shamsul Debat: Secantik Balqis, Sehebat Sulaiman. Participation by Kulim.

11 20 – 23 APRIL

JCTSA, R.E.M Estate
IPSC Level III Tournement - Iskandar Shoot 2017.

12 22 APRIL

Kulim Eco-TRAIL Retreat Basir Ismail Estate
Kulim Kota Tinggi Eco Boat Fishing Challenge 2017.

13 **23 APRIL**

Persada, Johor Bahru
High-Tea 2017 – *Amanah: Teguh Integriti, Kukuh Kompetensi. Panel program: Dato (Dr.) Mohd Noh Gadut, Imam Muda Asyraf and Cik Nur Heliza Helmi.*

14 **16 JUNE**

Kulim Eco-TRAIL Retreat Basir Ismail Estate
Assalammualaikum Dunia 2.0 Kayuhan Amal.

15 **17 JUNE**

Larkin Sentral, Johor Bahru
Bubur Lambuk Amal 2017 PKP Induk Johor Corporation. Partipation by Kulim.

16 **16 JULY**

KSRT Clubhouse
Riuh Raya KSRT 2017.

17 **11 – 13 AUGUST**

Econsave Mall, Simpang Renggam
Wildlife Conservation Awareness Campaign. Participation by Kulim Wildlife Defenders.

18 **18 – 20 AUGUST**

Persada, Johor Bahru
Tribute to Women Malaysia: Lifestyle Fest 2017. Participation by WOW.

19 **26 AUGUST**

Kulim Eco-TRAIL Retreat, Basir Ismail Estate
2nd Kulim Kota Tinggi Trail Run 2017.

20 **10 SEPTEMBER – 12 NOVEMBER**

Johor Bahru, Johor
JCorp Sports Carnival 2017.

21 **16 SEPTEMBER**

Nam Heng Country Club
Charity Golf Tournament under As-Sajadah Programme.

22 **7 OCTOBER**

Kulim Eco-TRAIL Retreat, Basir Ismail Estate
Kulim Kota Tinggi MTB Jamboree 4.0.

23 **29 OCTOBER**

Kulim Training Centre, Kota Tinggi
Semarak Kasih 2.0. An effective education program for Special Children & Person with Disabilities (PWDs) in Kulim's Ous.

24 **12 NOVEMBER**

KSRT Clubhouse
A celebration of Kulim's International Women's Day organised by WOW.

25 **24 DECEMBER**

KSRT Clubhouse
Sambutan Hari Kanak-kanak Sedunia peringkat Kulim.

RECOGNITIONS AND ACCREDITATIONS

2017

2017	Awarded by	Receiving Company/ Operating Unit
Global Responsible Business Leadership Award 2017 Kulim was awarded as the winner in Excellence Category for Plantation Sector	Asia Pacific CSR Council	Kulim (Malaysia) Berhad
Petronas Contractor Forum 2017 Danamin (M) Sdn Bhd was awarded as Improved Performance Contractor (Certificate of Appreciation)	Petrolium Nasional Berhad (Petronas)	Danamin (M) Sdn Bhd
9th Annual Global CSR Summit Awards Ceremony 2017 Kulim was awarded as the winner in three (3) categories: 1) Empowerment of Women Award (Gold) 2) Best Workplace Practices Award (Bronze) 3) CSR Leadership Award (Bronze)	Pinnacle Group International	Kulim (Malaysia) Berhad
Majlis Anugerah Merai Kecemerlangan Personaliti Industri & Usahawan 2017 Microwell Bio Solution Sdn Bhd was awarded Anugerah Personaliti Industri & Usahawan Malaysia 2017 – Inovasi & Teknologi (Industri Bioteknologi)	Niagatimes.com	Microwell Bio Solution Sdn Bhd
Anugerah Pengeksport Nanas Segar Jaya Kulim Pineapple Farm ("KPF") was awarded Anugerah Pengeksport Nanas Segar Jaya at the 60th Anniversary of Lembaga Perindustrian Nanas Malaysia ("LPNM").	Lembaga Perindustrian Nanas Malaysia	Kulim Pineapple Farm

2016	Awarded by	Receiving Company/ Operating Unit
National Annual Corporate Reports Awards ("NACRA") 2016 Kulim's Integrated Annual Report 2015 -Winner of Industry Excellence Awards (Main Board) – Plantation & Mining	National Annual Corporate Report Awards	Kulim (Malaysia) Berhad
ACCA Malaysia Sustainability Reporting Awards ("MaSRA") 2016 Kulim's Integrated Annual Report 2015 -Shortlisted for the Best Reporting within an Annual Report	ACCA Malaysia	Kulim (Malaysia) Berhad
MIA IR Recognition Award 2016 Recognition Award 2016 in "Pioneering Integrated Reporting (IR) in Malaysia"	Malaysian Institute of Accountants (MIA)	Kulim (Malaysia) Berhad
Asia Sustainability Reporting Awards ("ASRA") 2016 Kulim's Integrated Annual Report 2015 -Shortlisted for Asia's Best Integrated Report	CSR Works	Kulim (Malaysia) Berhad
8th Annual Global CSR Summit and Awards 2016 Best Workplace Practices Award (Bronze Award)	Pinnacle Group International	Kulim (Malaysia) Berhad
The Edge-Billion Ringgit Club & Corporate Awards 2016 - Highest Return on Equity Over 3 Years – Plantation Sector - Highest Growth in Profit Before Tax Over 3 Years – Plantation Sector	The Edge	Kulim (Malaysia) Berhad
TSD Special Award Responsible Contractor for Outstanding performance in Health, Safety and Environment (Jan – June 2016)	Petronas Chemicals Ammonia Sdn Bhd	Danamin (M) Sdn Bhd
Loyalty Award 2016	BSI Services Malaysia Sdn Bhd	Kulim (Malaysia) Berhad

RECOGNITIONS AND ACCREDITATIONS

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 (MaSRA) 2015 Kulim's Integrated Annual Report 2014 - Shortlisted for the 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

2014	Awarded by	Receiving Company/ Operating Unit
NACRA AWARD 2014 Industry Excellence Award (Main Board) – Plantation & Mining (Winner)	National Annual Corporate Report Awards	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 in the awards.	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 – Sustainable 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 for the awards.	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

IN THE NEWS


JCorp, G-Planter kitar semula bekas racun perosak
G-PLANTER
1,000 sertai Kota Tinggi Trail Run
2nd Kota Tinggi Trail Run 2017
Laporan Dari Malaysia
Blusukan ke Perkebunan Sawit, Menlu Ingin Pastikan Perlindungan TKI
Kayuh basikal sambil beramal
Tuisyen RM11.60 sebulan
YPJ peruntuk RM200,000 beri peluang kepada 5,600 calon SPM ikuti kelas


Utusan ONLINE
Kota Tinggi Trail Run 2017 dapat sambutan hebat
Kulim Berhad rai anak-anak istimewa
KOTA TINGGI 1 Nov. - Dalam usaha memberi galakan kepada anak-anak istimewa, Kulim (Malaysia) Berhad menganjurkan Program Semarak Kasih 2.0 yang dihadiri lebih 100 peserta di Pusat Latihan
ADVERTORIAL
10 JAN 2017
KULIM LAUNCH RECYCLING OF USED PLASTIC PESTICIDE CONTAINERS CAMPAIGN
Pineapple Farm
KETR destinasi rekreasi menarik
Lebih 1,000 sertai Kota Tinggi MTB Jamboree
Program Semarak 2.0 anjuran Kulim Berhad meriah
JOHOR BAHRU 5 Nov. - Kulim (Malaysia) Berhad (Kulim) menerusi Jabatan Lestari dan Kualiti Kulim menganjurkan program Semarak Kasih 2.0 di Pusat Latihan Kulim, Kota Tinggi baru-baru ini.
Pengarah Eksekutif Kulim, Zulkifly Zakariah berkata, program bertemakan 'Masyarakat Penyayang Lahir Bersama Tanggungjawab' itu merupakan kesinambungan daripada program Semarak Kasih 1.0 yang diadakan di Ladang Sindora, Kluang pada tahun 2013.
Beliau berkata, program tersebut adalah sebahagian daripada tanggungjawab sosial korporat (SCR) syarikat yang bercorak pendidikan melibatkan anak-anak istimewa dan golongan kurang upaya (OKU).
"Ini merupakan salah satu daripada inisiatif Kulim dalam memberi penghormatan dan pengiktirafan kepada lebih 100 peserta terdiri daripada keluarga dan anak-anak istimewa yang berada dalam Unit Operasi Kulim.
"Di samping itu, program ini juga dapat memberi galakan kepada keluarga anak-anak istimewa yang terlibat untuk lebih bersikap positif dan berdikari dalam mengurus dan berusaha menjalankan proses pemulihan golongan tersebut," katanya dalam satu kenyataan, di sini.
Sementara itu, Timbalan Pengurus Besar, Jabatan Lestari dan Kualiti Kulim, Salasah Elias berkata, pelbagai aktiviti diadakan dalam program sehari dengan kerjasama Institut Pendidikan Guru Kampus Temenggong Ibrahim (IPGKTI), Johor Bahru dan Pusat Pemulihan Dalam Komuniti (PDK) Daerah Johor Bahru itu.
"Antara aktiviti yang dijalankan adalah terapi bagi OKU yang disampaikan oleh penuntut IPGKTI, ceramah dan bengkel memasak bersama anak-anak istimewa.
"Turut diadakan Forum Inspirasi Semarak Kasih 2.0 yang membincangkan mengenai cabaran dan peranan ibu bapa serta keluarga dalam membesarkan anak-anak istimewa," katanya.
KOMUNITI
SEMARAK KASIH 2.0
ZULKIFLY ZAKARIAH (tiga dari kanan) bersama petugas dan peserta program Semarak Kasih 2.0 yang dihadiri lebih 100 anak-anak istimewa di Pusat Latihan Kulim, Kota Tinggi, Johor, baru-baru ini.

ABOUT KULIM

SECTION

02

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84 Management Team

88 Locations of the Group's Palm Oil Division Operations

Ladang Mungka, Segamat, produced 35,000 tonnes of FFB in 2017

CORPORATE MILESTONES

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.

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 milion.

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 Ventures ("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 ("EA Tech") acquired 20% and 18% respectively, of Orkim Sdn Bhd ("Orkim"), increasing its tanker fleet, bringing along charter contracts with major oil companies.

KFCH received the franchise rights to operate KFC restaurants in Mumbai and Pune, India.

2010

In April, NBPOL acquired 80% stake in CTP (PNG) Ltd (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, making 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.

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 capitalised accumulated interest into ordinary shares of AEDFL, which entailed AEDFL to become a 54.21% owned subsidiary of Kulim.

Kulim via its wholly owned subsidiary company Kulim Energy Nusantara Sdn Bhd ("KENSB") had on 24 October 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 O&G field in South West Bukit Barisan Block ("SWBB Block"), Central Sumatera, Indonesia.

On 10 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.

EA Tech an 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 ("SSSA") for the proposed acquisition of 51% equity interest in Classruum Technologies Sdn Bhd ("CRTSB"). CRTSB is principally involved in the Information, Communication and Technology ("ICT") business.

On 5 November 2015, Kulim received a letter from its major shareholder, JCorp, requesting for the Company to undertake a Selective Capital Reduction and Repayment ("SCR") exercise.

2016

On 10 February 2016, KENSB entered into a Supplemental Agreement with PT CSE, PT Wisesa Inspirasi Sumatera ("PT WIS") and PT Inti Energi Sejahtera ("PT IES") to amend the terms of Conditional Subscription and Shares Purchase Aggrement ("CSSPA") entered on 10 December 2014, including the purchase consideration from USD133.55 million to USD80 million.

The disposal of a part of a leasehold land in Tanjung Langsat, Johor Bahru (approximately 30 acres) to PGEO Edible Oils Sdn Bhd for a cash consideration of RM23 million was completed on 27 May 2016.

On 23 June 2016, Kulim completed the acquisition of PT Tempirai Palm Resources ("PT TPR") and PT Rambang Agro Jaya ("PT RAJ"), adding 8,345 hectares of planted oil palm in South Sumatera to the Group's landbank.

The resolution in respect of the SCR exercise was approved by 99.59% of Kulim's shareholders present at the Extraordinary General Meeting on 3 May 2016.

Kulim was delisted from the Official List of Bursa Malaysia Securities Berhad on 4 August 2016.

Kulim concluded the disposal of Granulab (M) Sdn Bhd to SIRIM Tech Venture Sdn Bhd on 13 November 2016.

Acquisition of additional 25% equity interest in Classruum Technologies Sdn Bhd ("CRTSB") was completed on 24 November 2016.

Kulim completed the acquisition of the remaining 40% stake in Kulim TopPlant Sdn Bhd held by TopPlant Laboratories Sdn Bhd on 8 December 2016.

2017

Kulim concluded the disposal of the entire 76% equity holdings in CRTSB to JCorp on 22 November 2017.

On 28 December 2017, Kulim completed the disposal of Menara Ansar to Waqaf An-Nur Corporation Berhad ("WanCorp").

Kulim completed the rationalisation of investment in Indonesia plantation at Central Kalimantan ("BarUt") on 28 December 2017.

GROUP'S SIGNIFICANT SUBSIDIARIES AS AT 28 FEBRUARY 2018

KULIM (MALAYSIA) BERHAD

PLANTATION | INTRAPRENEUR VENTURES | OIL AND GAS | OTHERS

54.21% Asia Economic Development Fund Limited

68% Asia Logistics Council Sdn Bhd

100% Sindora Berhad

50.60% E.A. Technique (M) Berhad *

100% Kulim TopPlant Sdn Bhd

100% Kulim Nursery Sdn Bhd

100% Mahamurni Plantations Sdn Bhd

75% Renown Value Sdn Bhd

82% Sindora Timber Sdn Bhd

100% Kulim Plantations (Malaysia) Sdn Bhd

75% MIT Insurance Brokers Sdn Bhd

100% Pembangunan Mahamurni Sdn Bhd

100% United Malayan Agricultural Corp Berhad

100% Kulim Energy Nusantara Sdn Bhd

100% Ulu Tiram Manufacturing Company (Malaysia) Sdn Bhd

100% Epasa Shipping Agency Sdn Bhd

75% Danamin (M) Sdn Bhd

95.57% Kumpulan Bertam Plantations Berhad

60% Microwell Bio Solutions Sdn Bhd

100% Edaran Badang Sdn Bhd

95% Pinnacle Platform Sdn Bhd

100% EPA Management Sdn Bhd

100% Kulim Livestock Sdn Bhd

99.56% Special Appearance Sdn Bhd

100% Selai Sdn Bhd

100% Sovereign Multimedia Resources Sdn Bhd

75% Extreme Edge Sdn Bhd

75% Kulim Safety Training and Services Sdn Bhd

74% PT Wisesa Inspirasi Nusantara

75% Perfect Synergy Trading Sdn Bhd

75% Optimum Status Sdn Bhd

Malaysia | Indonesia | Hong Kong

* Kulim's effective holding in E.A. Technique (M) Berhad is 53.16% inclusive of 2.56% direct holding

The full list of companies under Kulim Group is set out in Notes 14 to the Financial Statements

CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN/NON-INDEPENDENT NON-EXECUTIVE DIRECTOR
Dato' Kamaruzzaman Abu Kassim

CORPORATE ADVISOR
Ahamad Mohamad

EXECUTIVE DIRECTOR
Zulkifly Zakariah

INDEPENDENT NON-EXECUTIVE DIRECTOR
Dr. Radzuan A. Rahman

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR
Zulkifli Ibrahim
Jamaludin Md Ali
Mohamad Salleh Mohamad Yusof
Wan Su Ali

SECRETARIES
Idham Jihadi Abu Bakar. ACIS
(MAICSA 7007381)
Nuraliza A. Rahman. ACIS
(MAICSA 7067934)

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Johor, Malaysia.
Tel. : +607-219 2692
Fax. : +607-223 3175

PRINCIPAL PLACE OF BUSINESS
Ulu Tiram Estate,
81800 Ulu Tiram,
Johor, Malaysia.
Tel. : +607-861 1611
Fax. : +607-861 1701

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
PricewaterhouseCoopers (PWC)

WEBSITE
www.kulim.com.my

STOCK EXCHANGE LISTING

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

BOARD OF DIRECTORS

left to right

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

AHAMAD MOHAMAD
Corporate Advisor/Non-Independent Non-Executive Director

ZULKIFLY ZAKARIAH
Executive Director

JAMALUDIN MD ALI
Non-Independent
Non-Executive Director

DR. RADZUAN A. RAHMAN
Independent
Non-Executive Director

ZULKIFLI IBRAHIM
Non-Independent
Non-Executive Director

WAN SU ALI
Non-Independent
Non-Executive Director

MOHAMAD SALLEH MOHAMAD YUSOF
Non-Independent
Non-Executive Director

BOARD OF DIRECTORS' PROFILE

Aged 54, 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 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.

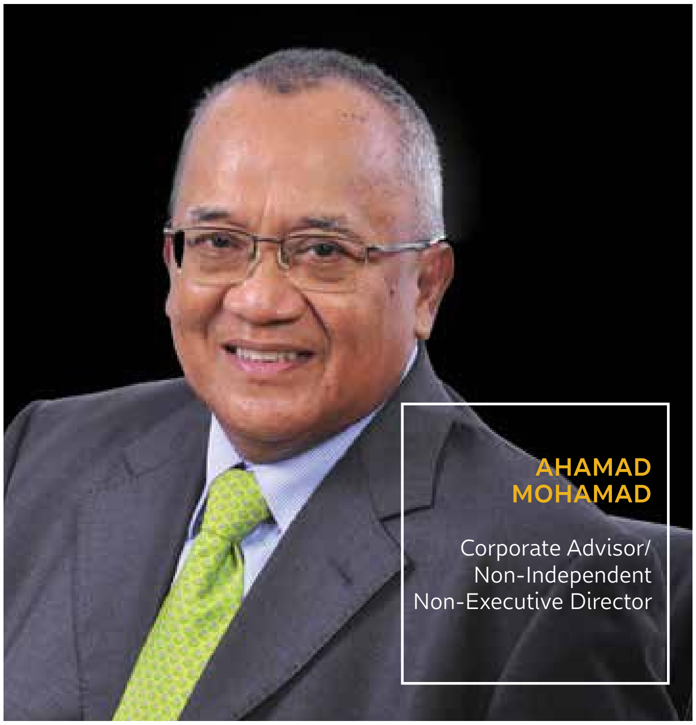
He is currently the President & Chief Executive of JCorp with effect from 1 December 2010. Prior to that, he had served as the Chief Operating Officer of JCorp beginning from 1 August 2006 and later appointed as Senior Vice President, Corporate Services & Finance of JCorp beginning from 1 January 2009.

He also sits as the Chairman of KPJ Healthcare Berhad, E.A. Technique (M) Berhad and Damansara Reit Managers Sdn Bhd (Manager for Al-'Aqar & Al-Salam Reits), other companies/ funds under JCorp Group listed on the Main Market of Bursa Malaysia Berhad. Further, he is also the Chairman of several companies within the JCorp Group which includes, amongst others, Johor Land Berhad, QSR Brands (M) Holdings Sdn Bhd ("QSR Brands") and Waqaf An-Nur Corporation Berhad, an Islamic endowment institution which spearheads JCorp's Corporate Social Responsibility programmes. In addition, 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 three (3) Board of Directors' Meetings of the Company held during the Financial Year Ended 31 December 2017.

Aged 58, was appointed as the Executive Director of Kulim on 1 January 2017. Before assuming his current position, he was the Vice President of Estate Operations from January 2013 until December 2016. He joined Kulim in May 1980 as a Cadet Planter after completion of Higher School Certificate. Based on his wide experience and expertise in the plantation division, he has served Kulim's Indonesian operations from 1999 to 2005. He was the Regional Head for Kulim's Northern operations in Johor from May 2011 to December 2012. He is a member of incoporated Society of Planters and also a member of the Johor Clay Target Shooting Association. In addition, he also sits on the Board of several companies within Kulim Group as Chairman and Director.

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 three (3) Board of Directors' Meetings of the company held during the Financial Year Ended 31 December 2017.



Aged 65, was appointed to the Board of Kulim on 24 January 1991. He was previously the Managing Director of Kulim before he was re-designated as Non-Independent Non-Executive Director on 1 January 2017. 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 in Johor Bahru. He was member of the Board of Director of KPJ Healthcare Berhad before he resigned on 3 July 2017. He also Director of several other companies within the JCorp Group.

He is the Deputy Chairman of EA Tech, a company in JCorp Group which was listed on the Main Market of Bursa Malaysia Securities Berhad on 11 December 2014. Prior to that, he was the chairman of EA Tech since 12 January 2011, before he relinquished the position and appointed as the Company's Deputy Chairman on October 2017. Apart from that, 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 three (3) Board of Directors' Meetings of the Company held during the Financial Year Ended 31 December 2017.

BOARD OF DIRECTORS' PROFILE

Aged 75, was appointed to the Board of Kulim on 1 November 2006 as an Independent Non-Executive Director and resigned on 1 October 2016. He was re-appointed to the Board of Kulim on 16 January 2017 and was also appointed as the Chairman of the Audit Committee of Kulim.

He graduated with a Bachelor in Agricultural Science (Honours) degree from the University of Malaya in 1969. Subsequently, he obtained his Master and PhD in Resource Economics from Cornell University, New York in 1971 and 1974 respectively.

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

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, Green Capital Sdn Bhd, Bio X Cell Sdn Bhd and One Gahru Sdn Bhd.

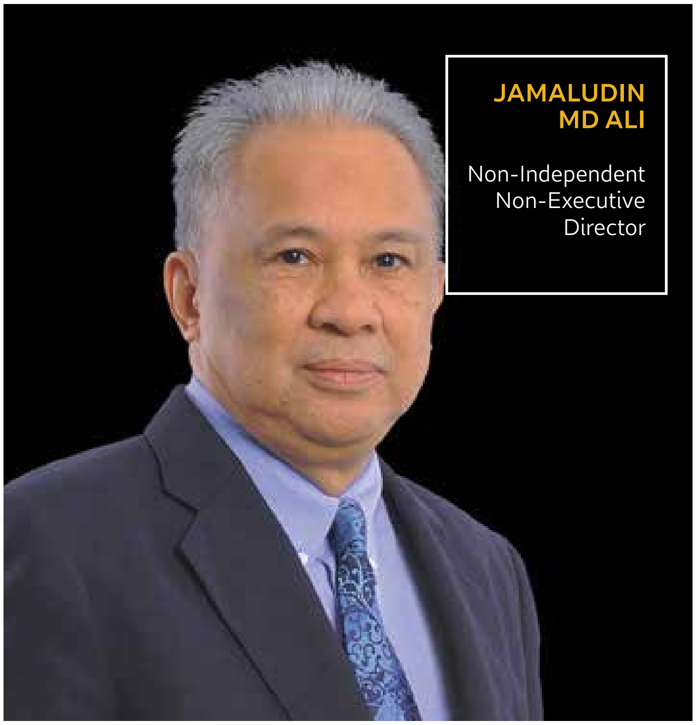
Other than as disclosed, he does not have any family relationship with any director and/or major shareholder of Kulim. He has no personal interest in any business arrangement involving Kulim and has not been convicted for any offences. He attended all three (3) Board of Directors' Meetings of the Company held during the Financial Year Ended 31 December 2017.

Aged 60, was the Chief Operating Officer of Kulim 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 of Kulim on 1 September 2013.

He is a Fellow of the Association of Chartered Certified Accountants, United Kingdom and a member of the Malaysian Institute of Accountants since 1992. He is currently attached to JCorp as the Senior Vice President/ Chief Executive, Industrial Development Division.

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 was the Chief Operating Officer of JCorp after serving 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 three (3) Board of Directors' Meetings of the Company held during the Financial Year Ended 31 December 2017.



Aged 60, was appointed to the Board of Kulim as a Non-Independent Non-Executive Director on 1 July 2012 and was re-designated as Executive Director on 13 December 2012.

He graduated with a Bachelor of Economics (Honours) Degree from University Malaya in 1982 and holds a Master of Business Administration from University of Strathclyde, Glasgow, UK which he obtained in 1987.

He started his career with Malayan Banking Berhad as a Trainee Officer from March 1982 until May 1982 where he joined Permodalan Nasional Berhad until May 1991 as an International Fund Manager. He joined JCorp in June 1991 and in 1996 he was appointed as Chief Executive of JCorp's Investment Division, a position which he held until 1996. In October 1996, he was appointed as Managing Director of Pelaburan Johor Berhad and held the position until 31 December 1997.

He was appointed as Managing Director of Johor Capital Holdings Sdn Bhd in January 1998 and held the position until December 1999. In January 2000, he was appointed as Senior General Manager of JCorp until December 2000 and subsequently promoted to Group Chief Operating Officer of JCorp from 2001 until 2006. He was appointed as a Director of QSR Brands and KFC Holdings (Malaysia) Bhd ("KFC Holdings") in June 2006 and was appointed as Managing Director for both QSR Brands and KFC Holdings in June 2006 and July 2006, respectively. He retired as Managing Director for both QSR Brands and KFC Holdings in December 2012. In 2012, he was appointed as Executive Director of Kulim until 2016. He has 27 years of experience in investment and corporate finance, more than six (6) years experience in managing an international franchised restaurant chain, retail and food processing operations and four (4) years in plantation sector. He presently holds directorships in a few 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 previous arrangement involving Kulim and has not been convicted for any offences. He attended all three (3) Board of Directors' Meetings of the Company held during the Financial Year Ended 31 December 2017.

Aged 52, was appointed to the Board as a Non-Independent Non-Executive Director of Kulim on 1 March 2017.

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

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

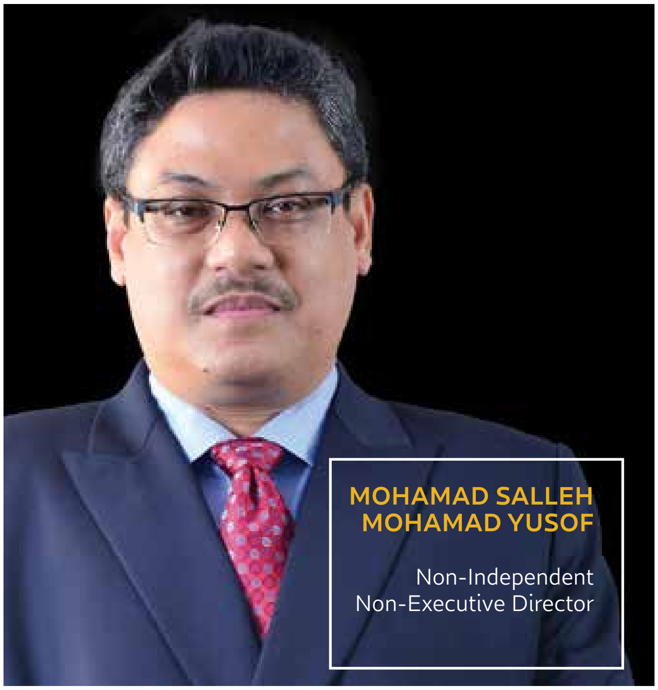
She has wide involvement and experience in negotiating, advising, preparing and drafting of corporate, conveyancing and commercial transaction covering locally and international jurisdiction. She also has wide exposure in handling litigation and arbitration matters, namely for JCorp and its Group of Companies.

During her tenure, she has been involved in transaction related to acquisition of equity in public listed and private companies, joint ventures, construction contract, corporate banking and loan and debt restructuring exercises.

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

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 previous arrangement involving Kulim and has not been convicted for any offences. She attended all three (3) Board of Directors' Meetings of the Company held during the Financial Year Ended 31 December 2017.

BOARD OF DIRECTORS' PROFILE



MOHAMAD SALLEH MOHAMAD YUSOF

Non-Independent Non-Executive Director

Aged 49, was appointed to the Board as a Non–Independent Non-Executive Director of Kulim on 1 March 2017.

He is a member of the Chartered Tax Institute of Malaysia ("CTIM") since 23 February 2012. In addition to that he is also a licenced tax agent under Section 153(3) of the Income Tax Act 1967 and Section 170 of the Goods and Services Tax Act 2014. He is currently the Vice President of Group Finance Division at JCorp. His previous experience include working in the big four (4) international accounting firms (PricewaterhouseCoopers and KPMG) for the past 24 years in both audit and tax prior to joining JCorp. His last designation in KPMG was Executive Director who was responsible for the tax practices in both Johor Bahru and Melaka branch offices.

He has extensive experience in both corporate and personal income tax compliance servicing a wide range of multinational, public and private companies involved in hospitality, manufacturing, transportation, plantation, agriculture, aquaculture, property development, construction, utilities and port operations.

In addition, he has been involved in numerous special assignments such as cross border transactions, concluding tax audit and investigation cases with the Inland Revenue Board ("IRB"), advising reputable legal advisors to represent tax payers in court cases, including being a witness during Income Tax Appeals processes, income tax incentive application to both of Ministry of Finance ("MOF") and Malaysian Investment Development Authority ("MIDA"), tax advisories and due diligences.

He has also been regularly invited as a speaker and panelist during the National Tax Seminar organized by the IRB. He has appeared as a panelist during the TV3 live telecast of the Malaysian Budget Commentary on behalf of MICPA and also as a speaker in relation to the Malaysian Budget Commentary during seminars, trainings and briefings for MICPA, CIMA, FMM, SME and clients. He has also been invited to give talks to the Singapore Manufacturing Federation in relation to ISKANDAR and Malaysian Income tax matters in Singapore. He has also been involved in assisting his clients in planning and implementation of the GST. His previous clients includes manufacturing, healthcare, services, property developers, construction and agriculture.

He also sits as a 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 previous arrangement involving Kulim and has not been convicted for any offences. He attended all three (3) Board of Directors' meetins of the Company held during the Financial Year Ended 31 December 2017.

ORGANISATION CHART

BOARD OF DIRECTORS

EXECUTIVE DIRECTOR
ZULKIFLY ZAKARIAH

HEAD OF INTERNAL AUDIT DIVISION
KASMAWATI KASIAN

HEAD OF CORPORATE SERVICES DIVISION
IDHAM JIHADI ABU BAKAR

HEAD OF FINANCE DIVISION
SHAHROM MOHD SAAD

HEAD OF HUMAN RESOURCE DIVISION
AMRAN ZAKARIA

HEAD OF PLANTATION DIVISION
MOHD AKHIR WANTEH

HEAD OF INDONESIA OPERATIONS DIVISION
MAHMUD SAIDOO

HEAD OF PLANTATION ADVISORY & SERVICES DIVISION
ZAINURIAH ABDULLAH

HEAD OF KULIM PINEAPPLE FARM
MOHAMAD YAMI BAKAR

HEAD OF AGROFOODS DIVISION
KAMARULZAMAN OTHMAN

HEAD OF BUSINESS DEVELOPMENT & MARKETING DIVISION
NOOR EFFENDY MOHD ALI

ADVISORY ROLE

MANAGEMENT TEAM

1 ZULKIFLY ZAKARIAH
Executive Director

Aged 58, was appointed as the Executive Director of Kulim on 1 January 2017. Before assuming his current position he was a Vice President of Estate Operations from January 2013 until December 2016. He joined Kulim 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 from May 2011 until December 2012. He is a member of the incorporated Society of Planters and also a member of the Johor Clay Target Shooting Association. He also sits on the Board of several companies within Kulim Group.

2 IDHAM JIHADI ABU BAKAR
Head of Corporate Services Division

Aged 51, was appointed as Head of General Services Division of Kulim on 1 February 2017 and be appointed as Head of Corporate Services Division on 12 February 2018. He was appointed as Secretary of JCorp effective on 19 July 2013. He is a qualified Company Secretary of the Institute of Chartered Secretaries and Administrators (UK). He is an Associate member of the Malaysian Institute of Chartered Secretaries and Administrators. Previously he was the General Manager of Company Affairs Department of JCorp. He also sits on the Board of several companies within JCorp and Kulim group.

3 SHAHROM MOHD SAAD
Head of Finance Division

Aged 51, was appointed as the Head of Finance Division of Kulim on 9 October 2017. He obtained his Bachelor of Accounting Degree with Honours from Polytechnic of East London, UK in 1992. He started his career with Malayan Banking Berhad in 1992 before joining Kulim as Executive in Corporate Finance Department in 1995. He also sits on the Board of several companies within Kulim Group.

4 AMRAN ZAKARIA
Head of Human Resource Division

Aged 50, was appointed as Head of Human Resource Division of Kulim on 24 April 2017. He graduated with a Bachelor in Science of Horticulture from University Putra Malaysia, Diploma in Training & Development from Auckland College of Education, New Zealand and Diploma in Industrial Relations from Malaysian Employers Federation. He brings with him vast experience in Human Resources Management at operation and strategic levels from his previous employment with well-established organisation namely Prime Minister Department, Toyota Group, Nestle and several GLCs. He comes across as a people and business-centric human resource partner with wide exposure in leading and implementing strategic human resource initiatives to drive productivity improvement.

5 MOHD AKHIR WANTEH
Head of Plantation Division

Aged 55, was appointed as the Head of Plantation Division of Kulim on 1 August 2017. He holds a Diploma in Planting Industry and Management from University Technology MARA ("UiTM") in 1984. He joined the Company on 1 December 1987 as Cadet Planter before he promoted as a Manager in 2004. He was the Regional Controller of Tunjuk Laut Complex in 2009 and becoming the Region Head of Plantation Operation in 2015 until December 2016. He also sits on the Board of Directors of several companies within Kulim Group.

MANAGEMENT TEAM

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6 ZAINURIAH ABDULLAH
Head of Plantation Advisory & Services Division

Aged 53, was appointed as Head of Plantation Advisory & Services Division of Kulim on 1 July 2017. She graduated with a Bachelor in Agricultural Science from Universiti Pertanian Malaysia in 1988. She joined Kulim as Cadet Executive in 1990 and later confirmed as an Agronomist and attached to Research and Development ("R&D") Department. She was promoted to Manager R&D Department in 2000. In 2004 she was promoted to Senior Manager before becoming Comptroller of R&D in 2007 until 2017. She also sits on the Board of several companies within Kulim Group.

7 MOHAMAD YAMI BAKAR
Head of Kulim Pineapple Farm

Aged 50, was appointed as Head of Kulim Pineapple Farm of Kulim on 1 August 2017. He holds a Diploma in Planting Industry and Management from University Technology MARA in 1990. He joined the Company on 4 August 1990 as a Cadet Planter. He was seconded to Damansara Forest Project (PNG) Pte Ltd in 1996 and promoted as a Manager in 2004. He became a Regional Controller of Sedenak Complex in 2011 and Tunjuk Laut Complex in 2014. Later, he was seconded to PT Wahana Semesta Kharisma, Indonesia in October 2014 until December 2016. He also sits on the Board of several companies within Kulim Group.

8 KAMARULZAMAN OTHMAN
Head of Agrofoods Division

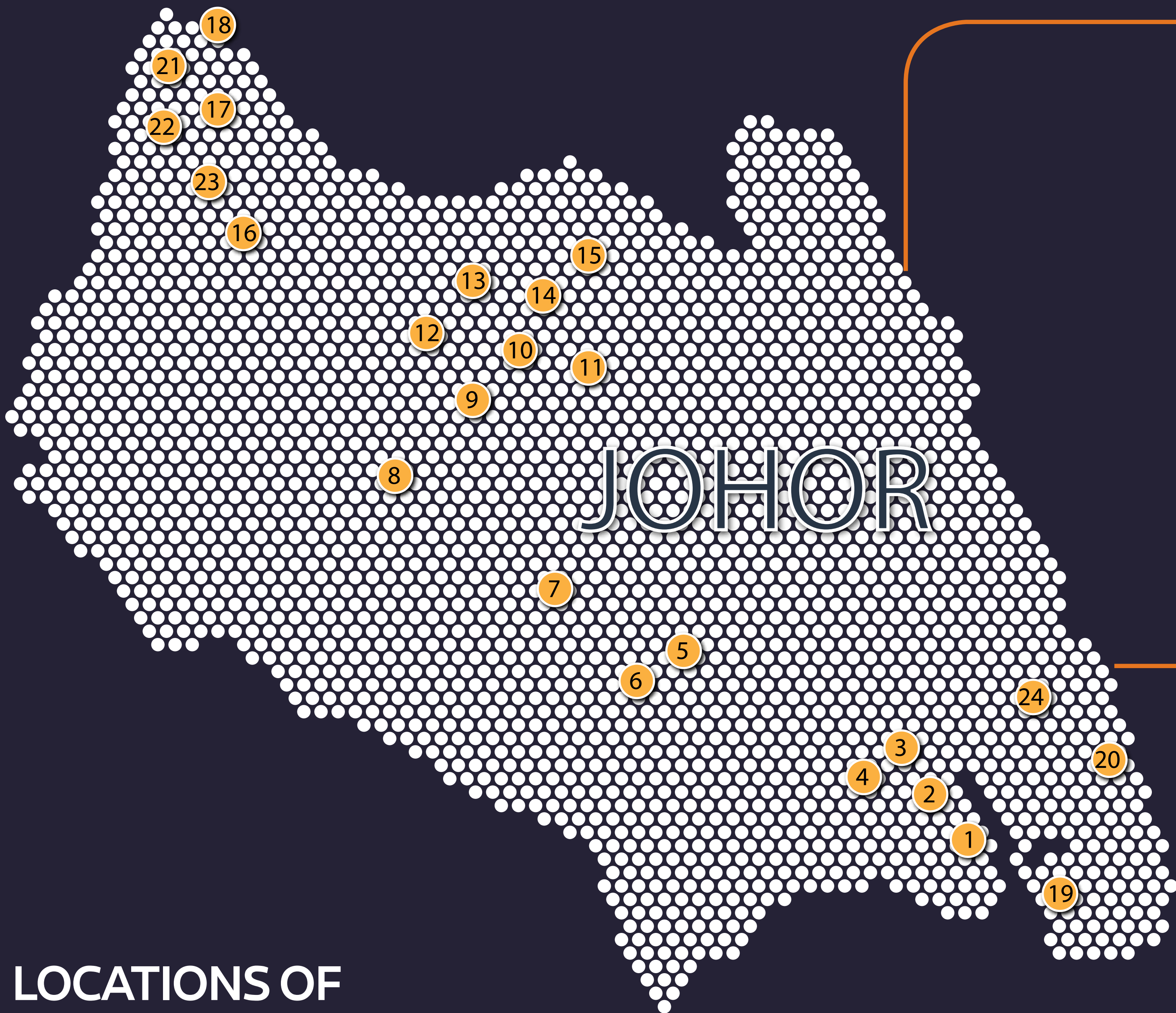
Aged 52, was appointed as Head of Agrofoods Division of Kulim on 1 January 2017. He graduated with a Bachelor of Science from Universiti Sains Malaysia in 1989. He joined the Company in 1993 and was a Senior Manager in Plantation Division before transferred to JTP Trading Sdn Bhd as a General Manager in charge of the company's core activity of tropical fruit exports in 2009. In 2012, he joined JCorp to head the newly setup Agrofoods Department with the main activities in cattle and poultry projects and integrated farming before he was transferred back to Kulim Livestock Sdn Bhd in 2014. He was promoted as the Executive Director of Kulim Livestock Sdn Bhd in 1 January 2017. He sits on the Board member of Malaysian Pineapple Industrial Board since May 2013 and several other companies within Kulim Group.

9 NOOR EFFENDY MOHD ALI
Head of Business Development & Marketing Division

Aged 54, was appointed as Head of Business Development and Marketing Division of Kulim on 12 February 2018. He graduated with a Bachelor of Science (BSc) in Finance from the Northern Illinois University, United States of America in 1987. He joined the Company as an Executive at Internal Audit Department in 1990 and transferred to Marketing/ Commercial Department in 1993. He was promoted as a Manager in 2004 before became the Senior Manager in 2014 until December 2016. He also sits on the Board of several companies within Kulim Group.

10 AZMIL MAJID
Secretary

11 AZIDA ISMAIL
Assistant Secretary



LOCATIONS OF THE GROUP'S PALM OIL DIVISION OPERATIONS

ESTATES AND MILLLS :

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

PERFORMANCE HIGHLIGHTS AND STATISTICS

SECTION

03

92 Group 5-Year Financial Statistics

95 Group Statement of Value Added

96 5-Year Plantation Statistics

98 Human Capital Statistics

100 Properties of The Group in Malaysia

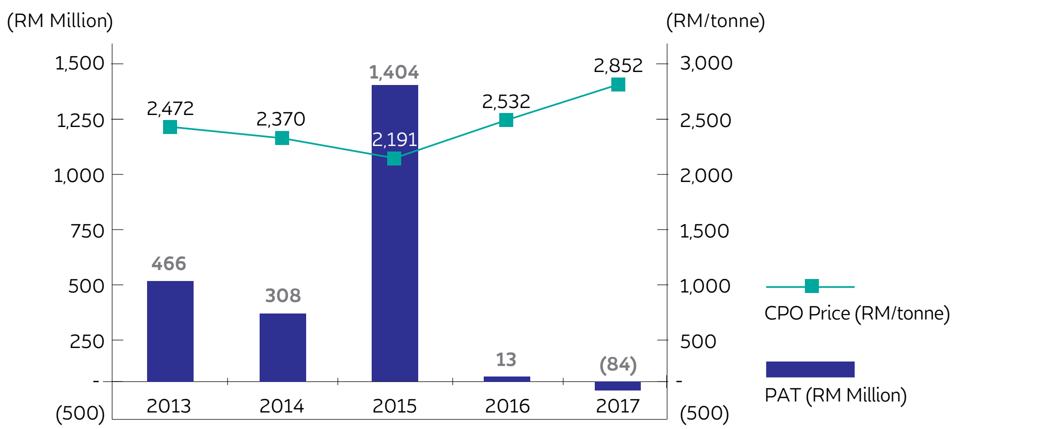
Palm oil produced in a socially and environmentally sustainable manner is now one of the world's most important vegetable oil

GROUP 5-YEAR FINANCIAL STATISTICS

	2017	2016	2015	2014	2013
STATEMENT OF COMPREHENSIVE INCOME HIGHLIGHTS (RM'000)					
Revenue	**1,542,012**	1,612,738	1,443,024	1,093,665	1,013,156
Segment %:					
Plantation	**67%**	56%	54%	70%	77%
Intrapreneur Ventures	**3%**	3%	4%	24%	20%
Others	**30%**	41%	42%	6%	3%
Profit from Operations	**127,217**	85,722	113,576	138,324	146,974
Segment %:					
Plantation	**193%**	86%	64%	134%	112%
Intrapreneur Ventures	**(1%)**	1%	2%	16%	32%
Others	**(92%)**	13%	34%	(50%)	(44%)
Interest income	**3,871**	33,930	36,909	11,820	11,067
Finance costs	**(88,197)**	(59,477)	(33,003)	(55,197)	(51,423)
Share of results of associates	**552**	(258)	317	586	300
Profit before taxation	**43,443**	59,917	117,799	95,533	106,918
Taxation	**(48,312)**	(46,391)	(30,193)	(34,005)	(66,817)
(Loss)/profit after taxation from					
- Continuing operations	**(4,869)**	13,526	87,606	61,528	40,101
- Discontinued operation	**(79,072)**	(340)	1,316,326	246,913	425,720
Net profit for the year	**(83,941)**	13,186	1,403,932	308,441	465,821
Attributable to:					
Owners of the Company	**15,172**	3,855	1,410,516	164,303	431,067
Non-controlling interests	**(99,113)**	9,331	(6,584)	144,138	34,754
Net profit for the year	**(83,941)**	13,186	1,403,932	308,441	465,821

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

GROUP 5-YEAR PROFIT VS AVERAGE CPO PRICE

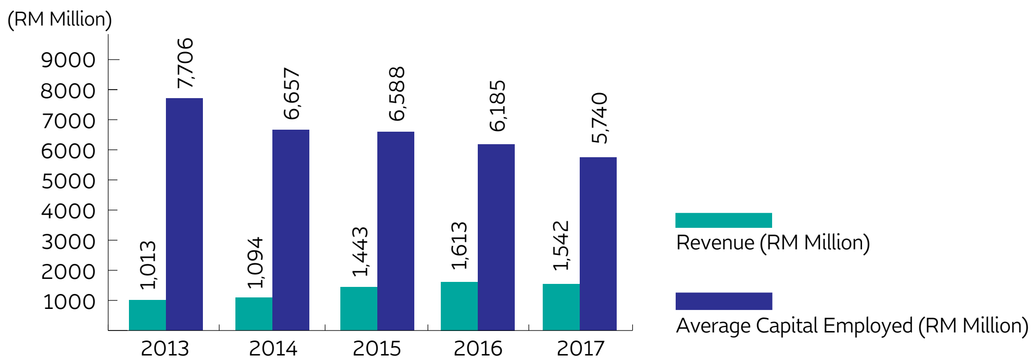


Group Fnancial Statements: Page 139 – 152

GROUP 5-YEAR FINANCIAL STATISTICS

	2017	2016	2015	2014	2013
STATEMENT OF FINANCIAL POSITION HIGHLIGHTS (RM'000)					
ASSETS EMPLOYED					
Other non-current assets	**5,999,175**	5,744,668	5,348,716	3,773,743	6,624,596
Intangible assets	**26,905**	32,774	69,819	33,439	189,762
Total Non-Current Assets	**6,026,080**	5,777,442	5,418,535	3,807,182	6,814,358
Other current assets	**758,039**	768,291	603,815	324,987	1,238,362
Cash and bank balances	**325,470**	530,783	1,584,805	342,597	377,180
Assets of disposal group classified as held for sale	**-**	-	13,291	4,783,791	-
Total Current Assets	**1,083,509**	1,299,074	2,201,911	5,451,375	1,615,542
Other current liabilities	**566,931**	450,495	296,560	173,452	333,899
Loans and borrowings	**506,895**	1,182,151	396,772	750,924	1,030,716
Liabilities of disposal group classified as held for sale	**-**	-	-	2,084,517	-
Total Current Liabilities	**1,073,826**	1,632,646	693,332	3,008,893	1,364,615
	6,035,763	5,443,870	6,927,114	6,249,664	7,065,285
FINANCED BY:					
Share capital	**1,000**	1,000	337,605	335,626	323,513
Reserves	**1,562,825**	1,256,419	1,266,529	1,794,906	1,551,740
Reserves of disposal group classified as held for sale	**-**	-	-	(51,622)	-
Retained profits	**2,661,240**	2,698,746	4,218,890	1,943,596	1,905,404
Shareholders' equity	**4,225,065**	3,956,165	5,823,024	4,022,506	3,780,657
Non-controlling interests	**117,219**	222,462	209,423	1,590,197	1,346,491
Long-term borrowings	**1,253,253**	858,745	512,507	451,261	1,032,921
Other long-term liabilities	**440,226**	406,498	382,160	185,700	905,216
	6,035,763	5,443,870	6,927,114	6,249,664	7,065,285
Average capital employed	**5,739,816**	6,185,492	6,588,389	6,657,475	7,706,499
Average shareholders' equity	**4,090,615**	4,889,595	4,922,765	3,901,582	3,599,171

GROUP 5-YEAR REVENUE VS AVERAGE CAPITAL EMPLOYED



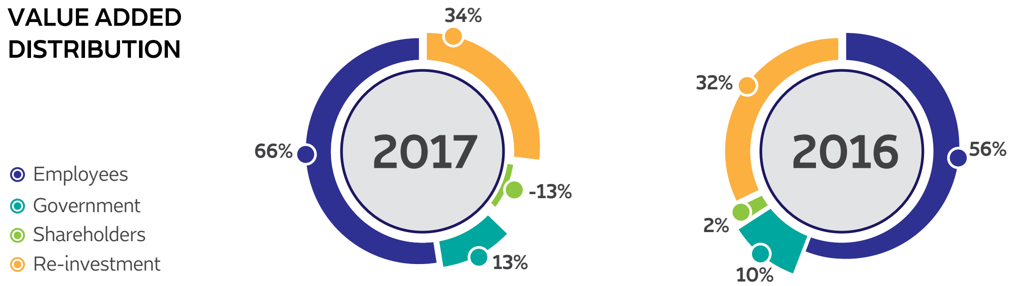
GROUP 5-YEAR FINANCIAL STATISTICS

	2017	2016	2015	2014	2013
STATEMENT OF CASH FLOWS HIGHLIGHTS (RM'000)					
Net cash flow from operating activities	**403,752**	195,851	14,512	683,194	705,369
Net cash flow from investing activities	**(33,668)**	(418,997)	2,224,535	(565,141)	405,623
Net cash flow from financing activities	**(388,311)**	(982,375)	(1,173,053)	(102,688)	(1,345,144)
Net change in cash and cash equivalents	**(18,227)**	(1,205,521)	1,065,994	15,365	(234,152)
KEY FINANCIAL INDICATORS					
Profitability and Returns					
Operating profit margin (%)	**8.25**	5.32	7.87	12.65	14.51
PBT margin (%)	**2.82**	3.72	8.16	8.74	10.55
PATMI margin (%)	**0.98**	0.24	97.75	15.02	42.55
Return on average shareholders' equity (%)	**0.37**	0.08	28.65	4.21	11.98
Return on average capital employed (%)	**0.26**	0.06	21.41	2.47	5.59
Net assets per share (RM)	**1,056.27**	989.04	4.74	3.03	2.96
Solvency and Liquidity					
Gearing ratio (times)					
- Gross	**0.41**	0.49	0.15	0.21	0.40
- Net	**0.33**	0.36	(0.11)	0.15	0.33
Interest cover (times)	**1.49**	2.01	4.57	2.73	3.08
Current ratio (times)	**1.01**	0.80	3.18	1.81	1.18
Financial Market					
EPS (sen)					
- basic	**379.31**	96.38	109.80	12.55	33.80
- diluted	**-**	-	108.03	12.49	33.48
Gross dividend per share (sen)	**12.50**	-	37.65	9.50	-
Gross dividend rate (%)	**50**	-	151	38	-
Gross dividend yield (%)	**-**	-	11.09	2.82	-
Net dividend payout rate (%)	**-**	-	35.46	76.76	-
Average price-to-earnings ratio (times)	**-**	-	3.09	26.85	10.44
Average price-to-book ratio (times)	**-**	-	0.72	1.11	1.19

GROUP STATEMENT OF VALUE ADDED

	2017 RM'000	2016 RM'000
VALUE ADDED		
Revenue	1,542,012	1,612,738
Purchase of goods and services	(1,092,623)	(1,138,954)
Value added by the Group	449,389	473,784
Other income	98,276	72,880
Finance cost	(88,197)	(59,477)
Share of results of associates	552	(258)
Discontinued operation	(79,072)	(340)
Value added available for distribution	380,948	486,589
DISTRIBUTION		
To Employees		
Staff costs	250,406	272,171
To the Government		
Taxation	48,312	46,391
To Shareholders		
Dividends	50,000	-
Non-controlling interests	(99,113)	9,331
Retained for re-investment and future growth		
Depreciation/ amortisation of PPE	166,171	154,841
Retained earnings	(34,828)	3,855
	380,948	486,589
No. of employees at year end (excluding discontinued operations)	8,754	8,487
Value added per employee (RM)	51,335	55,825
Wealth created per employee (RM)	43,517	57,333
No. of shares at year end ('000 units)	4,000	4,000
Value added per share (RM)	112	118
Wealth created per share (RM)	95	122

VALUE ADDED DISTRIBUTION



5-YEAR PLANTATION STATISTICS MALAYSIA

	2017	2016	2015	2014	2013
OIL PALM					
Production (tonnes)					
FFB produced - Processed by own mills	**952,278**	844,582	872,867	827,341	801,297
FFB produced - Sold to others	**42,851**	6,854	13,305	13,738	14,599
Total FFB produced	**995,129**	851,435	886,172	841,079	815,896
Purchased FFB	**312,962**	359,224	415,029	425,484	458,561
Total FFB processed	**1,467,696**	1,339,659	1,410,658	1,252,825	1,259,858
Crude Palm Oil	**299,981**	273,354	294,255	257,881	254,735
Palm Kernel	**79,071**	70,030	78,290	69,681	70,891
Yield and Extraction Rates					
FFB yield (tonnes per mature hectare)	**23.98**	20.86	22.50	22.34	22.11
OER (%)	**20.44**	20.40	20.86	20.58	20.22
KER (%)	**5.39**	5.23	5.55	5.56	5.63
Average Selling Price (RM per tonne)					
Crude Palm Oil (locally delivered)	**2,852**	2,532	2,191	2,370	2,472
Palm Kernel (ex-mill)	**2,427**	2,387	1,534	1,708	1,287
AREA STATEMENT (HECTARES)					
Oil palm					
- Mature	**41,497**	40,819	39,387	37,654	36,909
- Immature	**5,601**	6,209	7,623	9,469	10,198
	47,097	47,028	47,010	47,123	47,107
Other crops:					
Rubber	**-**	298	298	337	410
Sentang	**12**	25	25	25	25
Pineapple	**200**	182	216	191	195
Fruits (inter-row planting with oil palm)	**-**	-	509	465	666
Planted area	**47,309**	47,533	47,549	47,676	47,737
Reserve land, building sites etc	**3,685**	3,500	3,450	3,484	3,423
Titled area	**50,994**	51,033	50,999	51,160	51,160

PLANTATIONS STATISTICS
INDONESIA

	2017	2016	2015	2014
OIL PALM				
AREA STATEMENT (HECTARES)				
Oil palm				
- Mature	**3,524**	4,316	-	-
- Immature	**4,821**	4,336	307	71
Planted area	**8,345**	8,652	307	71
Undeveloped Land	**6,166**	46,390	40,338	40,574
Total area with HGU*	**14,511**	14,397	-	-
Total area with IUP#	**23,700**	64,345	40,645	40,645

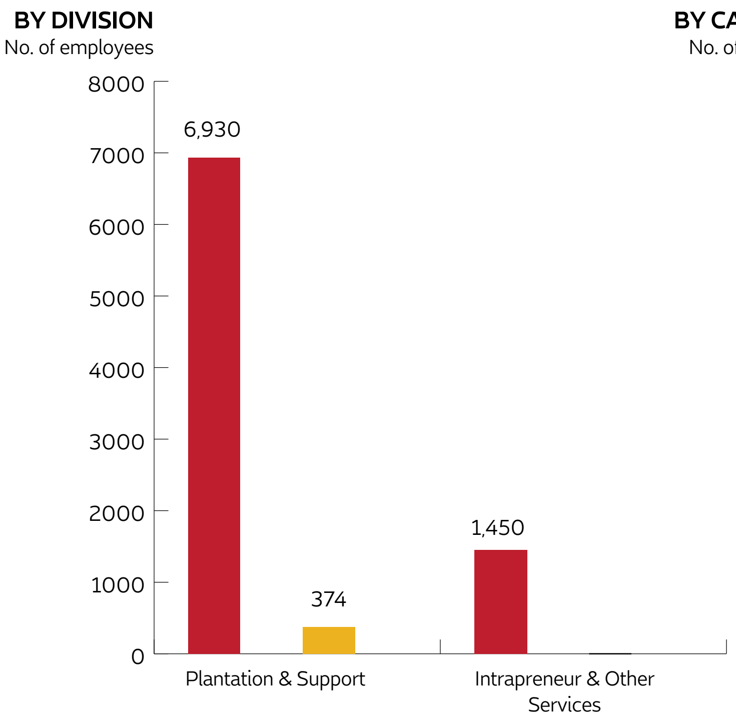
* HGU - *Hak Guna Usaha*
\# IUP - *Izin Usaha Perkebunan*

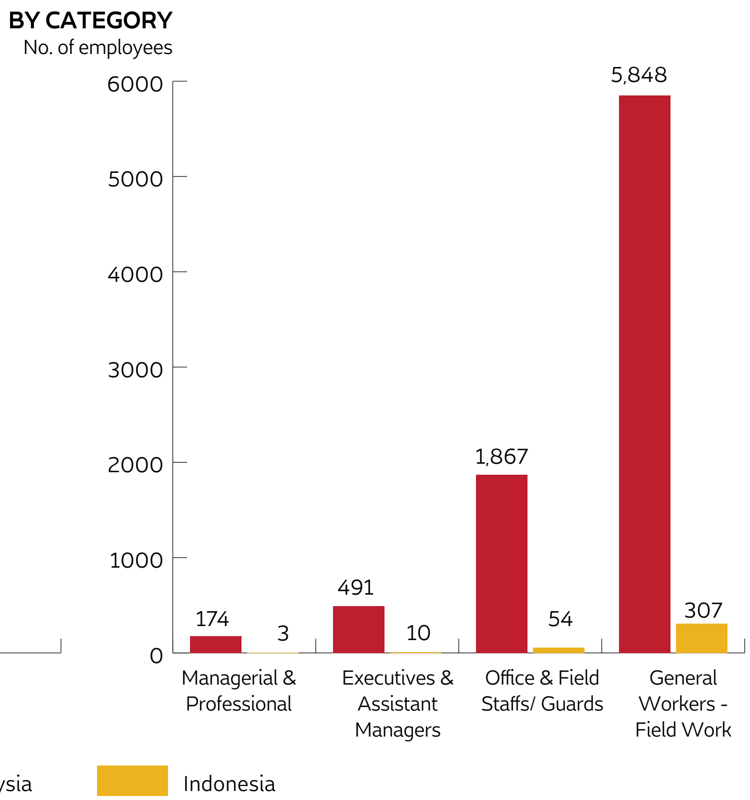
HUMAN CAPITAL STATISTICS

AS AT 31 DECEMBER 2017

	BY DIVISION		
DIVISION	**Malaysia**	**Indonesia**	**Total**
Plantation and Support	6,930	374	7,304
Intrapreneur and Other Services	1,450	-	1,450
	8,380	374	8,754

	BY CATEGORY		
CATEGORY	**Malaysia**	**Indonesia**	**Total**
Managerial and Professional	174	3	177
Executives and Assistant Managers	491	10	501
Office and Field Staffs/ Guards	1,867	54	1,921
General Workers - Field Work	5,848	307	6,155
	8,380	374	8,754





PROPERTIES OF THE GROUP IN MALAYSIA

	Tenure	Hectares	Description	Net Book Value @ 31.12.2017 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	171,030	2017*
Mutiara Estate P O Box 21 Kampung Baru Kahang 86700 Kahang, Johor	Leasehold expiring: 20.06.2085 26.09.2085 4.11.2074	 1,610 324 607	Oil palm estate	159,017	2017*
Basir Ismail Estate K B 502 81909 Kota Tinggi, Johor	Freehold	3,197	Oil palm estate	393,408	2017*
REM Estate K B 501 81909 Kota Tinggi, Johor	Freehold Leasehold expiring: 12.03.2911 15.04.2093 14.03.2100 (Building age: 19 years)	1,241 985 4 1	Oil palm estate Oil palm estate Staff training centre	299,019	2017*
Sg. Sembrong Estate P O Box 21 Kampung Baru Kahang 86700 Kahang, Johor	Leasehold expiring: 05.05.2074 25.11.2082 13.10.2102	 607 604 29	Oil palm estate	84,418	2017*
Ulu Tiram Estate K B 710 80990 Johor Bahru, Johor	Freehold	500	Oil palm estate	181,948	2017*
Kuala Kabung Estate No 70, Jalan Ria 3 Taman Ria, Bukit Batu 81020 Kulai, Johor	Leasehold expiring: 16.08.2081	1,718	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
Mukim Sungai Tiram PTD 5069 HSD 564663	Leasehold expiring: 16.01.2068	8	Vacant land	8,511	2008
Mukim of Plentong, Johor PTD 155633 HSD 303856	Leasehold expiring: 18.05.2060	6	Container depot	17,100	2015
Mukim Bandar, PTB 17770 HSD 187429	Leasehold expiring: 26.10.2090	1	Building	23,914	2017*
12 units of Selesa Tioman Condotel	Leasehold expiring: 02.05.2107	0.07	Building	2,880	2017*
		13,638		**1,358,703**	

PROPERTIES OF THE GROUP IN MALAYSIA

	Tenure	Hectares	Description	Net Book Value @ 31.12.2017 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	164,039	2017*
Tereh Utara Estate K B 536 86009 Kluang, Johor	Freehold Leasehold expiring: 27.08.2078 Leasehold expiring: 27.06.2079	831 1,559 607	Oil palm estate	175,941	2017*
		5,795		**339,980**	
MAHAMURNI PLANTATIONS SDN BHD					
Rengam Estate K B 104 86300 Rengam, Johor	Freehold	2,418	Oil palm and rubber estate	214,597	2017*
Sedenak Estate K B 726 80990 Johor Bahru, Johor	Freehold	2,807	Oil palm estate	328,225	2017*
Siang Estate K B 515 81909 Kota Tinggi, Johor	Leasehold expiring: 23.01.2087	3,433	Oil palm estate	216,203	2017*
Sg. Papan Estate PO Box 15, Bandar Penawar 81909 Kota Tinggi, Johor	Leasehold expiring: 22.09.2090	2,996	Oil palm estate	156,794	2017*
Palong Estate K B 530 85009 Segamat, Johor	Leasehold expiring: 11.09.2112	1,916	Oil palm estate	94,951	2017*
Mungka Estate K B 525 85009 Segamat, Johor	Leasehold expiring: 11.09.2112	1,928	Oil palm estate	94,509	2017*
Kemedak Estate K B 525 85009 Segamat, Johor	Leasehold expiring: 11.09.2112	1,786	Oil palm estate	87,681	2017*
Pasir Panjang Estate K B 527 81909 Kota Tinggi, Johor	Leasehold expiring: 16.09.2112	1,610	Oil palm estate	94,340	2017*
		18,894		**1,287,300**	

PROPERTIES OF THE GROUP IN MALAYSIA

	Tenure	Hectares	Description	Net Book Value @ 31.12.2017 RM'000	Year of Acquisition/ Revaluation
UNITED MALAYAN AGRICULTURAL CORPORATION BERHAD					
UMAC Estate PO Box 64 86007 Segamat, Johor	Leasehold expiring: 17.03.2070 29.08.2071 11.12.2071 28.11.2072 25.02.2074	 239 237 324 346 474	Oil palm estate	101,544	2017*
		1,620		**101,544**	
ULU TIRAM MANUFACTURING COMPANY (MALAYSIA) SDN BHD					
Bukit Layang Estate K B 502 81909 Kota Tinggi, Johor	Freehold	398	Oil palm estate	56,631	2017*
		398		**56,631**	
SELAI SDN BHD					
Enggang Estate K B 503 86009 Kluang, Johor	Freehold	1,735	Oil palm estate	107,817	2017*
Selai Estate K B 529 86009 Kluang, Johor	Freehold	1,800	Oil palm estate	111,856	2017*
		3,535		**219,673**	
KUMPULAN BERTAM PLANTATIONS BERHAD					
Sepang Loi Estate K B 520 85009 Segamat	Freehold	970	Oil palm estate	66,530	2017*
		970		**66,530**	
SINDORA BERHAD					
Sindora Estate K B 539 86009 Kluang, Johor	Leasehold expiring: 24.01.2086	3,919	Oil palm estate	245,497	2017*
Sg. Tawing Estate K B 531 86009 Kluang, Johor	Leasehold expiring: 27.06.2079	2,226	Oil palm estate	111,973	2017*
		6,145		**357,470**	
TOTAL - PLANTATIONS		**50,994**		**3,787,831**	

* These properties were revalued in 2017. The accounting policy on revaluation is disclosed in Note 2.7 to the Financial Statements.

PROPERTIES OF THE GROUP IN MALAYSIA

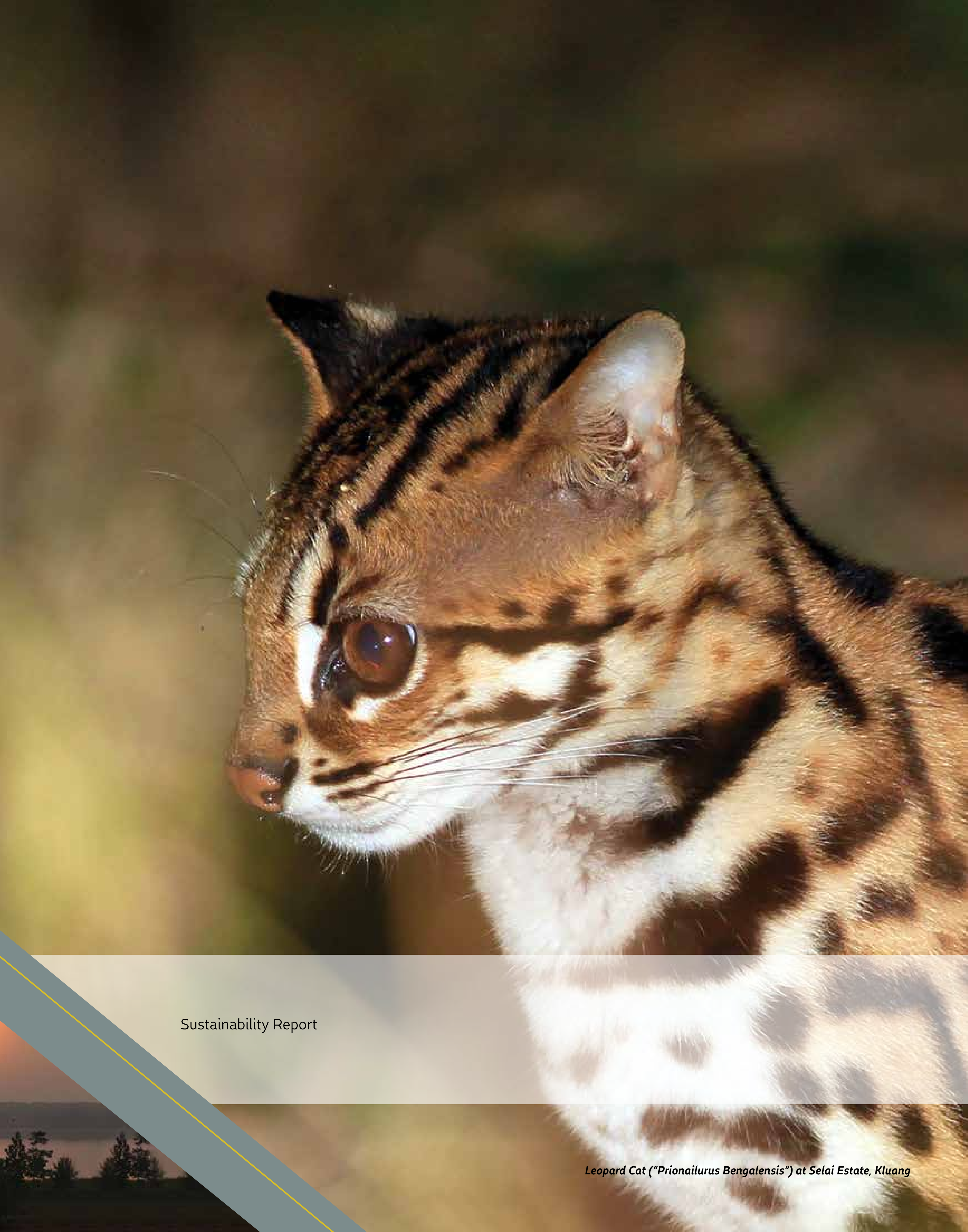
	Tenure	Area	Description	Net Book Value @ 31.12.2017 RM'000	Year of Acquisition/ Revaluation
SINDORA BERHAD					
Sindora Timber Complex Lot 1384 Industrial Area Phase 1 Bandar Tenggara 81000 Kulai, Johor	Leasehold (60 years) Expiring: 24.11.2059 (Building age: 18 years)	2.56 hectares	Industrial land and building	112	2000
	Leasehold (60 years) Expiring: 30.01.2041 (Building age: 35 years)	2,344,000 sq. ft.	Industrial land and building for office and factory	5,265	1983
	Leasehold (60 years) Expiring: 30.01.2041 (Building age: 32 years)	5,000 sq. ft.	Factory building	37	1986
No 1, Jalan Temenggong 10 Bandar Tenggara 81000 Kulai, Johor	Leasehold Expiring: 18.04.2085 (Building age: 31 years)	6,000 sq. ft.	1 unit of double-storey bungalow (staff residence)	49	1987
No 17, Jalan Resam Green Plains, Taman Bukit Tiram 81800 Ulu Tiram, Johor	Leasehold (Building age: 28 years)	0.5699 hectares	1 unit of double-storey bungalow (staff residence)	576	1990
				6,039	
E.A. TECHNIQUE (M) SDN BHD					
Setiawangsa Business Suites Unit C-3A-3A No 2, Jalan Setiawangsa II Taman Setiawangsa 54200 Kuala Lumpur	Freehold (Building age: 12 years)	6,402 sq. ft.	Office building	980	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	713	2013
11&13, Jalan Serangkai 1, Taman Bukit Dahlia, 81700 Pasir Gudang, Johor	Leasehold (89 years)	348 m^2	Shop office	852	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	2,717	2014
				4,282	
DQ-IN SDN BHD					
Lot PT 11254, Taman Perindustrian Paka, 23100 Paka Dungun, Terengganu	Leasehold (85 years)	143m^2	Shop Office	286	2014
TOTAL - INTRAPRENEUR VENTURES				**11,587**	

60 tonnes per hour; Tereh Palm Oil Mill, Kluang, produced 68,000 mt CPO and 19,000 mt PKO in 2017

SUSTAINABILITY REPORT

SECTION

04



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

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CORPORATE GOVERNANCE OVERVIEW STATEMENT

INTRODUCTION

WE WOULD LIKE TO TAKE THIS OPPORTUNITY TO PROVIDE YOU WITH SOME INSIGHTS INTO THE BOARD OF DIRECTORS' ("BOARD") VIEW OF CORPORATE GOVERNANCE, ITS KEY FOCUS AREAS AND FUTURE PRIORITIES IN RELATION TO THE CORPORATE GOVERNANCE PRACTICES.

This statement sets out the principles and features of Kulim Group's corporate governance framework and main governance practices. Kulim remains committed in ensuring the principle of good corporate governance in the conduct of the businesses and affairs of the Group. Integrity, transparency and professionalism are key components for the Group's continued growth and success.

The Board is unreservedly committed to applying the practices necessary to ensure that highest standards of corporate governance and corporate conduct are adhered to throughout the Group in the interest of the stakeholders.

Kulim Group will continue its efforts in evaluating its governance practices in response to evolving best practices and the changing needs of Kulim Group. The Group has complied with and shall remain committed to attaining the highest possible standards of Corporate Governance through the continuous adoption of the principles and best practices of the Malaysian Code on Corporate Governance 2017 ("MCCG 2017") and all other applicable laws.

BOARD LEADERSHIP AND EFFECTIVENESS

Board Responsibilities

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

Amongst the key responsibilities of the Board are as follows:

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

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

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

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

2. **Overseeing the conduct of the 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 nationals 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 controls and mitigation measures.**

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

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

4. **Succession planning.**

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

   Each year, the division assess the performance of the identified potential candidates undergoing the Johor Corporation Leadership Programme ("JLP"). The JLP is a two (2)-years 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 their leadership experiences. In 2016, a total of five (5) employees were selected for the JLP Cohort III 2017/2019, the third edition of the programme, joining an earlier batches of 14 candidates.

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 shareholders are well-informed about the Group's affairs and development.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

6. **Reviewing the adequacy and 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 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;
   - Appointment and resignation of Company Secretaries;
   - Appointment and resignation of Board Members in Board Committees;
   - Approval of terms of references of Board Committees and amendments to such items;
   - Appointment and resignation of Senior Executive positions, including the Executive Directors, their duties and the continuation of their service; and
   - Disclosure of the corporate governance practices of the Company in the Integrated Annual Report.

2. **Remuneration**
   - Approval of the remuneration arrangements for Non-Executive Directors. The Non-Executive Directors whose remuneration is being deliberated by the Board should play no part in the deliberations;
   - Approval of the remuneration structure and policy for Executive Directors and key executives; and
   - Approval of remuneration packages for Executive Directors and Senior Executives;

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 Integrated Annual Report and Statutory Financial Statements;
   - Approval of interim dividends, the recommendation of final dividends and the making of any other distribution;
   - Adoption of accounting policies;
   - Approval of corporate policies and procedures, including the Group's system of internal control;
   - Review of the effectiveness of the Group's system of internal control; and
   - Disclosure of the state of internal controls of the Group to be included in the Integrated Annual Report.

5. **Other matters to be considered including:**
   - The granting of powers of attorney by the Company;
   - The entering into any indemnities or guarantees;
   - Recommendations for the alteration of the Constitution of the Company;
   - Alteration of the accounting reference date, registered office and name of the Company;
   - Purchase of own shares by the Company;
   - Issuance of any debt instruments;
   - Political or charitable contributions;
   - Scheme of reconstruction or restructuring; and
   - Any other significant business decision.

The Board is led by the Chairman, Dato' Kamaruzzaman Abu Kassim who is responsible for leadership of the Board, ensuring its effectiveness on all aspects of its role and setting its agenda. The Chairman is also responsible for creating an environment for open, robust and effective debate. This include ensuring, via Company Secretary, that the Directors receive accurate, timely and clear information.

The role and responsibilities of our Board Chairman and Executive Director are separate and distinct, to ensure that there is a balance of power and authority, such that no one individual has unfettered powers of decision making.

Zulkifly Zakariah is an Executive Director of the Company and leads the day-to-day management of the Group. He, together with the support of the management team, formulate business strategies and plans so as to achieve the Group's vision and missions, targeted growth, turnover and profitability to meet the stakeholders' expectation. He is responsible for implementing the policies and decisions of the Board and coordinating the implementation of business and corporate strategies.

The Company Secretary is an Associate member of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA"). The Secretary whose appointment and removal is subject to the Board's approval, attend all Board and Board Committees' meetings. The Secretary is responsible for the following in respect of effective Board operation:

- To ensure good information flows within the Board and its committees, between senior management and Non-Executive Directors.
- To facilitate Directors' induction and assisiting with professional development.
- To advise the Board through the Chairman of all corporate governance obligations and developments in rules and regulations.
- To be responsible for communicating with shareholders as appropriate.

The Board has direct access to the advice and services of the Secretary who is responsible to the Board for ensuring that all governance matters and Board procedures are followed and that all applicable laws and regulations are complied with.

The Chairman, assisted by the Company Secretary takes responsibility in ensuring that the Directors receive all notices, agendas and minutes of the previous meetings and 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 Executive Director in consultation with the Chairman would decide on the agenda and accordingly structure and prioritise the respective matters based on their relevance and importance so as to enable quality and in-depth discussion of the matters. All decisions and conclusions of the Board meetings are to be duly recorded and minutes are kept by the Company Secretary.

The Board recognises the importance of providing timely, relevant and up-to-date information in ensuring an effective decision making process by the Board. In this regard, the Board is provided with not just quantitative information but also those of qualitative nature that is pertinent and of a quality necessary to allow the Board to effectively deal with matters that are tabled in the meeting.

The duties and responsibilities of the Board of Directors are clearly defined in the Board Charter which regulates how business is to be conducted by the Board in accordance with the principles of good Corporate Governance. The Board Charter was last reviewed on 24 June 2014. The Board Charter will adopt any changes to the MCCG 2017, the Companies Act 2016 or any other relevant rules and regulations from time to time for best practices.

Access to Independent Professional Advice

In discharging Directors' duties, each member of the Board is entitled to obtain independent professional advice at the cost of the Company.

If a member considers such advice is necessary, the member shall first discuss it with the Chairman and having done so, the member shall bring this matter up to the Board. The reason(s) for seeking independent professional advice and the proposed cost involved should be presented to the Board for approval. Once Board approval is obtained, the member is free to proceed.

The member should provide proper notice to the Company Secretary of the intention to seek independent advice and shall provide the names(s) of the professional advisors that he/she intends to contact, together with a brief summary of the subject matter for which professional advice is sought. The Company Secretary shall provide written acknowledgement of acceptance of notification. In the event that one (1) or more Directors seek to appoint one (1) or more advisors, the Chairman should take steps to facilitate discussions to arrive at a consensus. Fees for the independent professional advice will be payable by the Company but approval of the Board will be required.

The above restriction shall not apply to Executive Director acting in the furtherance of their executive responsibilities and within their delegated powers.

For the purposes of this section, independent professional advice shall include legal, accounting or other professional financial advice. Independent professional advice shall exclude any advice concerning the personal interests of the Directors (such as with respect to their contracts or disputes with the Company), unless these are matters affecting the Board as a whole and have the unanimous agreement of the Board.

Access to the Management 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 Executive Director and Chairman.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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.

Code of Ethics

The Code of Ethics ("Code") sets forth the standard of conduct and culture required for all employees of the Group. The Code sets out the ethical standards of conduct that all employees are expected to comply with in their dealings with colleagues, customers, shareholders, suppliers, competitors, the wider community and the environment. Among others, the Code also requires the employees to ensure the following:

- maintaining full and accurate Company's 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.
- 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.

The Board has set up guidelines which are designed to legalise acceptable behaviours for the committee members to increase confidence in the Group by showing that the Board members are committed in following basic ethical guidelines in the course of discharging its duties that cover:

- Corporate Governance
- Relationships: Shareholders, Employees, Creditors, Customers
- Social Responsibilities & Environment

The Directors adhere to the Code 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.

Whistleblowing Policy

The Group has a Whistleblowing Policy in place. The objective are as follows:

- 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 whistleblower receive a response and aware of how to pursue if they are not satisfied.
- reassure that whistleblower will be protected from possible retaliations.

A Whistleblowing Policy is published on the Company's website.

Board Committees

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

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

The Board, as at the date of this Statement, consists of:

Executive Director
- Zulkifly Zakariah

Non-Independent Non-Executive Directors
- Dato' Kamaruzzaman Abu Kassim
- Ahamad Mohamad
- Jamaludin Md Ali
- Zulkifli Ibrahim
- Mohamad Salleh Mohamad Yusof
- Wan Su Ali

Independent Non-Executive Director
- Dr. Radzuan A. Rahman

The Board met three (3) times during the financial year 2017. Attendance at Board meetings is set out in the table below:

	288th BOD 27/03/2017	289th BOD 13/08/2017	290th BOD 30/11/2017
Dato' Kamaruzzaman Abu Kassim	/	/	/
Zulkifly Zakariah	/	/	/
Ahamad Mohamad	/	/	/
Zulkifli Ibrahim	/	/	/
Jamaludin Md Ali	/	/	/
Dr. Radzuan A. Rahman	/	/	/
Mohamad Salleh Mohamad Yusof	/	/	/
Wan Su Ali	/	/	/

Currently, the Board has one (1) standing committee namely, Audit Committee. The Board retains full responsibility for the direction and control of the Group.

BOARD COMPOSITION

The composition of the Board will reflect the duties and responsibilities to discharge and perform as representative of the interests of the shareholders. The composition of the Board shall reflect as much as possible or practicable, proportional representation of investments in the Group. Directors are not required to hold any qualification share.

A formal invitation to join the Group as a Board member would be extended by the Chairman after approval from the Board. The Chairman should ensure that all Board members, when taking up office, are fully briefed on the terms of their appointment, duties and responsibilities. New members will also be briefed on the operations of the Group to increase their understanding of the business 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; and
6. Additional information including the latest business plan and budget, the latest Integrated Annual Reports and accounts and minutes of past three (3) Board of Directors' meetings and applicable Committee Meetings.

The new members will be required to meet key members of the management. Members are expected to keep themselves abreast of changes and trends in the business and with the Group's business environment and markets, and changes and trends in the economic, political, social, legal and regulatory climate that could affect the business of the Group.

In addition, the Constitution provide that the office of any Director shall become vacant if such Director:

- becomes bankrupt;
- be found to be lunatic or become of unsound mind;
- ceases to be a Director under the provisions of the Companies Act 2016;
- be convicted of any sizeable offences;
- 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.

As at the date of this Statement, there are eight (8) Directors on the Board comprising of one (1) Executive Director and a strong team of seven (7) Non-Executive Directors of whom one (1) is Independent Directors.

There were several changes to the board composition during the year. Zulkifly Zakariah was appointed to the Board as Executive Director on 1 January 2017. On the same day, the Board accepted the resignation of Abdul Rahman Sulaiman as Executive Director. Ahamad Mohamad and Jamaludin Md Ali were re-designated as Non-Independent Non-Executive Directors ("NINED") on 1 January 2017. Rozaini Mohd Saat had resigned from the Board as NINED on 1 March 2017.

Dr. Radzuan A. Rahman was re-appointed to the Board as Independent Non-Executive Director on 16 January 2017. Mohamad Salleh Mohamad Yusof and Wan Su Ali joined the Board as NINED respectively on 1 March 2017.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Currently, Dr. Radzuan A. Rahman is only Independent Director in the Board. Although Kulim has yet to be in line with Practice 4.1, that recommend the Board to have at least half of the Board is independent, the Board believes that the interest of Shareholders would be better served by a Chairman and a team of Board members who act collectively in the best overall interest of shareholders with a balance that consists of Executive Director and Non-Executive Directors, such that no individual or small group of individuals can be dominate the Board's decision making.

The size and composition of the Board provides for a diversity of views, the desired level of objectivity and independence in Board deliberations and decision making. The Directors of the Group are persons of high integrity and caliber who come from diverse backgrounds with expertise and skills accounting, plantations, economics, taxation and legal.

The appointment of senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, length of service and knowledge of the Group and cultural background.

The Group 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.

REMUNERATION

The Board believes that the levels of remuneration offered by the Group are sufficient to attract Directors and senior management with sufficient experience and talents to contribute to the performance of the Group. Comparison with similar position within the industry is made in order to arrive at a fair rate of remuneration. The Board will determine the level of remuneration paid to members.

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

	Salary RM'000	Allowances/ Other Emoluments RM'000	Bonus RM'000	Benefit In-kind RM'000	Total RM'000
Executive Director					
Zulkifly Zakariah	341	372	104	30	847
Non-Independent Non-Executive Directors					
Dato' Kamaruzzaman Abu Kassim	-	-	-	37	37
Ahamad Mohamad	600	471	305	11	1,387
Zulkifli Ibrahim	-	-	-	-	-
Jamaludin Md Ali	-	-	-	-	-
Mohamad Salleh Mohamad Yusof	-	-	-	-	-
Wan Su Ali	-	-	-	-	-
Independent Non-Executive Director					
Dr. Radzuan A. Rahman	-	-	-	-	-
Grand Total	**941**	**843**	**409**	**78**	**2,271**

EFFECTIVE AUDIT AND RISK MANAGEMENT

AUDIT COMMITTEE

The Audit Committee ("AC") facilitates the Board of Directors to fulfill its corporate governance and overseeing responsibilities in relation to the Group's financial reporting, internal control system, risk management and internal and external audit functions.

The AC of the Group comprises three (3) members. The AC is chaired by an Independent Non-Executive Director, Dr. Radzuan A. Rahman.

The Audit Committee Report for the financial year which sets out the composition, a summary of activities of the Audit Committee and internal audit function, is contained on page 125 to 126 of this Integrated Annual Report.

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Group recognised that it is obliged to systematically manage and regular 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 releasing its objectives. Not only does it minimize its opportunities. It enhances the Company's capability to respond timely to the changing environment and its ability to make better decision.

The Group's Statement on Risk Management and Internal Control are set out on page 116 to 124 of this Integrated Annual Report.

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

COMMUNICATION WITH STAKEHOLDERS

Corporate governance is not only concerned with shareholder interests but requires balancing the needs of other stakeholders such as employees, customers and suppliers.

The Group has been using the following formal channels to communicate with shareholder and stakeholders:

a) **Integrated Annual Report**
The Integrated Annual Report remains a major channel of communications disclosing information not only on the Group's business, financials and additional information such as the Group's mission and vision, operations performance, outlooks and senior management team. The Board places great importance on the contents of the Annual Report to ensure the accuracy of the information as the Annual Report is a vital source of information.

Integrated Annual Reports of the Company are available at the Company's website.

b) **Annual Audited Financial Statements**
The Board is fully accountable for ensuring the Audited Financial Statements are prepared in accordance with Companies Act 2016 and Malaysian Financial Reporting Standards so as to present a true and fair view of the Group and Company's state of affairs, results and cash flows as at the end of the accounting period.

In preparing the Audited Financial Statements, the Directors are satisfied that the applicable Malaysian Financial Reporting Standards and provisions of the Companies Act 2016 have been complied with and reasonable and prudent judgements and estimates have been made.

c) **Sustainability**
The Board recognises that the Company's stakeholders are increasingly interested in understanding its approach and performance in embedding sustainability in the organisation.

The Group has published a Sustainability Statement which disclosed Group's efforts and initiatives in managing its material economic, environmental and social risks and opportunities. The reporting is guided by the Global Reporting Initiative ("GRI") standard. The Sustainability Statement is on page 104 of this Integrated Annual Report.

RELATED PARTY TRANSACTIONS

All related party transactions entered into by the Group were made in the ordinary course of business and on the same terms as those prevailing at the time for comparable transactions with other persons or charged on the basis of equitable rates agreed between the parties.

Details of the transactions entered into by the Group during the financial year ended 31 December 2017 are set out on page 234 to 239 of this Integrated Annual Report.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

OUR QUEST TO EXCEL IN DELIVERING VALUE TO SHAREHOLDERS AND REALISING THE GROUP'S MISSION TO BE THE MOST PROGRESSIVE, EFFICIENT, PROFITABLE AND RESPECTABLE ORGANIZATION IS UNDERPINNED BY THE CONTINUOUS IMPLEMENTATION OF ENTERPRISE RISK MANAGEMENT ("ERM") FRAMEWORK ACROSS THE GROUP. OUR GROUP IS COMMITTED TO MANAGING RISKS IN A PROACTIVE AND EFFECTIVE MANNER. THIS IS DEMONSTRATED THROUGH COMPREHENSIVE RISK ANALYSIS AT ALL LEVELS IN REDUCING THREATS, PURSUING OPPORTUNITIES AND CREATES COMPETITIVE ADVANTAGE.

Our Board recognizes the importance of sound risk management and internal control system practices to good corporate governance with the objective of safeguarding the shareholder's investment and the Group's assets.

Our Board also acknowledges overall responsibility for the Group's risk management and internal controls. This includes the establishment of an appropriate control environment and framework, as well as the need to review the effectiveness, adequacy and integrity of this system.

Our Group conducts periodic testing on the adequacy, effectiveness and integrity of the internal controls to ensure the achievement of objectives on the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with applicable laws and regulations.

Our Group has in place an ongoing control structure and process for identifying, evaluating and managing the significant risks faced by the Group to the achievement of business objectives and strategies throughout the financial year under review. This process is regularly reviewed by our Board with the assistance from Audit Committee ("AC") and the management. The Board retains overall responsibility for implementing and monitoring the internal control and risk management process within the Group.

Our Group's system of internal control is designed to manage, rather than eliminate the risk which could arise from human error, the possibility of poor judgment in decision making, control process being deliberately circumvented by employees and others, management overriding controls and the incidence of unforeseeable circumstances. Accordingly, it must be recognised that the system can only provide reasonable and not absolute assurance against misstatement, breaches of laws or regulations, fraud or losses. In addition, our management also takes into consideration the expected cost and benefits to be derived from the implementation of the internal control system.

Risk Management and Compliance Committee ("RMCC")

Our statement is prepared in accordance with the Practice 9.0 of the MCCG 2017 and guided by the "Statement On Risk Management and Internal Control: Guidelines For Directors Of Listed Issuers". This guideline set out the obligations of management and the Board with respect to risk management and internal control. It also provides guidance on the key elements needed in maintaining a sound system of risk management and internal control and describes the process that should be considered in reviewing its effectiveness. The scope of the disclosure excludes associated company which is not under the control of the Group.

RISK MANAGEMENT FRAMEWORK

The Group recognises that it is obliged to systematically manage and regularly review its risk profile at a strategic, financial, compliance and operational level. Our Group's Enterprise Risk Management ("ERM") framework incorporates the principles and guidelines of ISO 31000:2009 Risk Management. The framework defines our Group's intention and commitment towards effective risk management and internal control practices. It also determines the responsibilities of the Group involves in ERM, outlines the risk management process and identifies tools for realising the Group's objectives aside from supporting and sustaining risk management throughout the organisation. It supports our Group's efforts to achieve the highest levels of corporate governance, including the creation of value in the short and long-term.

The key success factors of our Group's risk management process are active contribution and communication at operational and strategic level. Our Group's risks are managed on an integrated basis and their evaluation is incorporated into the Group's decision-making process such as strategic planning and each project feasibility studies. The continuous practices and application at Group-wide will ensure our Board has sufficient and accurate information about the level of risk the Group wants to take and with that information, appropriate controls will be implemented to ensure the achievement of the established business objectives.

Our Board believes that the risk management framework is adequately overseen through the AC and assisted by the management via formation of Risk Management and Compliance Committee ("RMCC"). The RMCC is represented by senior management from all business functions of the Group. The Committee met three (3) times in 2017. This Committee which is cross-functional in nature, was formed to assist the Board in implementing the processes for identifying, analysing, evaluating, monitoring and reporting of risks and internal controls and to ensure proper management of risks to which our Group is exposed and to take appropriate and timely actions to manage such risks. The AC which consists of members with diversity in the industry and business knowledge will periodically review the risk management report and provides an objective view on the risk identification, assessment and challenge the management on the adequacy of mitigating strategies.

A strong culture of ownership and accountability is further built through a clear identification of specific roles and responsibilities in our framework that is Board, Management Committee, RMCC, Risk Management and Compliance Department, Risk Owner, Risk Co-Owner, Internal Audit Department and all staff. This has improved their understanding of the boundaries of their responsibilities and how their positions fit into the organisation's overall risk and control structure as well as minimising the potential gaps in controls and unnecessary duplications of coverage.

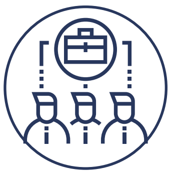
STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

RISK MANAGEMENT PROCESS

During the year under review, our Group's ERM approach which priorities risk according to their likelihood and impact goes through the following steps:

Department or Business Unit Risk Assessment:
The risk owner performs an exercise to identify and assess risk. The main sources of reference used at the identification phase are the business plans and budgets, financial and production performances, board and annual reports, audit findings, market and sector research, compliance report and historical data. The exercise also covers a comprehensive occupational health and safety risk assessment process through the Hazard Identification, Risk Assessment and Risk Control ("HIRAC"). The risk owner provides the Risk Management and Compliance Department ("RMCD") with risk register updates on a quarterly basis. The risk level is determined according to their respective financial or non-financial risk parameter.

Presentation to the RMCC:
The RMCD will facilitate the Risk Owner during the risk assessment and risk action planning. Each risk will be evaluated in terms of the adequacy and effectiveness of the existing internal checks and balances controls, so as to provide a reasonable assurance that the likelihood and impact of the adverse event are within a manageable and acceptable level. The level of likelihood of a particular outcome actually occurring, including a consideration of the frequency of the event are determined using an approved likelihood parameter. The impact of an event is similarly evaluated using an approved financial or non-financial impact parameter. The RMCC will review, rank and debate the risk profile, its ratings, control effectiveness and risk treatment options plans identified by the Risk Owners.



Compilation of Group Risk Profile:
The Group Chief Risk Officer extracts all the endorsed top risk as tabled in RMCC as the Group Risk Profile in accordance with the Group's financial or non-financial risk parameter.

Audit Committee Review:
The AC provides an objective view on the significant risks presented by the Group Chief Risk Officer. The AC will requests and challenges risk information and its risk mitigation strategies implemented by the Group. The AC also acts as change catalyst in risk and control areas in the Group.

Board of Directors Review:
The Chairman of AC will bring to the Board's attention, the significant risks as tabled and discussed in the AC meeting. The Board will then determines the final decision on the risk treatment options and risk action plans proposed by the management.

In ensuring our Group achieves its objectives, sustains the businesses and continues to add value to the stakeholders in the short, medium and long-term, our risk management process and approach is tailored to Group's structure and its constantly changing environment to ensure that our Group can continuously monitor and review its risks and the effectiveness of its risk management over time. Based on the results of monitoring and reviews, decisions are made on how the risk management program can be improved. These decisions should lead to improvements in our Group's management of risks and its risk management culture.

A separate risk management function also exists within our Group's listed subsidiary with the establishment of its own RMCC to assess and evaluate the risk management process of the company on a periodic basis.

In essence, the management of risks is treated as an iterative process. The benefits arising from effective risk management processes is the creation of awareness of risks among employees of different departments and business units.

UNDERSTANDING OUR SIGNIFICANT RISKS – TOP FIVE (5) GROUP RISKS

The identification of our significant risks during the year was taking into consideration the internally and externally driven factors. The following represents our Group's top strategic and operational risks that if we not effectively manage may create a significant or material adverse impact to the Group as well as impede the achievement of the established objectives and affect the Group's ability to create value.

RISK FACTORS	MITIGATING STRATEGIES
Economy-wide phenomena which affect the rate of industry growth, CPO, O&G prices and increase operating costs.	• Market intelligence and being up-to-date on market conditions. • Combination strategies of spot and forward contract for sales and procurement. • Creation of new revenue stream. • Enhance the productivity and efficiency through an innovative solution. • Cost optimisation initiatives and prudent CAPEX and OPEX management.
Replacement of Investment is critical in ensuring growth and business continuity.	• Continuously explore and secure new opportunities with innovative solutions. • 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 in meeting its financial obligations.	• Matching of inflows and outflows of cash and maintaining sufficient credit facilities. • Borrowings are created in a particular currency to match payments and receipts or liabilities and assets. • Capital restructuring. • 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. • Embarks on various initiatives in achieving the emissions reduction targets.

CONTROL ENVIRONMENT AND ACTIVITIES

The Board and the management committed in establish a strong control environment through a robust and effective check and balance. The control environment comprises the integrity and ethical values, the parameters enabling the Board to carry out its governance oversight responsibilities, organisational structure and assignment of authority and responsibility and effective human capital management. The Group's established objectives will be achieved through the commitment in continuously enhancing the design of the internal control environment through the adoption of various policies and procedures.

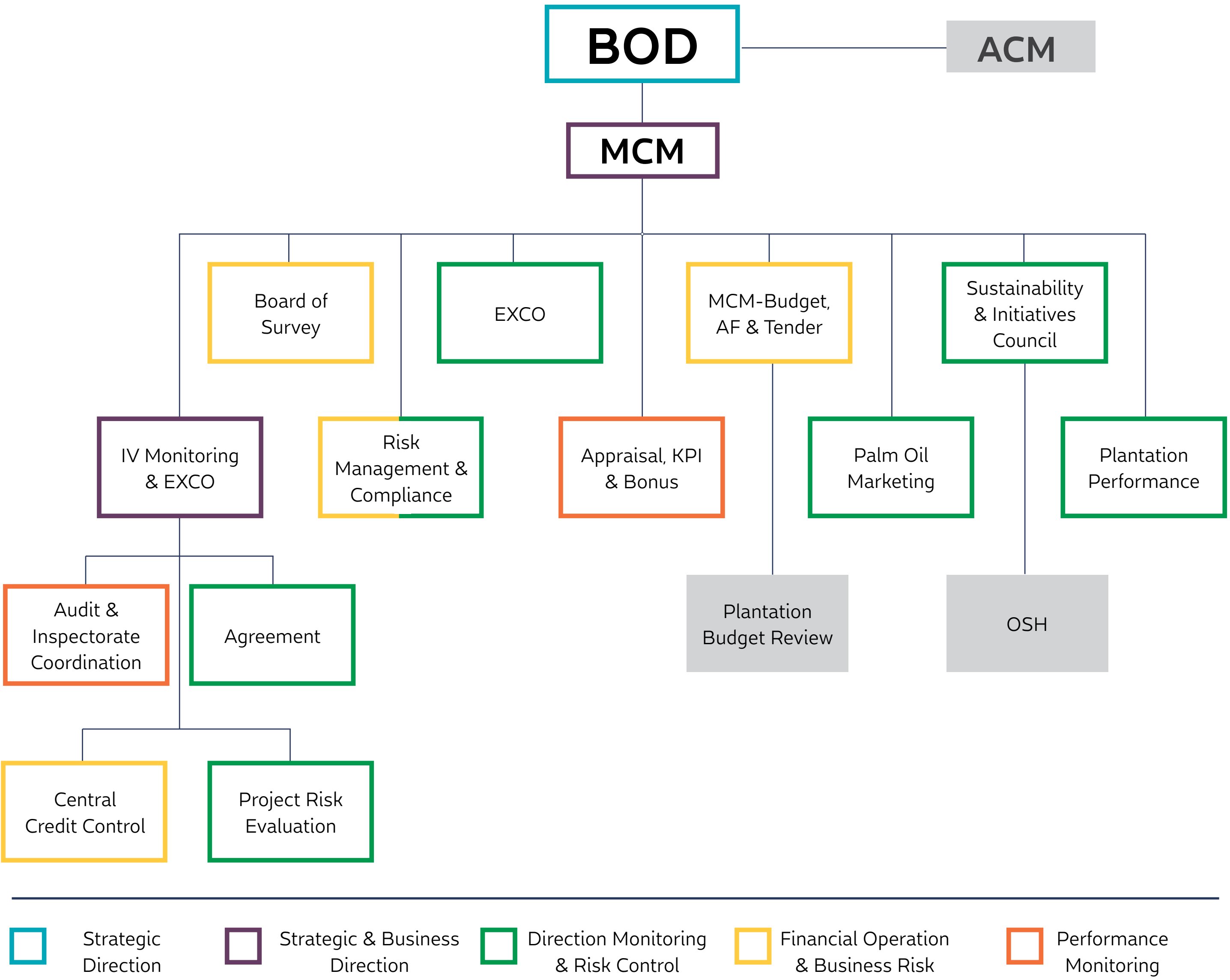
STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

BOARD AND MANAGEMENT

The Board and Management Committees are set up to promote corporate governance, transparency and accountability and to assist the Board in implementing and monitoring the system of internal controls within the Group with the aim of realising the vision, mission, strategies and objectives established for the Group.

The Committees oversee the areas assigned according to their Terms of Reference ("TOR") which are carefully developed to ensure that it is aligned with the Group's objectives, short-term and long-term strategic plans and to avoid overlapping activities and gaps in governance coverage.

COMMITTEE STRUCTURE



MANAGEMENT COMMITTEE	
NAME OF COMMITTEE	**PRIMARY FUNCTION**
Management Committee ("MCM")	To review and evaluate the performance progress including the key policy and strategy implementations of the various divisions, subsidiaries and operating units of the Group. Where authorised, to formulate and approve matters relating to Group policy, objectives and business strategy and projects, and where necessary to evaluate and recommend for Board's approval.
Board of Survey	To review all requests pertaining to write-off or write-back on fixed assets, debtors, stocks and creditors and recommend them for the ratification of the MCM.
Executive Committee ("EXCO")	To coordinate departmental roles and administrative matters in relation to the various divisional operations and to review, recommend and seek Management's approval on any related proposals.
Management Committee – Budget, Tender and Additional Capital & Revenue Expenditure ("MCM – Budget, AF & Tender")	To recommend to the MCM the award of contracts for purchases and projects to suppliers/ contractors in accordance with the Contract Administration Guidelines and Procedures of the Company. To review the budget and all requests pertaining to capital and revenue spending and to recommend them for the ratification of the MCM.
Sustainability and Initiatives Council	To oversee and monitor the development, implementation, maintenance, compliance and effectiveness of all matters relevant to sustainability and quality initiatives of the Group as well as ensuring compliance with the principles and criteria of RSPO. Periodic assessment and prioritisation of legal compliance risk areas and review the efficiency and effectiveness of Group-wide compliance activities.
Risk Management and Compliance Committee	To review, rank and debate the risk identified, its ratings, control effective and other option plans on a periodic basis to ensure that the Group is managing risks effectively. Periodic assessment and prioritisation of legal compliance risk areas and review the efficiency and effectiveness of Group-wide compliance activities.
Appraisal, KPI and Bonus Committee	To deliberate on performance, KPIs, behavioural competencies and recommend appropriate increments, promotions and merit of all executives and corporate office staff.
Palm Oil Marketing Committee	To review and decide on the appropriate selling arrangement, quantity and prices of the Group's palm products.
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.
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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Company has also established committees to ensure the effective management and supervision of the Intrapreneur Ventures ("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 the viability of projects, proposals, funding, capital expenditure or capital adequacy of the IV companies.
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.
Central Credit Control Committee	To appraise the IV companies on its financial health, performance and compliance to Malaysian Financial Reporting Standards ("MFRS"), Income Tax Act 1967 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.

GROUP POLICIES AND PROCEDURES

Our Group policies and procedures are developed to ensure the effectiveness and efficiency of our operations, financial and non-financial reporting's reliability, timeliness, transparency as set forth by regulators and adherence to the laws and regulations that our business is subject to.

These policies and procedures are approved by management and the Board. Periodically, we review them to ensure it stay relevance and effective. Among others, the Group policies and procedures in place are:

- Accounting Policy & Procedures
- Agriculture Manual
- Contract and Purchasing Guideline Procedures
- Environmental Policy
- Forward Sales Policy
- *Halal* Policy
- Internet Access Policy
- Occupational, Safety & Health Policy
- People Policy
- Quality Policy
- Sustainability Policy

FINANCIAL AND OPERATIONAL CONTROL FRAMEWORK

Our Group acts in accordance with Malaysian Financial Reporting Standards and the requirements of the Companies Act 2016. Review of our actual performance against budgets and performance in prior periods are also being carried out and appropriate mitigating and monitoring are continuously carried out.

Our AC together with management reviews the Group's quarterly financial performance and then subsequently reported to the Board. The Group's financial results and operational performance will be assessed by the AC which particularly focusing on changes in major accounting policy, any significant matters or unusual events or transaction, related party transactions and integrity of the Group financial information.

We have Financial Authority Limit which defines revenue and capital expenditure spending limits for each level of management within the Group. These limits cover authority for cheques signatories, major capital and revenue expenditure spending limits, purchasing and contract procedures and approval mechanism for a budget.

Our 5-years strategic planning exercise is conducted annually and approved by the Board. Our Group is guided by this 5-years strategic planning which specifically outlines the business objectives and strategies. In this challenging economic and business landscape, new opportunities and innovative strategies are continuously explored to create competitive advantage which ultimately will expand our business and investment portfolio. In this respect, we have commenced our Blue Ocean Strategy Framework in our 2017 strategic planning exercise.

HUMAN CAPITAL MANAGEMENT

Our Group's organisation structure delineates the line of authority, responsibility and accountability. Its formation is focusing on both performance delivery and business continuity through succession planning. It fosters and promotes the continual development of employees, and ensures that key positions maintain some measure of stability, thus enabling our Group to achieve business objectives.

The structure supports our Group's ability to ensure that qualified and experienced management personnel which head the Group's diverse operating units are always available and in place to carry out their job functions. Training analysis is conducted annually and various internal and external training programs are in place to fulfill the actual skills and knowledge required. Their performance is measured against the established Balanced Scorecard which has been approved by the Board.

STATUTORY AND REGULATORY COMPLIANCE

Our Group is committed to complying with all statutory and regulatory requirements and we are subject to regular inspections by the relevant authorities. Our compliance program starts in the year 2017 with a bi-monthly compliance reporting from each department and business units to RMCD and subsequently reported to RMCC and AC.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

CORPORATE INTEGRITY

Our Group's corporate integrity initiatives are crafted to aspires the conduct of our affairs is in an ethical, responsible and transparent manner. We are committed to the highest standard of integrity, openess and accountability in the conduct of our businesses and operations.

A number of channels are available for our employees to report any non-compliance with the Code of Ethics or any unlawful activity. On annual basis, all employees are required to submit the **Ethics Declaration Form** which has been long established as a formal avenue for all employees to report directly to the Executive Director of any misconduct or unethical behaviour conducted by any employees within our Group.

Our **Business Policy** and **Code of Ethics** are the keys policies that govern and act as a guideline on the standards of conduct that are expected from Board, management and employees and help them make the right decision in the course of performing their jobs to the highest standards of ethics, integrity and governance.

Our **Whistleblowing Policy** was introduced to ensure that a process is in place to allow stakeholders to report alleged improper or unlawful conduct without fear of retribution. It is an integral component of the Group's zero tolerance policy on fraud and corruption.

Apart from the Corporate Integrity Pledge, we have in place **No Gift Policy** and **Conflict of Interest Policy** which the primary objective is to avoid conflict of interest and to indicate our Group's commitment to accord equal treatment to all individuals and organisations in their dealings with our Group.

Our **Grievance Policy** and **Procedure**, as well as **Women OnWards**, were introduced to allow employees to bring to the attention of the management any dissatisfaction or feeling of injustice which may exist in respect of the workplace. The management will attempt to resolve the grievance in a manner, which is acceptable to the employee concerned and the Group.

All the corporate integrity initiatives were designed with the aims of strengthening our Group's integrity culture, infrastructure and further strengthen stakeholder confidence.

BUSINESS CONTINUITY MANAGEMENT

Our Business Continuity Management system aims to identify potential threats and disruptions to our Group-wide business and build the capacity to deal with them. Our system covers both, the availability of an effective infrastructure and hedge against the potential risk of financial losses through insurance coverage.

The activities of reviewing and testing our recovery plans have been conducted continuously to ensure the availability and its effectiveness. These activities include fire drill, Information Technology ("IT") system recovery test and knowledge enhancement to our OSH committee members, Emergency Response Team members, IT Team and employees.

AUDIT COMMITTEE REPORT

The Audit Committee ("AC") of Kulim (Malaysia) Berhad is pleased to present the AC Report for the financial year ended 31 December 2017.

Dr. Radzuan A. Rahman
Chairman
Independent Non-Executive Director

Wong Seng Lee
Member

Aziah Ahmad
Member

AC COMPOSITION AND ATTENDANCE

The AC comprises three (3) members as follows:

MEMBER	DIRECTORSHIP
Dr. Radzuan A. Rahman (Chairman)	Independent Non-Executive Director
Wong Seng Lee	-
Aziah Ahmad	-

The attendance record of each member was as follows:

MEMBER	DATE OF MEETINGS		
	27/02/2017	07/08/2017	27/11/2017
Dr. Radzuan A. Rahman	/	/	/
Wong Seng Lee	/	/	/
Aziah Ahmad	/	/	/

AUDIT COMMITTEE REPORT

SUMMARY OF WORK

The AC has a responsibility to oversee the Group's internal control and risk management systems. The AC continues to monitor and review the effectiveness of the Group's internal control and risk management systems with the support of Head of Internal Audit Division.

The summary of work and the main matters that the AC considered during the year are described below:

SCOPE OF RESPONSIBILITIES	SUMMARY OF WORK
Financial Reporting	• The AC assisted the Board to review the financial statements of the Group and Company and ensuring that the financial statements have been prepared in accordance with all applicable Malaysian Financial Reporting Standards and the Companies Act, 2016.
Risk Management and Internal Control	• The Board is responsible for establishing and maintaining the Group's system of internal control and risk management and reviewing their effectiveness. The AC assisted Board in ensuring that a robust process for identifying, evaluating and managing the significant risks faced by the Group is in place and operating effectively. • Further details on the Group's risk management process are included in the Statement on Risk Management and Internal Control on page 118 of this Integrated Annual Report.
Internal Audit	• Reviewed and approved the annual audit plan and budget for activities to be undertaken during year 2017. • Reviewed the adequacy of the scope, functions, competency and resources of the internal audit function. • Reviewed internal audit report issued by Internal Auditors on the effectiveness and adequacy of governance, risk management, operational and compliance processes. • Reviewed the adequacy and effectiveness of corrective actions taken by management on all significant matters raised.
External Audit	• Discussed with External Auditors before the audit plan, nature and scope of the audit, area of audit emphasis, as well as the External Auditors' evaluation of the system of internal controls and audit reports.

INTERNAL AUDIT FUNCTION

Kasmawati Kasian
Head of Internal Audit Division

The Head of Internal Audit Division, who is a Certified Internal Auditor ("CIA"), reports functionally to AC. The AC approved the internal audit charter, which sets out its role, accountability and authority.

The Group's Internal Audit function provides the AC with independent and objective reports on the state of internal controls of the operating units within the Group and the extent of compliance by such units with the Group's established policies and procedures and the regulatory requirements of the relevant authorities. The Group's Internal Audit function is carried out by the Internal Audit Department ("IAD") in accordance with The International Professional Practices Framework ("IPPF") set by The Institute of Internal Auditors ("IIA").

IAD adopts a risk-based approach towards planning and conduct of audits which is partly guided by an Enterprise Risk Management ("ERM") framework. The AC reviewed and approved the Internal Audit plan of the Group submitted by the Head of Internal Audit. Audit reports were issued to AC and Board during the year incorporating findings, recommendations to improve on the weaknesses noted in the course of the audits and management's comments on the findings. The management is responsible to ensure that corrective actions on reported weaknesses as recommended are taken within the required time frame to ensure that all potential weaknesses in system and risks under reviewed are mitigated or remain within acceptable levels.

A reliable follow up system has been put in place to ensure that all remedial actions are carried out based on the agreed action plans as highlighted in the audit report.

Resources

As at 31 December 2017, the total IAD's manpower was 10 comprised of auditors of different background as follows:

DISCIPLINE	NO. OF INTERNAL AUDITORS	PERCENTAGE (%)
Accountancy	8	80
Agriculture	1	10
Business Administration	1	10
Total	10	100

Coverage

The IAD audit universe which consists of auditable areas or activities that are available to be audited, considers and reflects the overall Kulim's planned business activities and designs that may affect the organisation. In determining the audit universe, IAD has taken into consideration the current operational structure, functions, systems, processes and business activities of Kulim.

In year 2017, the audit coverage was focused on high risk areas which were identified by leveraging the organisation's risk management framework as well as IAD's own risk assessment. It also covered management request as well as consulting activity which are in line with the Audit Charter.

The Group's Internal Audit maintains a Quality Assurance and Improvement Programme ("QAIP") and continuously monitors its overall effectiveness. In year 2017, periodic assessment to evaluate conformance with the International Standards for the Professional Practice of Internal Auditing ("Standards") was conducted by the department.

The total cost incurred for the Internal Audit function at the Group's Corporate Office level for the financial year ended 31 December 2017 was approximately RM1,886,000 (2016: RM2,140,000).

FINANCIAL STATEMENTS

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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 2017.

PRINCIPAL ACTIVITIES

The Company is principally engaged in oil palm plantation, investment holding and property investment in Malaysia whilst the principal activities of the subsidiaries are as stated in Note 14 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year, other than as disclosed in the financial statements.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
(Loss)/profit net of tax	(83,941)	21,362
(Loss)/profit attributable to:		
Owners of the Company	15,172	21,362
Non-controlling interests	(99,113)	-
	(83,941)	21,362

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 2016 were as follows:

In respect of the financial year ended 31 December 2017:	RM'000
Dividend of 12.50 sen per share, totalling approximately RM50,000,000, declared on 1 December 2017 and paid on 21 December 2017	50,000

The Directors do not recommend the payment of any final dividends for the financial year ended 31 December 2017.

DIRECTORS' REPORT (CONTINUED)

RESERVES AND PROVISION

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

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 bin Abu Kassim	Chairman
Ahamad bin Mohamad	
Jamaludin bin Md Ali	
Zulkifli bin Ibrahim	
Zulkifly bin Zakariah	Executive Director (Appointed on 1 January 2017)
Mohamad Salleh bin Mohamad Yusof	(Appointed on 1 March 2017)
Wan Su binti Ali	(Appointed on 1 March 2017)
Dr Radzuan bin A. Rahman	(Resigned on 1 October 2016 and re-appointed on 16 January 2017)
Abdul Rahman bin Sulaiman	(Resigned on 1 January 2017)
Rozaini bin Mohd Sani	(Resigned on 1 March 2017)

The name of the Directors of subsidiaries are set out in the respective subsidiaries' financial statements and the said information is deemed incorporate herein by such reference and made a part here of.

SHARE CAPITAL

The new Companies Act 2016, which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

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			
	As at 1.1.2017	Acquired	Disposed	As at 31.12.2017
In related companies				
E.A. Technique (M) Berhad				
Direct interest				
Dato' Kamaruzzaman bin Abu Kassim	25,000	95,000	-	120,000
Ahamad bin Mohamad	500,000	800,000	(800,000)	500,000

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS (CONTINUED)

	Number of ordinary shares					
	As at 1.1.2017	Acquired	As at 26.9.2017	Share Split on 27.9.2017	Acquired	As at 31.12.2017
In related companies						
KPJ Healthcare Berhad						
Direct interest						
Dato' Kamaruzzaman bin Abu Kassim	-	50,000	50,000	200,000	54,500	254,500
Ahamad bin Mohamad	1,125	20,000	21,125	84,500	440,000	524,500

	Number of warrants					
	As at 1.1.2017	Granted	As at 26.9.2017	Share Split on 27.9.2017	Granted/ Exercised	As at 31.12.2017
In related companies						
KPJ Healthcare Berhad						
Direct interest						
Dato' Kamaruzzaman bin Abu Kassim	24,000	-	24,000	96,000	127,000	223,000
Ahamad bin Mohamad	-	542,000	542,000	2,168,000	(2,058,000)	110,000

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

DIRECTORS' 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 Directors has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as shown in Note 8 to the financial statements) by reason of a contract made by the Company or a 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 28 to the financial statements.

DIRECTORS' REMUNERATION

Details of Directors' remuneration as required by the Fifth schedule of the Companies Act 2016 are set out in Note 8 to the financial statements.

DIRECTORS' REPORT (CONTINUED)

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

No indemnities has been given or insurance premium paid, during or since the end of the year, for any person who is or has been Director, officer and auditor of the Company.

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 DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 30 to the financial statements.

DIRECTORS' REPORT (CONTINUED)

AUDIT COMMITTEE

The Director who serves as a member of the Audit Committee is as follows:

Dr. Radzuan bin A. Rahman

HOLDING CORPORATION

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 the Enactment No.5 of 1995)

SUBSIDIARIES

Details of subsidiaries are set out in Note 14 to the financial statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 7 to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) was registered on 2 January 2018 and with effect from that date, PricewaterhouseCoopers (AF 1146), a conventional partnership was converted to a limited liability partnership.

This report was approved by the Board of Directors on 2 March 2018. Signed on behalf of the Board of Directors.

DATO' KAMARUZZAMAN BIN ABU KASSIM
DIRECTOR

ZULKIFLY BIN ZAKARIAH
DIRECTOR

STATEMENT BY DIRECTORS

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

We, Dato' Kamaruzzaman bin Abu Kassim and Zulkifly bin Zakariah, being two of the Directors of Kulim (Malaysia) Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 139 to 259 are drawn up in accordance with the Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of its financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution dated 2 March 2018.

DATO' KAMARUZZAMAN BIN ABU KASSIM
DIRECTOR

ZULKIFLY BIN ZAKARIAH
DIRECTOR

STATUTORY DECLARATION

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

I, Shahrom bin Mohd Saad, the Officer primarily responsible for the financial management of Kulim (Malaysia) Berhad, do solemnly and sincerely declare that the financial statements set out on pages 139 to 259 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

SHAHROM BIN MOHD SAAD

Subscribed and solemnly declared by the above named Shahrom bin Mohd Saad at Johor Bahru, Johor Darul Takzim in Malaysia on 2 March 2018, before me.

COMMISSIONER FOR OATHS

PESURUHJAYA SUMPAH
No J253
Nama HJ ZAMANI BIN HJ AHMAD
MALAYSIA
Lot K1 & K2 Podium 2
Bangunan Ansar, 65 Jalan Trus
80000 Johor Bahru
Johor (Bersebelahan UTC)

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KULIM (MALAYSIA) BERHAD (INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Kulim (Malaysia) Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the financial year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 139 to 259.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Group's 2017 Annual Report and Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon. The Group's 2017 Annual Report is expected to be made available to us after the date of this auditors' report.

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

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

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KULIM (MALAYSIA) BERHAD (CONTINUED)
(INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF KULIM (MALAYSIA) BERHAD (CONTINUED)
(INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 14 to the financial statements.

OTHER MATTERS

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

PricewaterhouseCoopers PLT

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

AZIZAN BIN ZAKARIA
2930/05/18 (J)
Chartered Accountant

Johor Bahru

2 March 2018

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Continuing operations					
Revenue	4	1,542,012	1,612,738	245,042	186,417
Cost of sales		(1,307,000)	(1,257,894)	(99,624)	(85,725)
Gross profit		235,012	354,844	145,418	100,692
Other income		94,405	38,950	56,532	44,522
Administrative expenses		(159,172)	(200,326)	(84,770)	(113,427)
Other expenses		(43,028)	(107,746)	(53,107)	(37,082)
Profit/(loss) from operating activities		127,217	85,722	64,073	(5,295)
Interest income	5	3,871	33,930	4,669	30,515
Finance costs	6	(88,197)	(59,477)	(41,996)	(22,860)
Share of results of associates		552	(258)	-	-
Profit before tax	7	43,443	59,917	26,746	2,360
Income tax expense	9	(48,312)	(46,391)	(5,384)	(1,254)
(Loss)/profit from continuing operations		(4,869)	13,526	21,362	1,106
Discontinued operations					
Loss from discontinued operations, net of tax	10	(79,072)	(340)	-	-
(Loss)/profit for the year		(83,941)	13,186	21,362	1,106
Other comprehensive income					
Items which may be reclassified to profit or loss in subsequent periods					
Impairment of available-for-sale financial assets		-	4,225	-	4,225
Foreign currency translation differences for foreign operations		15,459	(1,010)	-	-
Fair value changes on available-for-sale financial assets		11,126	10,391	6,544	11,806
Item that will not reclassified to profit or loss					
Surplus on revaluation of land, net of tax		280,450	153,758	112,760	69,830
Other comprehensive income for the year, net of tax		307,035	167,364	119,304	85,861

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Total comprehensive income for the year		223,094	180,550	140,666	86,967
(Loss)/profit attributable to:					
Owners of the Company		15,172	3,855	21,362	1,106
Non-controlling interests		(99,113)	9,331	-	-
(Loss)/profit for the year		(83,941)	13,186	21,362	1,106
Total comprehensive income attributable to:					
Owner of the Company		323,991	165,852	140,666	86,967
Non-controlling interests		(100,897)	14,698	-	-
Total comprehensive income for the year		223,094	180,550	140,666	86,967

GROUP STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	2017 RM'000	2016 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	5,672,354	5,394,300
Investment properties	12	28,231	116,218
Intangible assets	13	26,905	32,774
Investment in associates	15	3,042	2,490
Investments	16	254,453	228,180
Deferred tax assets	24	3,450	453
Trade and other receivables	18	37,645	3,027
		6,026,080	5,777,442
Current assets			
Investments	16	49,098	40,420
Inventories	17	126,788	78,878
Trade and other receivables	18	558,997	632,260
Tax recoverable		23,120	16,706
Derivatives	19	36	27
Cash and bank balances	20	325,470	530,783
		1,083,509	1,299,074
Total assets		7,109,589	7,076,516
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables	21	490,166	365,630
Income tax liabilities		28,341	21,974
Borrowings	22	506,895	1,182,151
Convertible notes	23	46,456	62,891
Derivatives	19	1,968	-
		1,073,826	1,632,646
Net current assets/(liabilities)		9,683	(333,572)

GROUP STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017 (CONITNUED)

	Note	2017 RM'000	2016 RM'000
EQUITY AND LIABILITIES			
Non-current liabilities			
Borrowings	22	**1,253,253**	858,745
Deferred tax liabilities	24	**440,226**	406,498
		1,693,479	1,265,243
Total liabilities		**2,767,305**	2,897,889
Net assets		**4,342,284**	4,178,627
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Capital and reserves			
Share capital	25	**1,000**	1,000
Reserves	26	**1,562,825**	1,256,419
Retained earnings	27	**2,661,240**	2,698,746
		4,225,065	3,956,165
Non-controlling interests		**117,219**	222,462
Total equity		**4,342,284**	4,178,627
Total equity and liabilities		**7,109,589**	7,076,516

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	2017 RM'000	2016 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	1,506,813	1,394,918
Investment properties	12	26,631	114,880
Investment in subsidiaries	14	1,186,286	1,185,303
Investments	16	51,910	30,123
Trade and other receivables	18	35,540	-
		2,807,180	2,725,224
Current assets			
Investments	16	49,098	40,420
Inventories	17	71,254	32,737
Trade and other receivables	18	180,735	182,051
Current tax assets		11,064	7,713
Cash and bank balances	20	203,449	203,670
		515,600	466,591
Total assets		3,322,780	3,191,815
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables	21	125,774	109,836
Derivatives	19	1,476	-
Borrowings	22	150,000	240,000
Tax payables		3,515	-
		280,765	349,836
Net current assets		234,835	116,755

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017 (CONTINUED)

	Note	2017 RM'000	2016 RM'000
EQUITY AND LIABILITIES			
Non-current liabilities			
Borrowings	22	593,005	492,787
Deferred tax liabilities	24	99,786	90,634
		692,791	583,421
Total liabilities		973,556	933,257
Net assets		2,349,224	2,258,558
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Capital and reserves			
Share capital	25	1,000	1,000
Reserves	26	331,625	212,321
Retained earnings	27	2,016,599	2,045,237
Total equity		2,349,224	2,258,558
Total equity and liabilities		3,322,780	3,191,815

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		<---- Attributable to shareholders of the Company ---->										
		<---- Non-distributable ---->										
		Share capital	Translation reserve	Fair value reserve	Revaluation reserve	Other reserves	Treasury shares	Equity transaction reserve	Retained earnings	Total	Non-controlling interests	Total equity
Group	**Note**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
As at 1.1.2017		1,000	(32,142)	8,525	1,228,303	54,646	-	(2,913)	2,698,746	3,956,165	222,462	4,178,627
Foreign exchange translation differences		-	17,243	-	-	-	-	-	-	17,243	(1,784)	15,459
Surplus on revaluation of land, net of tax	26	-	-	-	283,128	-	-	-	(2,678)	280,450	-	280,450
Fair value changes on available-for-sale financial assets		-	-	11,126	-	-	-	-	-	11,126	-	11,126
Total other comprehensive income for the year		-	17,243	11,126	283,128	-	-	-	(2,678)	308,819	(1,784)	307,035
(Loss)/profit for the year		-	-	-	-	-	-	-	15,172	15,172	(99,113)	(83,941)
Total comprehensive income for the year		-	17,243	11,126	283,128	-	-	-	12,494	323,991	(100,897)	223,094
Transaction with shareholders:												
Acquisition of additional interest in subsidiaries from non-controlling interests	14	-	-	-	-	-	-	(5,442)	-	(5,442)	(3,749)	(9,191)
Disposal of subsidiary	14	-	-	-	-	-	-	351	-	351	100	451
Dividend paid to shareholders	35	-	-	-	-	-	-	-	(50,000)	(50,000)	-	(50,000)
Dividends paid to non-controlling interests of subsidiaries		-	-	-	-	-	-	-	-	-	(697)	(697)
As at 31 December 2017		1,000	(14,899)	19,651	1,511,431	54,646	-	(8,004)	2,661,240	4,225,065	117,219	4,342,284

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

		<-- Attributable to shareholders of the Company -->													
		<-- Non-distributable -->													
		Share capital	Share premium	Warrant reserve	ESOS reserve	Trasnslation reserves	Fair value reserve	Revaluation reserve	Other reserve	Treasury share	Equity transaction reserve	Retained earnings	Total	Non-controlling interests	Total equity
Group	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1.1.2016		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
Effects of change in accounting Policy		-	-	-	-	-	-	(269,824)	-	-	-	1,353,784	1,083,960	-	1,083,960
Prior year adjustment		-	-	-	-	(38,874)	-	-	49,713	-	(23,537)	(11,031)	(23,729)	(54,198)	(77,927)
As at 1.1.2016 – restated		337,605	448,910	52,938	36,252	(26,616)	(6,091)	1,075,396	54,646	(371,088)	2,182	4,218,890	5,823,024	209,423	6,032,447
Foreign exchange translation differences		-	-	-	-	(5,526)	-	-	-	-	-	-	(5,526)	4,516	(1,010)
Surplus on revaluation of land, net of tax	26	-	-	-	-	-	-	152,907	-	-	-	-	152,907	851	153,758
Impairment of available-for-sale financial assets		-	-	-	-	-	4,225	-	-	-	-	-	4,225	-	4,225
Fair value changes on available- for-sale financial assets		-	-	-	-	-	10,391	-	-	-	-	-	10,391	-	10,391
Total other comprehensive income for the year		-	-	-	-	(5,526)	14,616	152,907	-	-	-	-	161,997	5,367	167,364
Profit for the year		-	-	-	-	-	-	-	-	-	-	3,855	3,855	9,331	13,186
Total comprehensive income for the year		-	-	-	-	(5,526)	14,616	152,907	-	-	-	3,855	165,852	14,698	180,550
Transaction with shareholders:															
Grant of equity-settled share options to employees		-	-	-	(8,213)	-	-	-	-	-	-	-	(8,213)	-	(8,213)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

		<---- Attributable to shareholders of the Company ----													
		<---- Non-distributable ---->													
		Share capital	Share premium	Warrant reserve	ESOS reserve	Trasnslation reserves	Fair value reserve	Revaluation reserve	Other reserve	Treasury share	Equity transaction reserve	Retained earnings	Total	Non-controlling interests	Total equity
Group	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Transaction with shareholders (continued):															
Conversion of warrants		6,479	84,213	(52,938)	-	-	-	-	-	-	-	34,030	71,784	-	71,784
Exercise of ESOS		7,876	104,907	-	(28,039)	-	-	-	-	-	-	-	84,744	-	84,744
Bonus issue		1,851,368	(633,687)	-	-	-	-	-	-	-	-	(1,217,681)	-	-	-
Selective Capital Reduction		(2,171,588)	-	-	-	-	-	-	-	-	-	-	(2,171,588)	-	(2,171,588)
Cancellation of treasury shares		(30,740)	-	-	-	-	-	-	-	371,088	-	(340,348)	-	-	-
Transaction costs in relation to selective capital reduction		-	(4,343)	-	-	-	-	-	-	-	-	-	(4,343)	-	(4,343)
Acquisition of subsidiaries	14	-	-	-	-	-	-	-	-	-	-	-	-	1,590	1,590
Acquisition of additional interest in subsidiaries from non-controlling interests	14	-	-	-	-	-	-	-	-	-	(5,114)	-	(5,114)	(237)	(5,351)
Partial disposal of shares by a subsidiary to non-controlling interests	14	-	-	-	-	-	-	-	-	-	19	-	19	-	19
Dividends paid to non-controlling interests of subsidiaries		-	-	-	-	-	-	-	-	-	-	-	-	(3,012)	(3,012)
As at 31 December 2016		1,000	-	-	-	(32,142)	8,525	1,228,303	54,646	-	(2,913)	2,698,746	3,956,165	222,462	4,178,627

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

						Distributable	
		Share capital	Revaluation reserve	Fair value reserve	Other reserve	Retained earnings	Total
Company	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2017							
As at 1 January 2017		1,000	199,242	8,914	4,165	2,045,237	2,258,558
Fair value changes on available-for-sale financial assets		-	-	6,544	-	-	6,544
Surplus on revaluation of land, net of tax	26	-	112,760	-	-	-	112,760
Profit for the year		-	-	-	-	21,362	21,362
Total other comprehensive income for the year		-	112,760	6,544	-	21,362	140,666
Transactions with shareholders:							
Dividend paid	35	-	-	-	-	(50,000)	(50,000)
As at 31 December 2017		1,000	312,002	15,458	4,165	2,016,599	2,349,224

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

		Share capital	Share premium	Warrant reserve	ESOS reserve	Revaluation reserve	Fair value reserve	Other reserve	Treasury Shares	Distributable Retained earnings	Total
Company	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2016											
As at 1 January 2016		337,605	448,910	52,938	36,252	897,579	(7,117)	4,165	(371,088)	2,636,674	4,035,918
Effects of change in accounting policy		-	-	-	-	(768,167)	-	-	-	931,456	163,289
As at 1 January 2016 - restated		337,605	448,910	52,938	36,252	129,412	(7,117)	4,165	(371,088)	3,568,130	4,199,207
Fair value changes on available-for-sale financial assets		-	-	-	-	-	11,806	-	-	-	11,806
Surplus on revaluation of land, net of tax	26	-	-	-	-	69,830	-	-	-	-	69,830
Impairment of available-for-sale financial assets		-	-	-	-	-	4,225	-	-	-	4,225
Profit for the year		-	-	-	-	-	-	-	-	1,106	1,106
Total other comprehensive income for the year		-	-	-	-	69,830	16,031	-	-	1,106	86,967
Transactions with shareholders:											
Grant of equity-settled share options to employees		-	-	-	(8,213)	-	-	-	-	-	(8,213)
Conversion of warrants		6,479	84,213	(52,938)	-	-	-	-	-	34,030	71,784
Exercise of ESOS		7,876	104,907	-	(28,039)	-	-	-	-	-	84,744
Bonus issue		1,851,368	(633,687)	-	-	-	-	-	-	(1,217,681)	-
Selective Capital Reduction		(2,171,588)	-	-	-	-	-	-	-	-	(2,171,588)
Cancellation of treasury shares		(30,740)	-	-	-	-	-	-	371,088	(340,348)	-
Transaction costs in relation to selective capital reduction		-	(4,343)	-	-	-	-	-	-	-	(4,343)
As at 31 December 2016		1,000	-	-	-	199,242	8,914	4,165	-	2,045,237	2,258,558

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash flow from operating activities					
Profit before tax from continuing operations		43,443	59,917	26,746	2,360
Loss from discontinued operations		(79,072)	(340)	-	-
Adjustments for:					
Fair value changes on:					
- investments held for trading		(4,237)	9,428	(6,521)	2,465
- derivatives		1,959	1,298	1,476	-
Net provision for impairment losses on:					
- receivables		10,586	15,697	739	17,178
- investments in subsidiaries		-	-	23,965	11,000
- property, plant and equipment		3,396	988	-	-
- goodwill		2,587	43,323	-	-
Amortisation and depreciation of:					
- intangible assets		4,871	1,388	-	-
- property, plant and equipment		166,172	154,841	21,807	19,372
- finance cost		-	199	-	-
Change in fair value of:					
- investment properties		(99)	148	163	148
Dividend income		(3,948)	(2,689)	(71,264)	(35,955)
Loss/(gain) on:					
- disposal of subsidiaries		75,978	(433)	2,492	-
- disposal of investments		14,778	(9,415)	14,778	(9,675)
- disposal of property, plant and equipment		(3,777)	(7,809)	(3,340)	(9,710)
- disposal of investment properties		(4,113)	-	(4,113)	-
Share of net results in associate		(552)	258	-	-
Grant of equity-settled share options to employees		-	(8,213)	-	(8,213)
Interest expense on:					
- continuing operations		88,197	59,477	41,996	22,860
Interest income		(3,871)	(33,930)	(4,669)	(30,515)
Unrealised foreign exchange (gain)/loss, net		(12,687)	31,996	8,246	(21,327)
Write offs of:					
- property, plant and equipment		14,865	6,078	10,697	3,629
- intangible asset		-	389	-	-

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash flow from operating activities (continued)					
Write down of inventories		**1,109**	1,799	**-**	-
Bargain purchase on acquisition of subsidiaries		**-**	(20,647)	**-**	-
Compensation on investment		**(35,540)**	-	**(35,540)**	-
Operating profit/(loss) before changes in working capital		**280,045**	303,748	**27,658**	(36,383)
Changes in working capital:					
- Inventories		**(49,065)**	19,015	**(38,517)**	(4,950)
- Payables – third party		**157,535**	(41,455)	**(882)**	10,355
- Payables – intercompany		**-**	-	**16,819**	(854)
- Receivables		**69,045**	(51,783)	**(25,382)**	4,981
- Receivables – intercompany		**-**	-	**28,093**	(7,513)
Cash generated from/(used in) operations		**457,560**	229,525	**7,789**	(34,364)
Tax paid		**(56,391)**	(38,259)	**(3,351)**	(4,595)
Tax refunded		**2,583**	4,585	**-**	1,952
Net cash flows generated from/(used in) operating activities		**403,752**	195,851	**4,438**	(37,007)
Cash flows from investing activities					
Acquisition of subsidiaries, net of cash out flow	14	**-**	(38,450)	**-**	-
Dividends received		**3,948**	2,689	**71,264**	35,955
Interest received		**3,871**	33,930	**4,669**	30,515
Additions:					
- non controlling interests (net)		**(9,191)**	(5,332)	**-**	-
- interest in subsidiaries	14	**-**	-	**(6,852)**	(289,489)
- investments		**(29,174)**	(9,859)	**(32,179)**	(9,855)
- property, plant and equipment		**(262,922)**	(244,941)	**(25,584)**	(52,667)
- investment properties		**(56,901)**	-	**(56,901)**	-
- advances for proposal acquisition	30(f)	**(22,073)**	(105,996)	**-**	-
Net cash inflow on disposal of subsidiaries	10	**1,196**	666	**-**	-
Withdrawal of/(addition to) pledged fixed deposits		**185,924**	(126,543)	**-**	-
Addition to intangible assets		**(2,918)**	(767)	**-**	-

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash flows from investing activities (continued)					
Proceeds from:					
- disposal of investments		1,644	46,710	-*	32,934
- disposal of property, plant and equipment		5,962	28,896	4,569	23,004
- investment property		146,966	-	146,966	-
Net cash flows (used in)/generated from investing activities		(33,668)	(418,997)	105,952	(229,603)
Cash flows from financing activities					
Dividends paid to:					
- shareholders of the Company		(50,000)	-	(50,000)	-
- non-controlling interests of subsidiaries		(697)	(3,012)	-	-
Proceeds from borrowings, net of transaction fees		570,744	1,225,166	149,649	732,787
Repayment of borrowings		(820,161)	(125,649)	(139,431)	-
Proceeds from issue of shares arising from conversion of warrants		-	71,784	-	71,784
Proceeds from exercise of ESOS		-	84,744	-	84,744
(Repayment of advance) /advances to subsidiaries		-	-	(20,587)	421,326
Selective capital reduction payment to shareholders		-	(2,171,588)	-	(2,171,588)
Transaction costs in relation to selective capital reduction		-	(4,343)	-	(4,343)
Interest paid:					
- continuing operations		(88,197)	(59,477)	(41,996)	(22,860)
Net cash flows used in financing activities		(388,311)	(982,375)	(102,365)	(888,150)
Net change in cash and cash equivalents		(18,227)	(1,205,521)	8,025	(1,154,760)
Effect of exchange rate fluctuations on cash held		(8,246)	12,076	(8,246)	8,911
Cash and cash equivalents at 1 January		318,402	1,511,847	203,320	1,349,169
Cash and cash equivalents at 31 December	20	291,929	318,402	203,099	203,320

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

1 CORPORATE INFORMATION

The Company is a company incorporated and domiciled in Malaysia. The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business
Ulu Tiram Estate
81800 Ulu Tiram
Johor Darul Takzim

Registered office
Level 16, Menara KOMTAR
Johor Bahru City Centre
80000 Johor Bahru
Johor Darul Takzim

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 the Enactment No.5 of 1995).

The principal activities of the Company consist of oil palm plantation, investment holding and property investment in Malaysia. The principal activities of the subsidiaries are described in Note 14. There have been no significant changes in the nature of the principal activities during the financial year, other than as disclosed in Notes 14 and 30.

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 2016 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 2017.

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

The Group include transitioning entities and has elected to apply FRS during the financial year. The Group and Company will be adopting the new IFRS – compliant framework, Malaysian Financial Reporting Standards ("MFRS") for the annual period beginning on 1 January 2018. In adopting the new framework, the Company will be applying MFRS 1 "First-time Adoption of MFRS".

The financial statements have been prepared on the historical cost basis, except as disclosed in the accounting policies below.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

The preparation of financial statements in conformity with FRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Changes in accounting policies

The accounting policies adopted are consistent with those of the following year except as follows:

On 1 January 2017, the Group adopted the following Amendments and Annual Improvements mandatory for annual financial periods beginning on or after 1 January 2017:

Description	Effective for annual periods beginning on or after
Amendments to FRS 107 "Statement of cash flows - Disclosure Initiative"	1 January 2017
Amendments to FRS 112 "Income Taxes Recognition of Deferred Tax Assets for unrealised losses"	1 January 2017
Annual Improvements to FRSs 2014 – 2016 Cycle: FRS 12 "Disclosures of Interest in Other Entities"	1 January 2017

The adoption of the Amendments to FRS 107 has required additional disclosure of changes in liabilities arising from financing activities as disclosed in Note 31(g). Other than that, the adoption of these amendments did not have any material impact on the current period or any prior period and is not likely to affect future periods.

Standards issued but not yet effective

Amendments to MFRS 140: Classification on 'Change in Use' - Asset transferred to or from Investment Properties	1 January 2018
IC Interpretation 22: Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 9: Financial Instruments	1 January 2018
MFRS 15: Revenue from Contracts with Customers	1 January 2018
Annual Improvement to MFRS: 1 First-time Adoption of Malaysian Financial Reporting Standards	1 January 2018
Annual Improvement to MFRS 128: Investment in Associates and Joint Ventures	1 January 2018
MFRS 16: Leases	1 January 2019
IC Interpretation 23: Uncertainty over Income Tax Treatments	1 January 2019

The adoption of the above standards and amendments are not expected to have any significant impact on the financial statements of the Group and the Company except for MFRS16. The Directors are currently assessing the impact of MFRS 16 on the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- 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 Company.

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 prices (unadjusted) 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 directly or indirectly observable
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 Company 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 Directors' for both recurring fair value measurement and for non-recurring measurement.

External values are involved for valuation of significant assets and significant liabilities. Involvement of external values is decided by Directors. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Directors' decides, after discussions with the external values, which valuation techniques and inputs to use for each case.

For the purpose of fair value disclosures, classes of assets and liabilities are determined based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

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

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with FRS 139 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

The Group applies predecessor accounting to account for business combinations under common control. Under predecessor accounting, assets and liabilities acquired are not restated to their respective fair values. They are recognised at the carrying amounts from the consolidated financial statements of the ultimate holding company of the Group and adjusted to conform with the accounting policies adopted by the Group. The difference between any consideration given and the aggregate carrying amounts of the assets and liabilities (as of the date of the transaction) of the acquired entity is recognised as an adjustment to other reserves in equity. No additional goodwill is recognised.

The acquired entity's results, assets and liabilities are consolidated from the date on which the business combination between entities under common control occurred. Consequently, the consolidated financial statements do not reflect the results of the acquired entity for the period before the transaction occurred. The comparative information is not restated.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation (continued)

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

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

(c) Disposal of subsidiaries

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

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

(d) Joint arrangements

A joint arrangement is an arrangement of which there is contractually agreed sharing of control by the Group with one or more parties, where decisions about the relevant activities relating to the joint arrangement require unanimous consent of the parties sharing control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities, relating to the arrangement. In relation to the Group's interest in the joint operation, the Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings.

(e) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment in an associate is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the associate in profit or loss, and the Group's share of movements in other comprehensive income of the associate in other comprehensive income. Dividends received or receivable from an associate are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interests in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. The Group's investment in associates includes goodwill identified on acquisition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation (continued)

(e) Associates (continued)

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

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

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

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

Dilution gains and losses arising in investments in associates are recognised in the income statement.

(f) Merger acquisition

Business combinations involving entities under common control are accounted for by applying the merger accounting method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any differences between the consideration paid and the share capital of the acquired entity is reflected within equity merger (deficit)/reserve. The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination take place. Comparative are presented as if the entities had always been combined since the date the entities had come under common control.

2.5 Investments in subsidiaries, joint ventures and associates in separate financial statements

In the Company's separate financial statements, investments in subsidiaries, joint ventures and associates are carried at cost less accumulated impairment losses. On disposal of investments in subsidiaries, joint ventures and associates, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

The amounts due from subsidiaries of which the Company does not expect repayment in the foreseeable future are considered as part of the Company's investments in the subsidiaries.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. However, exchange differences are deferred in other comprehensive income when they arose from qualifying cash flow or net investment hedges or are attributable to items that form part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within other income or other expenses. All other foreign exchange gains and losses are presented in profit or loss on a net basis within other comprehensive income and accumulated under foreign currency translation reserve in equity.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

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

(c) Group companies

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency (continued)

(c) Group companies (continued)

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences relating to that foreign operation recognised in other comprehensive income and accumulated in the separate component of equity are reclassified to profit or loss, as part of the gain or loss on disposal. In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.7 Property, plant and equipment

Property, plant and equipment are initially stated at cost. Plantation land is subsequently shown at revaluation, less subsequent depreciation and impairment losses. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is not eliminated against the gross carrying amount of the asset. All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by Directors. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (refer to accounting policy Note 2.16 on borrowing costs).

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

Increases in the carrying amounts arising on revaluation of plantation land is recognised, net of tax, in other comprehensive income and accumulated in revaluation reserve in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the property, plant and equipment revaluation surplus to other comprehensive income.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property, plant and equipment (continued)

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

Freehold land is not depreciated as it has an infinite life. Leasehold land classified as finance lease (refer to accounting policy Note 2.18 on finance leases) and land use rights is amortised in equal instalments over the period of the respective leases that range from 33 to 904 years. Other property, plant and equipment are depreciated on the straight line method to allocate the cost or the revalued amounts, to their residual values over their estimated useful lives, summarised as follows:

Leasehold improvements and renovations	5 – 10 years
Estate development expenditure	17 – 22 years from year of maturity
Buildings	5 – 50 years
Vessels, plant and machinery	3 – 25 years
Furniture and equipment	2 – 15 years
Motor vehicles	3 – 5 years

Depreciation on assets under construction commences when the assets are ready for their intended use.

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of each reporting period. Residual value of the vessels is estimated by Directors as equivalent to the light weight tonnage of the vessels times the estimated long term price of steel per tonne.

At the end of the reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2.10 on impairment of non-financial assets.

2.8 Investment properties

Investment properties, comprising principally land and office buildings, are held for long term rental yields or for capital appreciation or both, and are not occupied by the Group.

Investment properties are measured initially at cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed as of the financial position date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued.

The fair value of investment property reflects, among other things, rental income from current leases and other assumptions that market participants would make when pricing the property under current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of leasehold land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Investment properties (continued)

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

Changes in fair values are recognised in profit or loss. Investment properties are derecognised either when 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.

Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in profit or loss as a net gain/loss from fair value adjustment on investment property.

2.9 Intangible assets

(a) Intangible assets other than goodwill

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with indefinite useful lives are tested for impairment annually 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 life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

The intangible assets in respect of the fair value of a time charter hire contract is amortised over one year and an e-learning portal is amortised over two years.

(b) Goodwill

Goodwill arises from a business combination and represents the excess of the aggregate of fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed on the acquisition date. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in profit or loss.

Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at annually or more frequently if events or changes in circumstances indicate a potential impairment. Any impairment is recognised immediately as an expense and is not subsequently reversed.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill or intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation reserve. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation reserve.

2.11 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables available-for-sale and held-to-maturity. The classification depends on the purpose for which the financial assets were acquired. Directors' determines the classification at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

<u>Financial assets at fair value through profit or loss</u>

The Group classifies financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term, i.e. are held for trading. They are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they are presented as non-current assets.

<u>Loans and receivables</u>

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and bank balances' in the statement of financial position (Notes 18 and 20).

<u>Held-to-maturity financial assets</u>

Held-to-maturity financial assets are non-derivative quoted financial assets with fixed or determinable payments and fixed maturities that the Directors' has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

<u>Available-for-sale financial assets</u>

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (continued)

(b) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.

(c) Subsequent measurement – gains and losses

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss, including the effects of currency translation, interest and dividend income are recognised in profit or loss in the period in which the changes arise.

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses (see accounting policy Note 2.11(d)) and foreign exchange gains and losses on monetary assets (Note 2.6(b)).

Interest and dividend income on available-for-sale financial assets are recognised separately in profit or loss. Interest on available-for-sale debt securities calculated using the effective interest method is recognised in profit or loss. Dividends income on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

(d) Subsequent measurement - Impairment

Assets carried at amortised cost

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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 (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If 'loans and receivables' or a 'held-to-maturity investment' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (continued)

(d) Subsequent measurement - Impairment (continued)

Assets carried at amortised cost (continued)

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 (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

Assets classified as available-for-sale

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, the Group uses criteria and measurement of impairment loss applicable for 'assets carried at amortised cost' above. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the profit or loss.

In the case of equity securities classified as available-for-sale, in addition to the criteria for 'assets carried at amortised cost' above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in profit or loss. The amount of cumulative loss reclassified to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss in subsequent periods.

(e) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

When available-for-sale financial assets are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Cash and cash equivalents

For the purpose of the statement of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents in the statement of cash flows. In the statement of financial position, banks overdrafts are shown within borrowings in current liabilities.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of raw materials, agricultural produce and consumables is determined using the first-in, first-out method or weighted average method. The cost of raw materials comprises cost of purchase and other direct costs. The costs of finished goods, work-in-progress and livestock comprise costs of raw materials, direct labour, other direct costs and appropriate proportions of manufacturing overheads based on normal operating capacity. It excludes borrowing costs. Property development cost comprises costs associated with the acquisition of land and all costs directly to development activities or those can be allocated on a reasonable basis to these activities.

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

2.14 Provisions

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

Where the Group expects a provision to be reimbursed by another party, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

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

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

2.15 Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group or Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with FRS 137 "Provisions, contingent liabilities and contingent assets" and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Borrowings and borrowing costs

(a) Borrowings

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

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised as finance cost in profit or loss.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss within finance costs.

Where the terms of a financial liability are renegotiated and the Company issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(b) Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

2.17 Employee benefits

(i) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as provisions in the statement of financial position.

(ii) Defined contribution plans

The Group's contributions to defined contribution plans are charged to profit or loss in the period to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Employee benefits (continued)

(iii) 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).

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 Employee Share Option Scheme ("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 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 transaction 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 total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of the reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to share option reserve in equity.

2.18 Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

(a) Accounting by lessee

Finance leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease expense.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Leases (continued)

(a) Accounting by lessee (continued)

Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on the straight line basis over the lease period.

(b) Accounting by lessor

Finance leases

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the term of the lease using the net investment method so as to reflect a constant periodic rate of return.

Operating leases

When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the asset. Lease income is recognised over the term of the lease on a straight-line basis.

2.19 Discontinued operations

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.

2.20 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 and goods

These represents revenues earned from sales of the Group's palm-based products and goods, 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 product 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Recognition of revenue and other income (continued)

(b) Oil and gas and support services

Revenues from sea transportation, shipping and forwarding services which include freight, time charter and other related income are recognised when services are rendered.

Freight income is recognised when the goods are delivered and services rendered and accepted by customers.

Engineering, procurement, construction, installation and commissioning ("EPCIC") income relates to contract revenue arising from the provision of EPCIC services of a floating, storage and offloading ("FSO") facility. As soon as the outcome of EPCIC contract can be estimated reliably, contract revenue and expenses are recognised in the statement of comprehensive income in proportion to the stage of completion of the contact. Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. The stage of completion is assessed by reference to cost incurred to date bears to total estimated costs. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in the statement of comprehensive income.

(c) Rental income

Rental income from investment properties is recognised in the profit 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.

(d) Dividend income

Dividend income is recognised when the Group's right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

(e) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

2.21 Current and deferred income taxes

Tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries, joint ventures and associates operate and generate taxable income.

Directors periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using an expected value the single best estimate of the most likely outcome.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Current and deferred income taxes (continued)

Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, associates, and joint arrangement, except where the timing of the reversal of the temporary difference is controlled by the parent and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the investor and joint operator is unable to control the reversal of the temporary difference for associates and joint arrangement. Only where there is an agreement in place that gives the investor and joint operator the ability to control the reversal of the temporary difference, a deferred tax liability is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the deductible temporary difference can be utilised.

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

<u>Goods and Services Tax ("GST")</u>

On and after 1 April 2015, revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the GST is recognised as part of the cost of acquisition of the asset or part of the expense item, as applicable; and
- when receivables and payables that are stated with the amount of GST included.

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

2.22 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 Executive Director, the chief operating decision maker 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 34, including the factors used to identify the reportable segments and the measurement basis of segment information.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 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 or paid, 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.

2.24 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.

2.25 Convertible notes

The component of convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible notes, the fair value of the liabilities component is determined using a market rate for an equivalent non-convertible note; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholder's equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components where the instruments are first recognised.

2.26 Contingent assets and liabilities

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Derivative and hedging activities

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

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so the nature of the item being hedged. Derivatives that do not qualify for hedge accounting are classified as held for trading and accounted for in accordance with the accounting policy set out in Note 2.11. Derivatives that qualify for hedge accounting are designated as either:

(a) Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or

(b) Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge)

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

2.28 Construction contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract cost incurred for work performed to date the estimated total contract cost.

Where the outcome of a construction contract cannot be estimated reliably contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. Contract cost are recognised as expenses in the period which they are incurred.

When it is probable that total contract cost will exceed total contract revenue, the expected loss is recognised as an expenses immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

When the total of costs incurred on construction contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus, recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Financial liabilities

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company classifies its financial liabilities as other financial liabilities.

The Company's other financial liabilities include trade payables and other payables.

These are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

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.

2.30 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current non-current classification. An asset is classified as current when it is:

(i) expected to be realised or intended to be sold or consumed in normal operating cycle;
(ii) held primarily for the purpose of trading;
(iii) expected to be realised within twelve months after the reporting period; or
(iv) 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 classified as current when:

(i) it is expected to be settled in the normal operating cycle;
(ii) it is held primarily for the purpose of trading;
(iii) it is due to be settled within twelve months after the reporting period; or
(iv) there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.31 Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's financial statements requires Directors 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, the Directors 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 given in Note 13.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Valuation of property, plant and equipment

The Group, in reliance on independent professional valuers, applied estimates, judgements and assumption in the determination of fair values for freehold and long term leasehold land. The valuation forms the basis for the carrying amount in the financial statements (Note 11).

(c) Construction contract

The Group recognises construction contract revenue in the profit or loss by using the stage of completion method. Construction contract revenue and profit are recognised based on percentage of completion which is determined by the proportion of actual costs incurred to date as compared to the estimated total budgeted costs.

Significant judgement and high degree of estimation are required in assessing the percentage of completion; determination of whether variations in contract works should be included in the contract revenue; measurement of claims which the Group seeks to collect from the customer as reimbursement for costs not included in the contract price as the measurement of such amounts is subject to a high level of uncertainty and often depends on the outcome of negotiations; and estimates made in respect of the total estimated contract costs.

A 5% increase/(decrease) in the estimated total budgeted costs would (decrease)/increase the Group's profits for the year by RM48.13 million (2016:RM31.24 million).

(d) Valuation of investments

The Group classifies its investments in unquoted equity instruments as available-for-sale ("AFS") financial assets when it does not have an intention to hold it for trading, nor designate it at fair value through profit or loss. The Group's AFS investment in World Logistics Council Limited ("WLC") are carried at cost less any impairment loss as this equity instrument does not have a quoted price in an active market and whose fair value cannot be reliably measured. During the financial year, the Directors performed a valuation of WLC's based on a range of acceptable valuation techniques to determine the fair value of the instrument. Based on the fair valuation exercise, the Directors concluded that the instrument should be carried at cost less impairment as the range of reasonable fair value measurements is significant and the probabilities of the various estimates cannot be reasonably assessed as at 31 December 2017.

(e) Impairment of investments

The Group carries its investment in WLC at cost as fair value cannot be reliably determined. As a consequence, the Group assesses at every reporting date whether there is any objective evidence that the investment in WLC is impaired. The Directors have considered the progress of the milestones relating to the deployment of the Multi-Dimensional Digital Economy Application System ("MDDEAS"). MDDEAS is an information technology platform that provides a centralized integrated environment for e-finance, e-insurance, e-commerce and e-logistics trade transactions. WLC is the exclusive global licensee for all intellectual properties related to the deployment of the MDDEAS. Based on the Directors' assessment, there is objective evidence that the investment may be potentially impaired due to delays in certain key milestones. However, the difference between the carrying amount of the investment and the present value of estimated future cash flows discounted at an appropriate rate of return in accordance with FRS 139 is not material to require an adjustment.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

4 REVENUE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Sales of goods:				
Plantation:				
– Fresh fruit bunches	13,183	10,314	158,671	134,018
– Crude palm oil	823,846	724,517	-	-
– Palm kernel	190,402	164,690	-	-
	1,027,431	899,521	158,671	134,018
Intrapreneur ventures	56,234	57,609	-	-
Oil and gas support services	419,714	626,167	-	-
Agrofood	12,936	9,945	4,701	6,103
Investment properties	8,995	8,810	8,995	8,810
Dividend income	3,948	2,689	71,264	35,955
Others	12,754	7,997	1,411	1,531
	1,542,012	1,612,738	245,042	186,417

5 INTEREST INCOME

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest income:				
Deposit with licensed banks	3,871	33,930	2,438	29,645
Amount due from subsidiaries	-	-	2,231	870
	3,871	33,930	4,669	30,515

6 FINANCE COSTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest expense on:				
Term loans	56,681	38,383	30,150	15,240
Revolving credits	30,635	20,516	11,846	7,620
Bank overdraft	148	116	-	-
Other borrowings	733	462	-	-
	88,197	59,477	41,996	22,860

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

7 PROFIT BEFORE TAX

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Profit before tax and net gain from discontinued operations is arrived at after charging/(crediting):				
Cost of sales:				
– Plantation				
- Cost of produce	**596,235**	614,125	**71,227**	51,625
- General charges	**101,523**	84,971	**16,850**	17,500
– Intrapreneur ventures	**30,329**	25,143	**-**	-
– Oil and gas support services				
- Cost of services	**210,974**	167,283	**-**	-
- Engineering, procurement,construction, installation and commissioning of floating storage and offloading vessels ("EPCIC") contract costs	**318,109**	348,728	**-**	-
– Agrofood	**15,587**	7,843	**7,786**	4,461
– Investment properties	**4,495**	4,722	**2,516**	4,722
– Others	**29,748**	5,079	**1,245**	1,236
Net provision/(reversal) for impairment losses on:				
– Receivables	**10,586**	15,697	**739**	17,178
– Property, plant and equipment	**3,396**	988	**-**	-
– Goodwill	**2,587**	43,323	**-**	-
– Investment in subsidiaries	**-**	-	**23,965**	11,000
Amortisation and depreciation of:				
– Intangible assets	**4,871**	1,388	**-**	-
– Property, plant and equipment	**166,172**	154,841	**21,807**	19,372

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

7 PROFIT BEFORE TAX (CONTINUED)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Auditors' remuneration:				
Statutory audit				
– PricewaterhouseCoopers PLT	900	959	208	150
– Other auditors	449	533	-	-
Other services				
– PricewaterhouseCoopers PLT	5	66	-	66
– Other auditors	88	261	38	195
Loss/(gain) on:				
– Disposal of subsidiaries	75,978	(433)	2,492	-
– Disposal of investments	14,778	(9,415)	14,778	(9,675)
– Disposal of property, plant and equipment	(3,777)	(7,809)	(3,340)	(9,710)
– Disposal of investment property	(4,113)	-	(4,113)	-
Foreign exchange (gain)/loss:				
– Realised	(1,511)	13,096	8,246	23,642
– Unrealised	(12,687)	31,996	-	(21,327)
Write down of inventories	1,109	1,799	-	-
Write offs of property, plant and equipment	14,865	6,078	10,697	3,629
Rental of plant and machinery	1,313	3,422	540	-
Rental of land and building paid to:				
– Ultimate holding corporation	728	629	629	629
– Others	1,083	1,551	-	-
Staff costs (excluding Directors):				
– Salaries, wages, allowances and bonuses	224,566	227,207	56,002	56,521
– Defined contribution plan	19,637	15,951	3,906	4,454
– Other employee benefits	6,203	29,013	3,065	26,250
Fair value changes on:				
– Investments	(4,237)	9,428	(6,521)	2,465
– Derivatives	1,959	1,298	1,476	-
Rental income	(1,025)	(425)	-	-
Fair value gain/(loss) on investment properties	(99)	148	163	148
Compensation on investment	(35,540)	-	(35,540)	-
Insurance recoveries	(12,938)	(1,140)	-	-
Bargain purchase on acquisition of subsidiaries	-	(20,647)	-	-
Change in fair value of:				
– Investment properties	(99)	148	163	148

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

8 DIRECTORS' REMUNERATION

The details of remuneration receivable by Directors of the Group and the Company during the financial year are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Executive Directors				
– Fees	-	250	-	250
– Salaries, allowances and bonuses	735	4,449	735	4,449
– Estimated money value of benefits-in-kind	30	71	30	71
– Defined contribution plan	82	603	82	603
– ESOS	-	163	-	163
– Other emoluments	-	153	-	153
	847	5,689	847	5,689
Non-executive Directors				
– Fees	66	225	-	225
– Salaries, allowances and bonuses	1,013	41	1,013	41
– Estimated money value of benefits-in-kind	48	68	48	68
– Defined contribution plan	66	-	66	-
– ESOS	-	562	-	562
– Other emoluments	297	-	297	-
	1,490	896	1,424	896
Independent non-executive Directors				
– Fees	-	281	-	281
– ESOS	-	339	-	339
– Other emoluments	-	82	-	82
	-	702	-	702
Total Directors' remuneration	2,337	7,287	2,271	7,287

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

9 INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense are:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current income tax				
- Malaysia	62,010	37,767	3,222	-
- Outside Malaysia	-	1,923	-	-
Over provision in prior years	(7,475)	(1,329)	294	(247)
	54,535	38,361	3,516	(247)
Deferred tax (Note 24)	(6,223)	8,030	1,868	1,501
Income tax attributable to:				
- Continuing operations	48,312	46,391	5,384	1,254
Income tax expense recognised in profit and loss	48,312	46,391	5,384	1,254
Income tax expense recognised in other comprehensive income (Note 26)	35,982	24,765	7,284	5,240

Reconciliation between tax expense and accounting profit

The reconciliation between income tax expense and the product of accounting profit multiplied by the applicable corporate tax rate are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit before tax from continuing operations	43,443	59,917	26,746	2,360
Loss from discontinued operations (Note 10)	(79,072)	(340)	-	-
	(35,629)	59,577	26,746	2,360
Taxation at Malaysian statutory tax rate of 24% (2016: 24%)	(8,551)	14,298	6,419	566
Tax recognised at different tax rate	(402)	(1,394)	-	-
Effect of non-deductible expenses	73,756	56,547	28,276	19,092
Effect of income exempt from tax	(24,374)	(21,883)	(29,605)	(18,157)
Utilisation of previously unrecognised deferred tax assets	(16)	(1,644)	-	-
Deferred tax assets not recognised	15,374	1,796	-	-
Over provision of income tax in prior years	(7,475)	(1,329)	294	(247)
	48,312	46,391	5,384	1,254

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

10 DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

(a)(i) Disposal of Classruum Sdn. Bhd ("CRTSB") in 2017

During the financial year, the Group entered into an agreement for the disposal of a subsidiary, CRTSB, which is involved in business of information communication technologies and providing online learning class. 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 on 22 November 2017. The effects of the disposal are set out in (a)(ii) below.

(a)(ii) Disposal of PT Sawit Sumber Rejo ("PT SSR"), PT Wahana Semesta Karisma ("PT WSK"), PT Harapan Barito Sejahtera ("PT HBS"), (PT SSR, PT WSK and PT HBS shall collectively be referred to as the "BARUT") in 2017.

During the financial year, the Group entered into an agreement for the disposal of BARUT, which is engaged in oil palm plantations.

The disposal was completed on 28 December 2017

The effects of the disposal of CRTSB and BARUT on the financial position and results of the Group up to the date of disposal are as follows:

Assets and liabilities

	CRTSB	BARUT	Total
	RM'000	RM'000	RM'000
Property, plant and equipment	105	92,233	92,338
Intangible asset	1,329	-	1,329
Inventories	-	46	46
Trade and other receivables	-	30	30
Cash and cash equivalents	778	159	937
Deferred tax assets	-	219	219
Trade and other payables	(1,739)	(15,149)	(16,888)
Net assets	473	77,538	78,011
Non-controlling interest	170	(70)	100
Net assets attributable to the Group	643	77,468	78,111
Cash proceeds from disposal	-*	(2,133)	(2,133)
Loss on disposal to the Group	643	75,335	75,978
Cash inflow arising on disposals:			
Cash consideration	-*	2,133	2,133
Cash and cash equivalents of subsidiary disposed	(778)	(159)	(937)
Net cash (outflow)/inflow on disposal	(778)	1,974	1,196

* RM1

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

10 DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

Results of discontinued operations

	CRTSB	BARUT	Total
	RM'000	RM'000	RM'000
Revenue	352	19	371
Expenses	(3,307)	(161)	(3,468)
Loss from operations	(2,955)	(142)	(3,097)
Other income	3	-	3
Loss on disposal to the Group	(643)	(75,335)	(75,978)
	(3,595)	(75,477)	(79,072)

Cash flows attributable to the discontinued operations

	CRTSB	BARUT	Total
	RM'000	RM'000	RM'000
Net cash generated from operating activities	689	(6)	683
Net cash generated from investing activities	(203)	(576)	(779)
Net cash generated from financing activities	-	580	580
Net change in cash and cash equivalents	486	(2)	484

(b) Disposal of Granulab (M) Sdn. Bhd. in 2016

In the previous financial year, the Group entered into an agreement for the disposal of a subsidiary, Granulab (M) Sdn. Bhd., which is involved in trading of granumas, a granulat synthetic bone graft. 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 on 13 November 2016.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

10 DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

(b) Disposal of Granulab (M) Sdn. Bhd. in 2016 (continued)

The effects of the disposal of Granulab (M) Sdn. Bhd. on the financial position and results of the Group up to the date of disposal are as follows:

Assets and liabilities

	RM'000
Inventories	366
Trade and other receivables	110
Cash and cash equivalents	19
Trade and other payables	(243)
Net assets attributable to the Group	252
Cash proceeds from disposal	(685)
Gain on disposal to the Group	(433)

Cash inflow arising on disposals:	
Cash consideration	685
Cash and cash equivalents of subsidiary disposed	(19)
Net cash inflow on disposals	666

Results of operations

	RM'000 (11 months)
Revenue	54
Expenses	(827)
Loss from operations	(773)
Gain on disposal to the Group	433
Loss from operations, net of tax	(340)

Cash flows attributable to the discontinued operations

	RM'000
Net cash generated from operating activities	2,026
Net cash used in financing activities	(2,249)
Net cash outflows	(223)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

11. PROPERTY, PLANT AND EQUIPMENT

	Plantation Operations							
	Freehold land	Long term leasehold land	Land use rights	Estate development expenditure	Buildings	Other assets	Capital work in progress	Total
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	<-------------- At valuation	-------------->		<---------------------- At cost		---------------------->		
At 1 January 2017	1,722,210	1,830,876	128,069	1,140,127	207,953	1,273,227	154,890	6,457,352
Revaluation surplus (Note 26)	244,454	49,268	22,710	-	-	-	-	316,432
Additions	-	-	-	49,403	3,200	152,741	57,578	262,922
Disposals	(654)	(550)	-	(119)	(324)	(11,340)	-	(12,987)
Disposals of subsidiaries (Note 10)	-	-	(83,587)	(8,295)	(194)	(631)	(18)	(92,725)
Write offs	-	-	-	(30,758)	(2,247)	(19,080)	(1,760)	(53,845)
Reclassification	-	-	-	(345)	4,222	123,008	(126,885)	-
Exchange differences	-	-	(4,828)	(16,864)	(1,262)	(206)	(351)	(23,511)
At 31 December 2017	1,966,010	1,879,594	62,364	1,133,149	211,348	1,517,719	83,454	6,853,638
Accumulated depreciation								
At 1 January 2017	-	105,017	-	351,842	109,102	473,977	506	1,040,444
Charge for the year	-	22,375	-	44,341	8,198	91,255	3	166,172
Disposals	-	(7)	-	(48)	(121)	(10,626)	-	(10,802)
Disposals of subsidiaries (Note 10)	-	-	-	-	(89)	(298)	-	(387)
Write offs	-	-	-	(20,239)	(1,587)	(16,646)	(508)	(38,980)
Exchange differences	-	-	-	(935)	(90)	(142)	-	(1,167)
At 31 December 2017	-	127,385	-	374,961	115,413	537,520	1	1,155,280
Accumulated impairment loss								
At 1 January 2017	-	-	-	12,177	146	10,049	236	22,608
Charge for the year	-	-	-	-	34	3,362	-	3,396
At 31 December 2017	-	-	-	12,177	180	13,411	236	26,004
Net book value as at 31 December 2017	1,966,010	1,752,209	62,364	746,011	95,755	966,788	83,217	5,672,354

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Plantation Operations							
	Freehold land	Long term leasehold land	Land use rights	Estate development expenditure	Buildings	Other assets	Capital work in progress	Total
Group (continued)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	<-------------- At valuation	-------------->		<----------------------	At cost	---------------------->		
At 1 January 2016	1,615,235	1,765,220	82,687	947,136	189,680	1,163,922	125,806	5,889,686
Revaluation surplus (Note 26)	106,975	70,697	-	-	-	-	-	177,672
Acquisition of subsidiaries (Note 14)	-	-	43,726	161,345	12,581	793	126	218,571
Additions	-	-	904	44,841	6,671	96,879	95,646	244,941
Disposals	-	-	-	-	(22)	(21,722)	-	(21,744)
Disposals of subsidiaries (Note 10)	-	-	-	-	(1,798)	(3,633)	(97)	(5,528)
Write offs	-	-	-	(13,866)	(692)	(8,257)	(569)	(23,384)
Transfer to inventories	-	(5,041)	-	-	-	-	(21,113)	(26,154)
Transfer to investment properties (Note 12)	-	-	-	-	-	-	(1,338)	(1,338)
Reclassification	-	-	-	-	1,505	42,383	(43,888)	-
Transfer from finance lease receivables	-	-	-	-	-	2,795	-	2,795
Exchange differences	-	-	752	671	28	67	317	1,835
At 31 December 2016	1,722,210	1,830,876	128,069	1,140,127	207,953	1,273,227	154,890	6,457,352

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Plantation Operations							
	Freehold land	Long term leasehold land	Land use rights	Estate development expenditure	Buildings	Other assets	Capital work in progress	Total
Group (continued)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	<-------------- At valuation		-------------->	<----------------------	At cost		---------------------->	
Accumulated depreciation								
At 1 January 2016	-	83,284	-	323,089	103,505	409,375	-	919,253
Charge for the year	-	21,794	-	39,956	6,286	86,299	506	154,841
Disposals	-	-	-	-	(7)	(13,924)	-	(13,931)
Disposals of subsidiaries (Note 10)	-	-	-	-	(352)	(2,022)	-	(2,374)
Write offs	-	-	-	(11,203)	(333)	(5,770)	-	(17,306)
Transfer to inventories	-	(61)	-	-	-	-	-	(61)
Exchange differences	-	-	-	-	3	19	-	22
At 31 December 2016	-	105,017	-	351,842	109,102	473,977	506	1,040,444
Accumulated impairment loss								
At 1 January 2016	-	-	-	12,177	1,592	10,672	333	24,774
Charge for the year	-	-	-	-	-	988	-	988
Disposal of subsidiaries (Note 10)	-	-	-	-	(1,446)	(1,611)	(97)	(3,154)
At 31 December 2016	-	-	-	12,177	146	10,049	236	22,608
Net book value as at 31 December 2016	1,722,210	1,725,859	128,069	776,108	98,705	789,201	154,148	5,394,300

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Other assets of the Group can be further analysed as follows:

	Non-plantation Operations						
	Freehold land	Long term leasehold land	Leasehold improvement and renovation	Vessels, plant and machinery	Furniture and equipment	Motor vehicles	Total
Group (continued)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	<------------ At cost ------------>						
At 1 January 2017	17,458	36,540	571	1,116,607	52,657	49,394	1,273,227
Additions	-	-	-	144,336	3,831	4,574	152,741
Disposals	-	-	-	-	(10,593)	(747)	(11,340)
Disposal of subsidiaries	-	-	-	(4)	(332)	(295)	(631)
Write offs	-	-	-	(11,219)	(5,861)	(2,000)	(19,080)
Reclassification	-	401	-	118,912	1,523	2,172	123,008
Exchange differences	-	-	-	(34)	(56)	(116)	(206)
At 31 December 2017	17,458	36,941	571	1,368,598	41,169	52,982	1,517,719
Accumulated depreciation							
At 1 January 2017	-	5,943	-	396,993	37,338	33,703	473,977
Charge for the year	-	564	-	78,975	4,726	6,990	91,255
Disposals	-	-	-	-	(9,886)	(740)	(10,626)
Disposal of subsidiaries	-	-	-	(1)	(110)	(187)	(298)
Write offs	-	-	-	(9,122)	(5,596)	(1,928)	(16,646)
Exchange differences	-	-	-	(28)	(42)	(72)	(142)
At 31 December 2017	-	6,507	-	466,817	26,430	37,766	537,520

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Other assets of the Group can be further analysed as follows (continued):

	Non-plantation Operations						
	Freehold land	Long term leasehold land	Leasehold improvement and renovation	Vessels, plant and machinery	Furniture and equipment	Motor vehicles	Total
Group (continued)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	<------------	------------	------------	At cost	------------	------------>	
Accumulated impairment losses							
At 1 January 2017	-	-	-	9,208	831	10	10,049
Impairment loss for the year	-	-	-	3,334	28	-	3,362
At 31 December 2017	-	-	-	12,542	859	10	13,411
Net book value as at 31 December 2017	17,458	30,434	571	889,239	13,880	15,206	966,788

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Other assets of the Group can be further analysed as follows (continued):

Non-plantation Operations

Group (continued)	Freehold land RM'000	Long term leasehold land RM'000	Leasehold improvement and renovation RM'000	Vessels, plant and machinery RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Total RM'000
	<------------------			At cost		------------------>	
At 1 January 2016	17,458	37,928	924	971,981	85,131	50,500	1,163,922
Acquisition of subsidiaries	-	-	-	162	165	466	793
Additions	-	14	-	85,443	5,596	5,826	96,879
Disposals	-	-	-	(16,241)	(234)	(5,247)	(21,722)
Disposal of subsidiaries	-	-	-	-	(3,633)	-	(3,633)
Write offs	-	-	-	(4,796)	(1,264)	(2,197)	(8,257)
Reclassification	-	(1,402)	(353)	77,263	(33,125)	-	42,383
Transfer	-	-	-	2,795	-	-	2,795
Exchange differences	-	-	-	-	21	46	67
At 31 December 2016	17,458	36,540	571	1,116,607	52,657	49,394	1,273,227
Accumulated depreciation							
At 1 January 2016	-	5,228	133	331,666	36,328	36,020	409,375
Charge for the year	-	715	-	76,673	4,101	4,810	86,299
Disposals	-	-	-	(8,674)	(168)	(5,082)	(13,924)
Disposal of subsidiaries	-	-	-	-	(2,022)	-	(2,022)
Write offs	-	-	(133)	(2,672)	(907)	(2,058)	(5,770)
Exchange differences	-	-	-	-	6	13	19
At 31 December 2016	-	5,943	-	396,993	37,338	33,703	473,977

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Other assets of the Group can be further analysed as follows (continued):

	Non-plantation Operations						
	Freehold land	Long term leasehold land	Leasehold improvement and renovation	Vessels, plant and machinery	Furniture and equipment	Motor vehicles	Total
Group (continued)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	<----------------------	At cost	---------------------->				
Accumulated impairment losses							
At 1 January 2016	-	-	-	9,051	1,611	10	10,672
Impairment loss for the year	-	-	-	157	831	-	988
Disposals of subsidiaries	-	-	-	-	(1,611)	-	(1,611)
At 31 December 2016	-	-	-	9,208	831	10	10,049
Net book value as at 31 December 2016	17,458	30,597	571	710,406	14,488	15,681	789,201

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Plantation Operations						
	Freehold land	Long term leasehold land	Estate development expenditure	Building	Other assets	Capital work in progress	Total
Company	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	<---------------- At valuation		--------------->	<------------------ At cost		----------------->	
At 1 January 2017	802,412	390,994	202,123	64,124	100,642	18,795	1,579,090
Revaluation surplus (Note 26)	115,255	4,789	-	-	-	-	120,044
Additions	-	-	16,427	287	5,869	3,001	25,584
Disposal	(611)	(550)	(501)	-	(79)	-	(1,741)
Write offs	-	-	(24,392)	(7)	(818)	-	(25,217)
Reclassification	-	-	-	-	672	(672)	-
At 31 December 2017	917,056	395,233	193,657	64,404	106,286	21,124	1,697,760
Accumulated depreciation							
At 1 January 2017	-	19,599	90,614	38,397	35,562	-	184,172
Charge for the year	-	3,855	8,918	2,047	6,988	-	21,808
Write offs	-	-	(13,873)	(7)	(640)	-	(14,520)
Disposal	-	(7)	(430)	-	(76)	-	(513)
At 31 December 2017	-	23,447	85,229	40,437	41,834	-	190,947
Net book value as at 31 December 2017	917,056	371,786	108,428	23,967	64,452	21,124	1,506,813

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Plantation Operations						
	Freehold land	Long term leasehold land	Estate development expenditure	Building	Other assets	Capital work in progress	Total
Company (continued)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	<---------------- At valuation	--------------->		<------------------- At cost	---------------->		
At 1 January 2016	740,514	377,822	193,697	63,768	94,136	18,901	1,488,838
Revaluation surplus (Note 26)	61,898	13,172	-	-	-	-	75,070
Additions	-	-	17,154	698	8,386	26,429	52,667
Disposal	-	-	-	-	(9)	-	(9)
Write offs	-	-	(8,728)	(448)	(1,620)	(523)	(11,319)
Reclassification	-	-	-	106	4,791	(4,897)	-
Transfer to inventories	-	-	-	-	(5,042)	(21,115)	(26,157)
At 31 December 2016	802,412	390,994	202,123	64,124	100,642	18,795	1,579,090
Accumulated Depreciation							
At 1 January 2016	-	15,701	89,079	36,508	31,263	-	172,551
Charge for the year	-	3,898	7,600	2,128	5,752	-	19,378
Write offs	-	-	(6,065)	(239)	(1,386)	-	(7,690)
Transfer to asset held for sale	-	-	-	-	(61)	-	(61)
Disposal	-	-	-	-	(6)	-	(6)
At 31 December 2016	-	19,599	90,614	38,397	35,562	-	184,172
Net book value as at 31 December 2016	802,412	371,395	111,509	25,727	65,080	18,795	1,394,918

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Assets held under finance lease

During the financial year, the Group and the Company acquired property, plant and equipment with an aggregate cost of approximately RM260.89 million (2016: RM244.94 million) and RM25.58 million (2016: RM52.67 million) respectively, of which RM1.23 million (2016: RM1.19 million) of the Group's acquisitions were made via finance leases.

Included in property, plant and equipment of the Group are assets acquired under lease arrangements at net book value of RM9.81 million (2016: RM10.41 million). The leased assets consist of equipment and motor vehicles (Note 22).

Assets pledged as security for borrowings

	Group	
	2017 RM'000	**2016 RM'000**
Carrying amount of assets pledged as security for borrowings:		
– long term leasehold lands	**713**	727
– vessels	**783,512**	605,257
– vessels under construction	**15,053**	92,657
– buildings	**3,569**	3,159
– capital work-in progress	**10,478**	19,885
	813,325	721,685

If plantation operation lands were stated on the historical cost basis, the amounts would be as follows:

	Group		
	Cost	Accumulated depreciation	Net book value
	RM'000	RM'000	RM'000
2017			
Freehold land	1,274,948	-	1,274,948
Long term leasehold land	794,136	(86,182)	707,954
Land use rights	62,364	-	62,364
	2,131,448	(86,182)	2,045,266
2016			
Freehold land	1,274,948	-	1,274,948
Long term leasehold land	794,136	(78,389)	715,747
Land use rights	128,069	-	128,069
	2,197,153	(78,389)	2,118,764

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Company		
	Cost	Accumulated depreciation	Net book value
	RM'000	RM'000	RM'000
2017			
Freehold land	756,625	-	756,625
Leasehold land	176,746	(14,168)	162,578
	933,371	(14,168)	919,203
2016			
Freehold land	757,279	-	757,279
Leasehold land	177,296	(13,401)	163,895
	934,575	(13,401)	921,174

Borrowing costs

Included in vessels under construction of the Group is interest capitalised for the year of RM0.36 million (2016: RM1.26 million).

Fair values of freehold, long term leasehold land and land use rights

An independent valuation of freehold and long term leasehold land was performed by and valuers to determine the fair value as at 31 December 2017 and 2016. The revaluation surplus net of applicable taxes was credited to other comprehensive income and is shown in 'revaluation reserves' in statement of changes in equity.

Fair value measurement using significant unobservable inputs (Level 3)

Level 3 of freehold, long term leasehold land and land use rights fair values are based on comparison method. Comparison method is made of the property under valuation with sales of other similar properties. Where dissimilarities exist, adjustment are made.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Valuation processes of the Group and the Company

On a regular interval of at least once a year, the Group and the Company engages external, independent and qualified valuers to determine the fair values of the Group's and the Company's plantation land. As at 31 December 2017 and 2016 the fair values have been determined by Cheston International KL Sdn Bhd, a qualified and registered valuer.

Group

Financial year/Asset class	Fair value	Valuation technique	Average price per acre	Range of recent transaction prices per acre
	RM'000		RM	RM
2017				
Freehold land	1,966,010	Comparison approach	56,480	20,990 – 192,126
Long term leasehold land	1,877,594	Comparison approach	28,155	14,133 – 37,801
Land use rights	62,364	Income approach	1,739	-
2016				
Freehold land	1,722,210	Comparison approach	34,705	21,132 – 34,935
Long term leasehold land	1,725,859	Comparison approach	23,888	21,132 – 34,935
Land use rights	128,069	Income approach	1,219	-

Company

Financial year/ Asset class

2017				
Freehold land	917,056	Comparison approach	88,056	42,569 – 192,126
Long term leasehold land	395,233	Comparison approach	29,050	24,518 – 31,500
2016				
Freehold land	802,412	Comparison approach	45,949	21,132 – 34,935
Long term leasehold land	371,396	Comparison approach	31,651	21,132 – 34,935

The relationship of unobservable inputs to fair value is the higher the price per acre, the higher the fair value.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment of vessels

In the current financial year, an impairment loss of RM3.14 million (2016: RM Nil) represents the write-down of certain vessels to their recoverable amounts. The recoverable amounts are based on the higher of fair value less cost to sell and value in use and are determined at the level of the CGU. In determining the recoverable amounts of these vessels, the Group had engaged an independent firm of valuers to issue valuation reports. Further assessment performed to estimate the fair value of each vessel includes consideration of significant factors (amongst others vessels' classification, age, year built and engine capacity).

12 INVESTMENT PROPERTIES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	116,218	115,028	114,880	115,028
Additions	56,901	-	56,901	-
Net gain/(loss) from fair value adjustments recognised in profit or loss	99	(148)	(163)	(148)
Transfer from property, plant and equipment (Note 11)	-	1,338	-	-
Disposal	(144,987)	-	(144,987)	-
At 31 December	28,231	116,218	26,631	114,880

Investment properties comprise a number of commercial properties, residential property and a commercial land, all of which are leased to third parties.

As at 31 December 2017, the fair values of the properties are based on valuations performed by Cheston International, an accredited independent valuer.

Description of valuation technique used and key inputs to valuation:

Description	Valuation technique	Significant unobservable inputs	Range (weighted average)	
			2017	2016
Office property	Investment method	Estimated rental value per sqft per month	-	RM2.50 - RM4.00
		Outgoings per sqft per month	-	RM1.00 - RM1.30
		Void rate	-	5%
		Term yield	-	6% - 7%
Commercial land	Comparison method	The higher value per square feet, the higher the valuation	RM197-RM210 per square feet	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

12 INVESTMENT PROPERTIES (CONTINUED)

	Group		Company	
	2017 RM'000	2016 RM'000	**2017 RM'000**	2016 RM'000
Rental income derived from investment properties	**8,995**	8,810	**8,995**	8,810
Direct operating expenses relating to rental income (included in cost of sales) recognised in profit or loss	**(4,495)**	(4,722)	**(4,495)**	(4,722)
Profit arising from investment properties carried at fair value	**4,500**	4,088	**4,500**	4,088

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 investment properties do not differ from their current use.

13 INTANGIBLE ASSETS

Group	Goodwill RM'000	Others RM'000	Total RM'000
Cost			
At 1 January 2016	71,871	4,810	76,681
Acquisition of subsidiaries (Note 14)	-	7,288	7,288
Additions	-	305	305
Written-off	-	(4,010)	(4,010)
Exchange differences	462	-	462
At 31 December 2016/At 1 January 2017	72,333	8,393	80,726
Additions	-	2,918	2,918
Disposal of subsidiaries (Note 10)	-	(2,232)	(2,232)
At 31 December 2017	72,333	9,079	81,412

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

13 INTANGIBLE ASSETS (CONTINUED)

Group (continued)	Goodwill RM'000	Others RM'000	Total RM'000
Accumulated amortisation and impairment			
At 1 January 2016	3,241	3,621	6,862
Impairment	43,323	-	43,323
Amortisation	-	1,388	1,388
Written-off	-	(3,621)	(3,621)
At 31 December 2016/At 1 January 2017	46,564	1,388	47,952
Impairment	2,587	-	2,587
Amortisation	-	4,871	4,871
Disposal of subsidiaries (Note 10)	-	(903)	(903)
At 31 December 2017	49,151	5,356	54,507
Net carrying amount			
At 31 December 2017	23,182	3,723	26,905
At 31 December 2016	25,769	7,005	32,774

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		Others		Total	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash Generating Units						
Sea transportation and related services	12,560	12,560	-	4,775	12,560	17,335
Insurance broking and consultancy	1,642	1,642	-	-	1,642	1,642
Trading of agricultural fertilizers, water treatment and biotechnology research and development	-	2,587	-	-	-	2,587
Construction of oil and gas equipment	8,463	8,463	-	-	8,463	8,463
E-Commerce	-	-	800	800	800	800
Software development expenditure	-	-	-	380	-	380
Others	517	517	2,923	1,050	3,440	1,567
	23,182	25,769	3,723	7,005	26,905	32,774

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

13 INTANGIBLE ASSETS (CONTINUED)

Key assumptions used in determining the recoverable amounts

The recoverable amount of the CGUs have been determined based on value-in-use or fair value less cost to sell calculations using cash flow projections based on financial budgets approved by the Directors covering a five-year period.

The key assumptions on which management has based its cash flow projections are as follows:

	2017			
Cash generating units	Revenue growth rate %	EBITDA margin %	Discount rate %	Terminal growth rate %
Sea transportation and related services	**-15 to 4**	20 to 23	**10**	3
Insurance brokering and consultancy	**15 to 45**	18 to 28	**9**	3
Construction of oil and gas equipment	**1 to 85**	14 to 29	**10**	3

The Directors have determined the revenue and EBITDA margin based on expectations of market development. The discount rates used are based on selected market comparable companies and adjusted for projection risk. The terminal growth rate is the growth rate of the business in a stabilised state into perpetuity.

The goodwill relating to the trading of agricultural fertilizers, water treatment and biotechnology research and development amounting to RM2.59 million (2016: RM Nil) was fully impaired during the financial year due to the continued poor performance of the subsidiary and negative market outlook.

14 INVESTMENT IN SUBSIDIARIES

	Company	
	2017 RM'000	2016 RM'000
Unquoted shares in Malaysia	**628,370**	624,010
Unquoted shares outside Malaysia	**105,792**	105,792
Convertible notes	**49,170**	49,170
Amounts due from subsidiaries	**459,625**	439,037
Less: Impairment losses	**(56,671)**	(32,706)
	1,186,286	1,185,303

During the financial year, the Company has recorded RM23.97 million provision for impairment losses for certain investment in subsidiaries. The Directors are in the opinion that these investments are not recoverable as the subsidiaries have ceased operations.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

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*	
			2017	2016	2017	2016
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	95.57%	95.52%	4.43%	4.48%
EPA Management Sdn. Bhd.	Malaysia	Investment holding, provision of management services and consultancy, and mechanical equipment assembler	100.00%	100.00%	-	-
Skellerup Industries (Malaysia) Sdn. Bhd.	Malaysia	Dormant	100.00%	100.00%	-	-
Kulim Topplant Sdn. Bhd.	Malaysia	Production of oil palm clones	100.00%	100.00%	-	-
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%	-	-
Sindora Berhad	Malaysia	Investment holding, operations of oil palm mill and rubber estates	100.00%	100.00%	-	-
+Cita Tani Sdn. Bhd.	Malaysia	Cultivation of sugar cane and other agriculture produce	100.00%	100.00%	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Country of incorporation	Principal activities	% of ownership interest held by the Group		% of ownership interest held by non-controlling interests*	
			2017	2016	2017	2016
Held by the Company (continued):						
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%	100.00%	-	-
+SG Lifestyle Sdn. Bhd.	Malaysia	Marketing of personal care products	100.00%	100.00%	-	-
Danamin (M) Sdn. Bhd.	Malaysia	Construction of oil and gas equipment	75.00%	75.00%	25.00%	25.00%
+PT Wisesa 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%
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%	100.00%	-	-
**Classruum Technologies Sdn. Bhd.	Malaysia	Computer equipment supplier and services	-	76.00%	-	24.00%
+E.A. Technique (M) Berhad	Malaysia	Provision of sea transportation and related services	53.16%	50.60%	46.84%	49.40%
Held through Mahamurni Plantations Sdn. Bhd.:						
Pembangunan Mahamurni Sdn. Bhd.	Malaysia	Investment holding	100.00%	100.00%	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Country of incorporation	Principal activities	% of ownership interest held by the Group		% of ownership interest held by non-controlling interests*	
			2017	2016	2017	2016
Held through Mahamurni Plantations Sdn. Bhd. (continued):						
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	100.00%	100.00%	-	-
Edaran Badang Sdn. Bhd.	Malaysia	Dealer in agricultural machinery and parts	100.00%	100.00%	-	-
Kulim Civilworks Sdn. Bhd.	Malaysia	Facilities maintenance, project and construction works	100.00%	99.67%	-	0.33%
Panquest Ventures Limited	British Virgin Island	Dormant	100.00%	100.00%	-	-
Kulim Livestocks Sdn. Bhd.	Malaysia	Breeding and sale of cattle	100.00%	100.00%	-	-
Special Appearance Sdn. Bhd.	Malaysia	Production house and event management	99.56%	99.56%	0.44%	0.44%
Extreme Edge Sdn. Bhd.	Malaysia	Computer equipment 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%

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Country of incorporation	Principal activities	% of ownership interest held by the Group		% of ownership interest held by non-controlling interests*	
			2017	2016	2017	2016
Held through EPA Management Sdn. Bhd. (continued):						
Kulim Safely Training & Services Sdn. Bhd.	Malaysia	Provision of training services and any other services related to occupational safety, health, environmental and security systems	75.00%	75.00%	25.00%	25.00%
+PT Kulim Agro Persada	Indonesia	Management services	100.00%	100.00%	-	-
Perfect Synergy Trading Sdn. Bhd.	Malaysia	Fertilizer supplier	75.00%	75.00%	25.00%	25.00%
Optimum Status Sdn. Bhd.	Malaysia	Mill maintenance	75.00%	75.00%	25.00%	25.00%
Held through Kulim Livestocks Sdn. Bhd.:						
+Exquisite Livestock Sdn. Bhd.	Malaysia	Dormant	100.00%	100.00%	-	-
Held through Kulim Civilworks Sdn. Bhd.:						
+KCW Hardware Sdn. Bhd.	Malaysia	Dormant	100.00%	99.67%	-	0.33%
+KCW Kulim Marine Services Sdn. Bhd.	Malaysia	Dormant	100.00%	99.67%	-	0.33%
+KCW Electrical Sdn. Bhd.	Malaysia	Dormant	100.00%	99.67%	-	0.33%
+KCW Roadworks Sdn. Bhd.	Malaysia	Dormant	100.00%	99.67%	-	0.33%
Held through Skellerup Industries (Malaysia) Sdn. Bhd.:						
Skellerup Foam Products (Malaysia) Sdn. Bhd.	Malaysia	Dormant	100.00%	100.00%	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Country of incorporation	Principal activities	% of ownership interest held by the Group		% of ownership interest held by non-controlling interests*	
			2017	2016	2017	2016
Held through Skellerup Industries (Malaysia) Sdn. Bhd. (continued):						
Skellerup Latex Products (M) Sdn. Bhd.	Malaysia	Dormant	100.00%	100.00%	-	-
SIM Manufacturing Sdn. Bhd.	Malaysia	Dormant	90.00%	90.00%	10.00%	10.00%
Held through Extreme Edge Sdn. Bhd.						
Sovereign Multimedia Resources Sdn. Bhd.	Malaysia	Information and communication technology business	75.00%	75.00%	25.00%	25.00%
Held through JTP Trading Sdn. Bhd.:						
+JTP Montel Sdn. Bhd.	Malaysia	Dormant	100.00%	100.00%	-	-
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	Ceased operation in August 2017	82.03%	82.03%	17.97%	17.97%
Epasa Shipping Agency Sdn. Bhd.	Malaysia	Shipping and forwarding agent	100.00%	100.00%	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Country of incorporation	Principal activities	% of ownership interest held by the Group		% of ownership interest held by non-controlling interests*	
			2017	2016	2017	2016
Held through Sindora Berhad (continued):						
+E.A. Technique (M) Berhad	Malaysia	Provision of sea transportation and related services	53.16%	50.60%	46.84%	49.40%
Microwell Bio Solutions Sdn. Bhd.	Malaysia	Trading of agricultural fertilizers, water treatment, biotechnology research and	60.00%	60.00%	40.00%	40.00%
MIT Insurance Brokers Sdn. Bhd.	Malaysia	Insurance broking and consultancy	75.00%	75.00%	25.00%	25.00%
Sindora Marketing Sdn. Bhd.	Malaysia	Dormant	100.00%	100.00%	-	-
Held through Sindora Timber Sdn. Bhd.:						
+Tiram Fresh Sdn. Bhd.	Malaysia	Dormant	82.03%	82.03%	17.97%	17.97%
+Jejak Juara Sdn. Bhd.	Malaysia	Dormant	82.03%	82.03%	17.97%	17.97%
Held through E.A. Technique (M) Berhad:						
+Johor Shipyard & Engineering Sdn. Bhd.	Malaysia	Shipbuilding, fabrication of steel structures, engineering services and consultancy	53.16%	50.60%	46.84%	49.40%
+Libra Prefex Precision Sdn. Bhd.	Malaysia	Hiring and charter of vessels, supplying and installation of equipment supplying of all kinds of chemicals and chemical preparation and cleaning service for the industrial, oil and gas, marine, engineering and agricultural sector	53.16%	50.60%	46.84%	49.40%
Held through Microwell Bio Solutions Sdn. Bhd.:						
Microwell Trading Sdn. Bhd.	Malaysia	Dormant	60.00%	60.00%	40.00%	40.00%

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Country of incorporation	Principal activities	% of ownership interest held by the Group		% of ownership interest held by non-controlling interests*	
			2017	2016	2017	2016
Held through MIT Insurance Broker Sdn Bhd:						
MIT Captive Ltd	Malaysia	Licensed to carry Labuan Captive takaful business	75.00%	75.00%	25.00%	25.00%
Held through Danamin Sdn. Bhd.:						
DQ-IN Sdn. Bhd.	Malaysia	Dormant	75.00%	75.00%	25.00%	25.00%
Xcot Tech Sdn. Bhd.	Malaysia	Dormant	75.00%	75.00%	25.00%	25.00%
Held through PT Wisesa Inspirasi Nusantara:						
**PT Sawit Sumber Rejo	Indonesia	Oil palm plantation	-	70.30%	-	29.70%
**PT Wahana Semesta Kharisma	Indonesia	Oil palm plantation	-	70.30%	-	29.70%
**PT Harapan Barito Sejahtera	Indonesia	Oil palm plantation	-	70.30%	-	29.70%
+PT Tempirai Palm Resources	Indonesia	Oil palm plantation	70.30%	70.30%	29.70%	29.70%
+PT Rambang Agro Jaya	Indonesia	Oil palm plantation	70.30%	70.30%	29.70%	29.70%
Held through Asia Economic Development Fund Limited ("AEDF"):						
+Asia Logistics Council Sdn. Bhd. ("ALC")	Malaysia	E-Commerce	36.86%	36.86%	63.14%	63.14%

* Equals to the proportion of voting rights held
\+ Audited by firms other than PricewaterhouseCoopers PLT
\# Listed on Main Board of Bursa Malaysia Securities Berhad
** Disposed during the financial year

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Acquisition of subsidiaries in 2016

Acquisition of Classruum Technologies Sdn. Bhd ("CRTSB")

In February 2016, the Group acquired 204,000 ordinary shares in CRTSB representing 51% of the issued and paid up share capital of CRTSB for a total purchase consideration of RM2.14 million. Following the acquisition, CRTSB became a subsidiary of the Group. In November 2016, the Group acquired a further 25% equity interest for a purchase consideration of RM0.25 million.

The impact to the Group from the date of acquisition or from the beginning of the financial year is not material.

Acquisition of PT Rambang Agro Jaya ("PT RAJ") and PT Tempirai Palm Resources ("PT TPR")

On 24 June 2016, the Group acquired 2,375 ordinary shares in PT RAJ representing 95% of the issued and paid up share capital of PT RAJ for a total purchase consideration of RM1.2 million. Following the acquisition of the interest, PT RAJ became a subsidiary of the Group.

On 24 June 2016, the Group acquired 2,375 ordinary shares in PT TPR representing 95% of the issued and paid up share capital of PT TPR for a total purchase consideration of RM2.0 million. Following the acquisition of the interest, PT TPR became a subsidiary of the Group.

The acquisition of PT RAJ and PT TPR included the settlement of outstanding shareholders' loans and advances amounting to RM35.97 million .

The impact to the Group from the date of acquisition or from the beginning of the financial year is not material.

Acquisition of Libra Prefex Precision Sdn. Bhd ("LIBRA")

On 24 November 2016, the Group acquired 2,000,000 ordinary shares in LIBRA representing 100% of the issued and paid up share capital of LIBRA for a total purchase consideration of RM5.0 million. Following the acquisition of the interest, LIBRA became a subsidiary of the Group.

LIBRA contributed revenue of approximately RM1.60 million and profit after taxation of approximately RM0.09 million to Group for the period from the date of acquisition to 31 December 2016. Had the acquisition been taken effect at the beginning of the financial year, the revenue and profit after taxation contributed to the Group would have been RM10.22 million and RM0.11 million respectively.

The net assets of PT RAJ, PT TPR and LIBRA recognised in the Group's statement of financial position for the year ended 31 December 2016 were based on provisional assessments of their fair values while the Group is still evaluating the fair values of their assets acquired and liabilities and contingent liabilities assumed. The purchase price allocation ("PPA") on identifiable assets, liabilities and contingent liabilities had not been completed by the date the Group's statement of financial position for the year ended 31 December 2016 were approved for issue by the Board of Directors. If new information obtained within one year of the acquisition date about facts and circumstances that existed at the acquisition date identify adjustments to the above provisional amounts, or any provisions that existed at the acquisition date, then the accounting for the acquisition will be revised as allowed by FRS 3 Business Combination.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Acquisition of subsidiaries in 2016 (continued)

The acquisitions above had the following effects on the Group's assets and liabilities on the acquisition date:

	Final fair value recognised on acquisition	Provisional fair value recognised on acquisition		
	CRTSB RM'000	RAJ & TPR RM'000	LIBRA RM'000	Total RM'000
Property, plant and equipment	117	218,410	44	218,571
Inventories	-	4,618	-	4,618
Deferred tax assets	-	273	282	555
Intangible assets	1,957	-	5,331	7,288
Cash and cash equivalents	1,070	693	4,100	5,863
Receivables	81	189	626	896
Payables	(623)	(164,885)	(5,003)	(170,511)
Tax payables	-	(60)	-	(60)
Effect of exchange rate	-	(670)	-	(670)
Net identifiable assets	2,602	58,568	5,380	66,550
Less: Non-controlling interest on acquisition	(460)	(1,130)	-	(1,590)
Group's share of net assets acquired	2,142	57,438	5,380	64,960
Bargain purchase on acquisition	-	(20,267)	(380)	(20,647)
Purchase consideration	2,142	37,171	5,000	44,313
Cash and cash equivalents acquired	(1,070)	(693)	(4,100)	(5,863)
Net cash outflow	1,072	36,478	900	38,450

Based on the provisional assessments of PPA, the fair value of identifiable net assets of subsidiaries as at acquisition date amounted to RM64.96 million. A negative goodwill (gain on bargain purchase) amounting to RM20.65 million had been recognised in the consolidated statement of comprehensive income after considering provisional fair value of net assets acquired of RM64.96 million and total purchase consideration of RM44.31 million.

The fair value adjustments in the previous financial year were reviewed during the financial year ended 31 December 2017 and the final allocation of the purchase price was determined after completion of a final analysis to determine the fair values of subsidiaries identifiable assets and liabilities acquired. Based on the final analysis, there were no material changes to the fair values of the identifiable assets and liabilities of the subsidiaries.

(b) Increase in investment in other subsidiaries in 2017

During the financial year, the Group acquired an additional 2.56% equity interest in E.A. Technique (M) Bhd, 0.05% equity interest in Kumpulan Bertam Plantation Bhd and 0.33% equity interest in Kulim Civilworks Sdn Bhd for a total consideration of RM6.84 million, RM0.02 million and RM1 respectively. The additional acquisition did not have any significant effect on the financial position and results of the Group except for the decreased in non-controlling interest subsequent to the additional acquisition of interest in subsidiaries amounting to RM3.75 million.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(c) Increase in investment in other subsidiaries in 2016

In the previous financial year, the Group acquired an additional 40% equity interest in Kulim Topplant Sdn Bhd ("KTSB") for a total consideration of RM4.0 million. The additional acquisition did not have any significant effect on the financial position and results of the Group except for the decreased in non-controlling interest subsequent to the additional acquisition of interest in subsidiaries amounting to RM0.24 million.

(d) Disposal of subsidiaries in 2017

During the financial year, as disclosed in Note 10(a), the Group disposed of its equity interests in Classruum Technology Sdn Bhd ("CRTSB"), PT Sawit Sumber Rejo, PT Wahana Semesta Karisma, PT Harapan Barito Sejahtera during the financial year. The effects of the disposal on the financial position and results of the Group and the Company are disclosed in Note 10(a).

(e) Disposal of subsidiary in 2016

In the previous financial year, as disclosed in Note 10(b), the Group disposed of its equity interests in Granulab (M) Sdn Bhd for a total consideration of RM0.69 million during the financial year. The effects of the disposal on the financial position and results of the Group and the Company are disclosed in Note 10(b).

(f) 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:

	2017 %	2016 %
Asia Economic Development Fund Limited ("AEDF") Group	45.79	45.79
E.A. Technique (M) Berhad ("EAT") Group	46.84	49.40
PT Wisesa Inspirasi Nusantara ("PT WIN") Group	26.00	26.00

Summarised statements of financial position before intra-group elimination:

	AEDF Group RM'000	EAT Group RM'000	PT WIN Group RM'000	Total RM'000
At 31 December 2017				
Current assets	1,423	90,905	13,815	106,143
Non-current assets	174,971	809,687	238,090	1,222,748
Current liabilities	(13,238)	(451,848)	(235,488)	(700,574)
Non-current liabilities	(101,432)	(296,091)	(9,865)	(407,388)
Total equity	61,724	152,653	6,552	220,929
Attributable to:				
- Equity holders of the Company	34,946	81,150	4,334	120,430
- Non-controlling interest	26,778	71,503	2,218	100,499
	61,724	152,653	6,552	220,929

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(f) Summarised financial information of subsidiaries which have non-controlling interests that are material to the Group (continued)

Summarised statements of financial position before intra-group elimination (continued):

	AEDF Group	EAT Group	PT WIN Group	Total
	RM'000	RM'000	RM'000	RM'000
At 31 December 2016				
Current assets	406	440,931	23,335	464,672
Non-current assets	175,173	715,047	286,826	1,177,046
Current liabilities	(12,901)	(571,268)	(215,801)	(799,970)
Non-current liabilities	(112,087)	(310,910)	(1,586)	(424,583)
Total equity	50,591	273,800	92,774	417,165
Attributable to:				
- Equity holders of the Company	20,285	138,543	63,438	222,266
- Non-controlling interest	30,306	135,257	29,336	194,899
	50,591	273,800	92,774	417,165

Summarised statements of comprehensive income before intra-group elimination:

	AEDF Group	EAT Group	PT WIN Group	Total
	RM'000	RM'000	RM'000	RM'000
At 31 December 2017				
Revenue	-	366,970	903	367,873
Cost of sales	-	(492,301)	(15,688)	(507,989)
Other income	61	46,561	1,211	47,833
Administrative and other expenses	(495)	(31,932)	(11,420)	(43,847)
Finance costs	(2)	(21,201)	-	(21,203)
Loss before tax	(436)	(131,903)	(24,994)	(157,333)
Income tax expense	-	10,754	3,396	14,150
Loss after tax	(436)	(121,149)	(21,598)	(143,183)
Attributable to non-controlling interests	(764)	(56,746)	(855)	(58,365)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

(f) Summarised financial information of subsidiaries which have non-controlling interests that are material to the Group (continued)

Summarised statements of comprehensive income before intra-group elimination (continued):

	AEDF Group	EAT Group	PT WIN Group	Total
	RM'000	RM'000	RM'000	RM'000
At 31 December 2016				
Revenue	-	591,663	302	591,965
Cost of sales	-	(492,106)	(5,224)	(497,330)
Other income	83	-	21,285	21,368
Administrative and other expenses	(741)	(60,619)	(3,301)	(64,661)
Finance costs	-	(17,397)	-	(17,397)
(Loss)/profit before tax	(658)	21,541	13,062	33,945
Income tax expense	-	(12,762)	(1,971)	(14,733)
(Loss)/profit after tax	(658)	8,779	11,091	19,212
Attributable to non-controlling interests	(1,553)	4,337	1,518	4,302
Dividend paid to non-controlling interests	-	2,490	-	2,490

Summarised cash flows before intra-group elimination:

	AEDF Group	EAT Group	PT WIN Group	Total
	RM'000	RM'000	RM'000	RM'000
At 31 December 2017				
Operating	1,935	223,452	(20,165)	205,222
Investing	(16)	29,085	10,156	39,225
Financing	(53)	(254,937)	9,640	(245,350)
Net increase/(decrease) in cash and cash equivalents	1,866	(2,400)	(369)	(903)
At 31 December 2016				
Operating	(3,714)	156,910	47,756	200,952
Investing	(3)	(245,840)	(222,178)	(468,021)
Financing	2,157	78,952	18,086	99,195
Net decrease in cash and cash equivalents	(1,560)	(9,978)	(156,336)	(167,874)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

15 INVESTMENT IN ASSOCIATE

	Group	
	2017 RM'000	**2016 RM'000**
Unquoted shares in Malaysia	**800**	800
Share of post-acquisition reserves	**2,242**	1,690
	3,042	2,490

Details of 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
			2017 %	2016 %	
Held through Sindora Berhad					
Tepak Marketing Sdn Bhd ("Tepak")	Malaysia	Tea blending and packaging	20.00	20.00	Equity method

* equals to the proportion of voting rights held

Summarised financial information on associate

Summarised financial information in respect of each of the Group's material associate is set out below. The summarised financial information represents the amounts in the financial statements of the associate and not the Group's share of those amounts.

(i) Summarised statement of financial position

	2017 RM'000	**2016 RM'000**
Tepak		
Current assets	**19,246**	18,110
Non-current assets	**2,398**	2,143
Current liabilities	**(6,312)**	(7,778)
Non-current liabilities	**(122)**	(24)
Equity	**15,210**	12,451
Proportion of Group's ownership	**20%**	20%
Equity attributable to the Group, representing carrying amount of the investment	**3,042**	2,490

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

15 INVESTMENT IN ASSOCIATE (CONTINUED)

Summarised financial information on associate (continued)

(ii) Summarised statement of comprehensive income

	2017 RM'000	2016 RM'000
Tepak		
Revenue	**42,290**	36,975
Cost of sales	**(36,991)**	(31,201)
Administration expenses	**(2,263)**	(3,596)
Other income	**34**	-
Profit for the year	**3,070**	2,178
Total comprehensive income for the year	**3,070**	2,178
Dividend paid	**60**	260

16 INVESTMENTS

	Shares in Malaysia Unquoted RM'000	Shares in Malaysia Quoted RM'000	Outside Malaysia Unquoted RM'000	Warrants in Malaysia Quoted RM'000	Total RM'000
Group					
2017					
At cost					
Non-current:					
Available-for-sale financial assets	-	-	173,446	-	173,446
	-	-	173,446	-	173,446
At fair value					
Non-current:					
Available-for-sale financial assets	25,175	52,534	-	3,298	81,007
	25,175	52,534	-	3,298	81,007
Total non-current	25,175	52,534	173,446	3,298	254,453
Current:					
Available-for-sale financial assets	-	23,407	-	-	23,407
Investment held for trading	-	-	-	25,691	25,691
Total current	-	23,407	-	25,691	49,098
	25,175	75,941	173,446	28,989	303,551

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

16 INVESTMENTS (CONTINUED)

	Shares in Malaysia		Outside Malaysia	Warrants in Malaysia		
	Unquoted	Quoted	Unquoted	Quoted	Fund investments	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
2016						
At cost						
Non-current:						
Available-for-sale financial assets	-	-	173,360	-	-	173,360
	-	-	173,360	-	-	173,360
At fair value						
Non-current:						
Available-for-sale financial assets	16,634	36,542	-	-	1,644	54,820
	16,634	36,542	-	-	1,644	54,820
Total non-current	16,634	36,542	173,360	-	1,644	228,180
Current:						
Available-for-sale financial assets	-	24,276	-	-	-	24,276
Investment held for trading	7,560	-	-	8,584	-	16,144
Total current	7,560	24,276	-	8,584	-	40,420
	24,194	60,818	173,360	8,584	1,644	268,600

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

16 INVESTMENTS (CONTINUED)

	Shares in Malaysia		Warrants in Malaysia	
	Unquoted	Quoted	Quoted	Total
	RM'000	RM'000	RM'000	RM'000
Company				
At fair value				
2017				
Non-current				
Available-for-sale financial assets	16,136	34,733	1,041	51,910
Current				
Available-for-sale financial assets	-	23,406	-	23,406
Investment held for trading	-	-	25,692	25,692
Total current	-	23,406	25,692	49,098
	16,136	58,139	26,733	101,008
2016				
Non-current				
Available-for-sale financial assets	9,697	20,426	-	30,123
Current				
Available-for-sale financial assets	-	24,276	-	24,276
Investment held for trading	7,560	-	8,584	16,144
Total current	7,560	24,276	8,584	40,420
	17,257	44,702	8,584	70,543

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

17 INVENTORIES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Agricultural produce	2,607	1,667	-	-
Raw materials and consumables	10,471	20,606	1,683	2,184
Work-in-progress	-	3	-	-
Livestocks	16,557	16,539	-	-
Finished goods	27,711	9,646	129	136
Property development cost	69,442	30,417	69,442	30,417
	126,788	78,878	71,254	32,737

18 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-current				
Other receivables:				
Third parties	37,645	3,027	35,540	-
Current				
Trade receivables:				
Third parties	164,383	195,347	1,708	2,191
Less: Allowance for impairment losses:				
Third parties	(6,570)	(38,016)	(1,252)	(1,252)
	157,813	157,331	456	939
Amount due from contract customer	-	153,861	-	-
	157,813	311,192	456	939

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

18 TRADE AND OTHER RECEIVABLES (CONTINUED)

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Other receivables:				
Third parties	**325,131**	272,695	**38,682**	10,411
Deposit	**4,818**	6,824	**320**	396
Prepayments	**4,604**	4,868	**1,244**	1,441
	334,553	284,387	**40,246**	12,248
Less: Allowance for impairment losses:				
Third parties	**(18,438)**	(14,942)	**(8,380)**	(10,043)
	316,115	269,445	**31,866**	2,205
Amount due from:				
Subsidiaries	**-**	-	**97,925**	164,713
Ultimate holding corporation	**77,897**	46,063	**64,100**	32,458
Related companies	**9,694**	5,596	**11,125**	4,071
	87,591	51,659	**173,150**	201,242
Less: Allowance for impairment losses:				
Subsidiaries	**-**	-	**(24,737)**	(22,335)
Related companies	**(2,522)**	(36)	**-**	-
	(2,522)	(36)	**(24,737)**	(22,335)
Amount due from, net	**85,069**	51,623	**148,413**	178,907
Total current	**558,997**	632,260	**180,735**	182,051
Total trade and other receivables	**596,642**	635,287	**216,275**	182,051

(i) Included in other receivables (current) of the Group is deposit, prepayment and further investment of RM46.76 million (2016: RM46.76 million), RM162.33 million (2016: RM162.33 million) and RM22.06 million (2016: NIL) respectively paid for the purchase and subscription of shares in PT Citra Sarana Energi as disclosed in (Note 30 (f)).

(ii) Included in other receivables for the Group and the Company (non-current) is amount due from PT Graha Sumber Barkah amounting to RM35.54 million for the compensation agreement as disclosed in Note 30 (e).

(iii) Included in other receivables for the Group and the Company is the remaining balance of RM2.13 million in respect of the total consideration for the disposal of Menara Ansar during the financial year (Note 30(b)).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

18 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables

Third party trade receivables are non-interest bearing and payment terms range from payment in advance to 90 days (2016: 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 are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Neither past due nor impaired	71,805	102,491	-	-
1 to 30 days past due not impaired	51,736	13,825	100	144
31 to 60 days past due not impaired	20,565	6,245	23	88
61 to 90 days past due not impaired	7,825	2,177	53	118
91 to 120 days past due not impaired	1,673	2,634	25	73
More than 120 days past due not impaired	4,209	29,959	255	516
	86,008	54,840	456	939
Impaired	6,570	38,016	1,252	1,252
	164,383	195,347	1,708	2,191

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 RM86.01 million (2016: RM54.84 million) and RM0.46 million (2016: RM0.94 million) respectively that are past due at the reporting date but not impaired. These balances are not secured.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

18 TRADE AND OTHER RECEIVABLES (CONTINUED)

a) Trade receivables (continued)

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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade receivables				
- nominal amounts	6,570	38,016	1,252	1,252
Less: Allowance for impairment	(6,570)	(38,016)	(1,252)	(1,252)
	-	-	-	-

Movement in allowance accounts:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	38,016	31,814	1,252	1,161
Charge for the year	4,711	9,282	-	872
Reversal of impairment loss	(113)	(785)	-	(781)
Written off	(36,044)	(2,295)	-	-
At 31 December	6,570	38,016	1,252	1,252

Trade receivables that are determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on repayments. These receivables are not secured by any collateral or credit enhancements.

(b) Amount due from subsidiaries and related companies

These amounts are unsecured, non-interest bearing except for an amount of RM8.38 million that bears 6.85% interest rate per annum and are repayable on demand.

The Group's and the Company's amount due from subsidiaries and related companies that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Amount due from				
- nominal amounts	2,522	36	24,737	22,335
Less: Allowance for impairment	(2,522)	(36)	(24,737)	(22,335)
	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

18 TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Amount due from subsidiaries and related companies (continued)

Movement in allowance accounts:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	36	849	22,335	6,912
Charge for the year	2,486	36	2,402	15,423
Reversal of impairment loss	-	(849)	-	-
At 31 December	2,522	36	24,737	22,335

(c) Amount due from ultimate holding corporation.

These amounts are unsecured, non-interest bearing and repayable on demand.

(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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Other receivables				
- nominal amounts	18,438	14,942	8,380	10,043
Less: Allowance for impairment	(18,438)	(14,942)	(8,380)	(10,043)
	-	-	-	-

Movement in allowance accounts:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	14,942	7,772	10,043	7,772
Charge for the year	5,166	7,173	-	2,271
Reversal of impairment loss	(1,664)	(3)	(1,663)	-
Written off	(6)	-	-	-
At 31 December	18,438	14,942	8,380	10,043

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

18 TRADE AND OTHER RECEIVABLES (CONTINUED)

(e) Amount due from contract customers

	Group	
	2017 RM'000	**2016 RM'000**
Construction contract cost incurred to date	**816,704**	628,317
Attributable (losses)/profits	**(79,740)**	95,074
	736,964	723,391
Less: Progress billings	**(834,712)**	(526,508)
	(97,748)	196,883
Less: Effect of foreign exchange differences	**(33,846)**	(43,022)
Amount due (to)/from contract customer (Note 21)	**(131,594)**	153,861

Included in the Group's recognised losses for the year are foreseeable losses and damages due to the increased contract costs arising from additional request for rectification work from the contract customer, resulting in the provision for foreseeable losses of RM129.72 million recognised as at 31 December 2017 (Note 21). The Group had submitted a proposal on contractual cost settlement in November 2017 and January 2018.

19 DERIVATIVES

	Group	
	2017 RM'000	**2016 RM'000**
Contractual nominal value		
Interest rate swap	**455,000**	210,000
Fair value		
Current assets		
Interest rate swap	**36**	27
Current liabilities		
Interest rate swap	**1,968**	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

19 DERIVATIVES (CONTINUED)

	Company	
	2017 RM'000	2016 RM'000
Contractual nominal value		
Interest rate swap	300,000	-
Fair value		
Current liabilities		
Interest rate swap	1,476	-

The Group and the Company has entered into interest rate swap contracts with a notional amount of RM455 million (2016: RM210 million) and RM300 million (2016: NIL) respectively that is designed to convert its floating rate liabilities to fixed rate liabilities to reduce the Group's and Company's exposure to adverse fluctuations in interest rate on its borrowings.

Under the interest rate swap contract, the Group and the Company pays a fixed rate of interest of 4.18% (2016: 4.18%) and 3.89% (2016: NIL) per annum respectively 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, which is up to the financial year ending 2021.

20 CASH AND BANK BALANCES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances	217,968	211,512	125,824	97,759
Deposits placed with licensed banks	90,299	294,734	76,525	104,847
Short-term money market funds	17,203	24,537	1,100	1,064
	325,470	530,783	203,449	203,670

Included in deposits placed with licensed banks of the Group and of the Company are amounts of RM9.99 million (2016: RM204.07 million) and RM0.35 million (2016: RM0.35 million) respectively, pledged for bank facilities granted to the Group and the Company.

The weighted average interest rate of the fixed deposits of the Group and of the Company at the reporting date are 1.35% (2016: 1.35%) per annum and 0.05% (2016: 0.05%) per annum respectively.

The weighted average maturities of the fixed deposits of the Group and of the Company at the reporting date are 17 days (2016: 77 days) and 1 day (2016: 70 days) respectively.

Short-term money market funds of the Group and of the Company are highly liquid fund investments which can be realised within 2 days (2016: 2 days) and 7 days (2016: 7 days) for the Group and for the Company respectively. They bear interest at rates of 0.91% (2016: 3.83%) per annum and 3.08% (2016: 3.47%) per annum for the Group and for the Company respectively.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

20 CASH AND BANK BALANCES (CONTINUED)

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances	325,470	530,783	203,449	203,670
Less:				
Deposits pledged	(9,990)	(204,070)	(350)	(350)
Bank overdrafts (Note 22)	(7,091)	(7,286)	-	-
Deposits placed with licensed banks with maturities exceeding 90 days	(16,460)	(1,025)	-	-
Cash and cash equivalents	291,929	318,402	203,099	203,320

21 TRADE AND OTHER PAYABLES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current				
Trade:				
Third parties	222,103	239,955	10,755	12,837
Amount due to contractor	1,872	-	-	-
Provision for foreseeable losses (Note 18(e))	129,722	-	-	-
	353,697	239,955	10,755	12,837
Non-trade:				
Third parties	125,930	123,190	16,444	15,244
	125,930	123,190	16,444	15,244
Amount due to:				
Subsidiaries	-	-	98,299	80,995
Related companies	10,539	2,485	276	760
	10,539	2,485	98,575	81,755
Total trade and other payables	490,166	365,630	125,774	109,836

21 TRADE AND OTHER PAYABLES (CONTINUED)

(a) Trade payables

Trade payables are unsecured and non-interest bearing. Credit terms range from payment in advance to 90 days (2016: payment in advance to 90 days).

(b) Non-trade payables

Non-trade payables are unsecured and non-interest bearing except for an amount due to non-controlling interest of a subsidiary of RM6.5 million that bears 6.85% interest rate per annum.

(c) Amounts due to subsidiaries and related companies (non-trade)

These amounts which arose mainly from advances and payments on behalf are unsecured, non-interest bearing and repayable on demand.

22 BORROWINGS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current				
Secured:				
Finance leases	3,499	3,292	-	-
Bank overdrafts	1,388	1,941	-	-
Revolving credits	16,360	6,400	-	-
Term loans	99,174	372,859	-	-
Bankers' acceptances	3,465	130	-	-
	123,886	384,622	-	-
Unsecured:				
Bank overdrafts	5,703	5,345		-
Revolving credits	282,006	736,884	110,000	240,000
Term loans	95,000	55,000	40,000	-
Bankers' acceptances	300	300	-	-
	383,009	797,529	150,000	240,000
Current borrowings	506,895	1,182,151	150,000	240,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

22 BORROWINGS (CONTINUED)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-current				
Secured:				
Finance leases	6,149	8,712	-	-
Term loans	294,878	302,446	-	-
	301,027	311,158	-	-
Unsecured:				
Term loans	952,226	547,587	593,005	492,787
Non-current borrowings	1,253,253	858,745	593,005	492,787
Total borrowings	1,760,148	2,040,896	743,005	732,787
Total borrowings:				
Finance leases (Note 29 (c))	9,648	12,004	-	-
Bank overdrafts (Note 20)	7,091	7,286	-	-
Bankers' acceptances	3,765	430	-	-
Revolving credits	298,366	743,284	110,000	240,000
Term loans	1,441,278	1,277,892	633,005	492,787
	1,760,148	2,040,896	743,005	732,787

During the financial year, the Group and Company capitalised directly attributable transaction costs relating to certain term loans amounting to RM1.25 million (2016: RM7.59 million)

Details of the Group's term loans are as follows:

			<------------------------ Repayment------------------------>			
	Year of maturity	Carrying amount	2018 Under 1 year	2019 1 – 2 years	2020 – 2022 3 – 5 years	>2022 Over 5 years
		RM'000	RM'000	RM'000	RM'000	RM'000
Group						
2017						
Islamic financing facilities	2021-2026	1,261,159	158,294	105,220	296,235	701,410
Conventional financing facilities	2017-2030	180,119	35,880	35,323	86,126	22,790
		1,441,278	194,174	140,543	382,361	724,200

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

22 BORROWINGS (CONTINUED)

Details of the Group's term loans are as follows (continued):

	Year of maturity	Carrying amount	<---- Repayment ---- 2017 Under 1 year	2018 1 – 2 years	2019 – 2021 3 – 5 years	>2021 Over 5 years ---->
		RM'000	RM'000	RM'000	RM'000	RM'000
Group (continued)						
2016						
Islamic financing facilities	2021 – 2026	767,701	94,584	133,514	223,020	316,583
Islamic financing facility – EPCIC	2017	291,356	291,356	-	-	-
Conventional financing facilities	2017 – 2030	218,835	41,919	36,453	101,942	38,521
		1,277,892	427,859	169,967	324,962	355,104

Details of the Company's term loans are as follows:

	Year of maturity	Carrying amount	<---- Repayment ---- 2018 Under 1 year	2019 1 – 2 years	2020 – 2022 3 – 5 years	>2022 Over 5 years ---->
		RM'000	RM'000	RM'000	RM'000	RM'000
Company						
2017						
Islamic financing facilities	2026	633,005	40,000	38,156	176,684	378,165

	Year of maturity	Carrying amount	<---- Repayment ---- 2017 Under 1 year	2018 1 – 2 years	2019 – 2021 3 – 5 years	>2021 Over 5 years ---->
		RM'000	RM'000	RM'000	RM'000	RM'000
Company						
2016						
Islamic financing facilities	2026	492,787	-	38,481	137,722	316,584

Islamic financing facilities

Included in the Islamic financing facilities is a loan denominated in USD amounting to RM163.82 million (2016: RM101.63 million).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

22 BORROWINGS (CONTINUED)

Security

The borrowings are secured by the following:

(a) Charges over certain property, plant and equipment of the Group as disclosed in Note 11;
(b) Charges over certain fixed deposits of the Group as disclosed in Note 20;
(c) Corporate guarantee from the Company;
(d) Joint and several guarantee by certain Directors and shareholders of a subsidiary

Significant financial covenants

In connection with significant term loan facilities, the Group and the Company have agreed on the following significant financial covenants with the lenders:

(a) Plantation segment:

(i) The ratio of the consolidated total borrowings to the consolidated shareholders' funds will not exceed 125% at all times;

(ii) The Group's gearing ratio is below 1.5 times and finance service coverage ratio is more than 1.25 times;

(iii) The gearing ratio of a subsidiary, Mahamurni Plantations Sdn Bhd Group, will not exceed 1.75 times; and

(iv) A minimum of Tangible Net Worth (TNW) of RM350 million on a consolidated basis and total liabilities to TNW on consolidated basis shall not exceed 2.0 to 1 for a subsidiary, Mahamurni Plantations Sdn Bhd Group, and maintain TNW of least RM350 million million on consolidated basis and total liabilities to TNW on consolidated basis shall not exceed 1.5 to 1 for the Group.

(b) Oil and gas support services:

(i) E.A Technique (M) Berhad total financing to tangible net worth ("Gearing ratio") will not exceed 3.0 times at all time as per the following formula:

$$\frac{\text{Total Financing}}{\text{Tangible Networth + Subordination of Shareholders and Directors Advances}}$$

(ii) The Group's debt to equity ratio will not exceed 10.0 times at all times.

The borrowings of the Group and Company bear interest at the following rates:

	Group		Company	
	2017 % per annum	2016 % per annum	2017 % per annum	2016 % per annum
Weighted average effective interest rates at the end of reporting period:				
– Finance leases	3.40	3.35	-	-
– Bank overdrafts	6.30	5.65	-	-
– Revolving credits and bankers' acceptances	4.70	2.48	4.17	4.17
– Term loans	5.15	4.99	5.48	6.03

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

23 CONVERTIBLE NOTES

On 5 March 2015, the Group via Asia Economic Development Fund Limited entered into a subscription agreement with Johor Logistics Sdn Bhd ("Subscriber") who subscribed for the convertible notes issued by the subsidiary at the nominal amount of USD11.45 million which is equivalent to RM46.46 million (2016: RM62.89 million).

The conversion period is from 5 March 2015 to 5 March 2020 (the "Maturity Date").

Under the terms of the Redeemable Convertible Preference Shares, the Subscribers could, at any time before the Maturity Date, convert in whole or in part the Redeemable Convertible Preference Shares into ordinary shares of the Company at conversion prices as determined by the board of directors of the Company. The Redeemable Convertible Preference Shares may be redeemed by the Company at any time from the date of issuance and prior to the Maturity Date.

Unless previously redeemed, converted or purchased and cancelled as provided in the subscription agreements, the Redeemable Convertible Preference Shares would be converted on the maturity date into the Company's ordinary shares based on the then relevant conversion price (the "Conversion price").

24 DEFERRED TAX ASSETS AND LIABILITIES

The movements during the financial year relating to deferred (liabilities)/assets are as follows:

	2017 RM'000	2016 RM'000
Group		
As at 1 January	406,045	382,160
Credited/(charged) to profit or loss (Note 9)		
- property, plant and equipment	(3,865)	15,111
- payables	(2,358)	(6,959)
- tax losses	-	(210)
- others	-	88
	(6,223)	8,030
Acquisition of subsidiaries (Note 14)	-	(555)
Charged/(credited) to equity		
- property, plant and equipment (Note 26)	35,982	24,765
- exchange differences	972	104
- others	-	(8,459)
	36,954	16,410
As at 31 December	436,776	406,045

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

24 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

The movements during the financial year relating to deferred (liabilities)/assets are as follows (continued):

	2017 RM'000	2016 RM'000
Group (continued)		
Deferred tax assets (before offsetting)		
Payables	**(7,143)**	(6,959)
Tax losses	**(1,431)**	(210)
	(8,574)	(7,169)
Offsetting	**12,024**	7,622
Deferred tax assets (after offsetting)	**3,450**	453
Deferred tax liabilities (before offsetting)		
Property, plant and equipment	**451,705**	414,032
Others	**545**	88
	452,250	414,120
Offsetting	**(12,024)**	(7,622)
Deferred tax liabilities (after offsetting)	**440,226**	406,498

Deferred tax assets/(liabilities) as at 31 December relate to the following:

	2017 RM'000	2016 RM'000
Company		
As at 1 January	**90,634**	83,893
Charged/(Credited) to profit or loss (Note 9)		
- property, plant and equipment	**625**	3,598
- Others	**1,243**	(2,097)
	1,868	1,501
Charged to equity		
- property, plant and equipment (Note 26)	**7,284**	5,240
As at 31 December	**99,786**	90,634

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

24 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

The movements during the financial year relating to deferred (liabilities)/assets are as follows (continued):

	2017 RM'000	2016 RM'000
Company (continued)		
Deferred tax assets (before offsetting)		
Payables	**1,197**	1,194
Tax losses	**3,036**	3,501
Others	**1,964**	2,745
Offsetting	**(6,197)**	(7,440)
Deferred tax assets (after offsetting)	**-**	-
Deferred tax liabilities (before offsetting)		
Property, plant and equipment	**105,983**	98,074
Offsetting	**(6,197)**	(7,440)
Deferred tax liabilities (after offsetting)	**99,786**	90,634

At the reporting date, deferred tax assets have not been recognised in respect of the following items:

	Group	
	2017 RM'000	2016 RM'000
Unutilised tax losses	**132,342**	80,986
Unabsorbed capital allowances	**4,306**	5,032
Other deductible temporary differences	**33,936**	20,573
	170,584	106,591

The utilisation of the above tax losses and allowances for offsetting future taxable profits is not probable as at 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

25 SHARE CAPITAL

	Group and Company			
	Number of ordinary shares of Nil (2016: RM0.25)		Amount	
	2017 '000	2016 '000	2017 RM'000	2016 RM'000
Authorised:				
At 1 January	4,000	2,000,000	1,000	500,000
Abolishment of the concept of authorised share capital on 31 January 2017	(4,000)	-	(1,000)	-
At 31 December	-	2,000,000	-	500,000
Issued and fully paid-up:				
At 1 January	4,000	1,350,423	1,000	337,605
Conversion of warrants	-	25,915	-	6,479
Exercise of ESOS	-	31,503	-	7,876
Bonus issue	-	7,405,469	-	1,851,368
Selective capital reduction	-	(8,686,351)	-	(2,171,588)
Cancellation of treasury shares	-	(122,959)	-	(30,740)
At 31 December	4,000	4,000	1,000	1,000

The new Companies Act 2016, which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

26 RESERVES

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Reserves					
Non-distributable:					
Translation reserve	(a)	(14,899)	(32,142)	-	-
Fair value reserve	(b)	19,651	8,525	15,458	8,914
Revaluation reserve	(c)	1,511,431	1,228,303	312,002	199,242
Other reserves	(d)	54,646	54,646	4,165	4,165
Equity transaction reserve	(e)	(8,004)	(2,913)	-	-
		1,562,825	1,256,419	331,625	212,321

The movement of each category of the reserves during the financial year are disclosed in the statements of changes in equity.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

26 RESERVES (CONTINUED)

The nature and purpose of each category of reserves are as follows:

(a) Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations where functional currencies are different from that of the Group's presentation currency.

(b) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired

(c) Revaluation reserve

The revaluation reserve relates to the revaluation of the Group's and Company's freehold and leasehold lands for plantation operation.

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	1,228,303	1,075,396	199,242	129,412
Arising from revaluation of property, plant and equipment during the financial year				
- revaluation surplus	316,432	177,672	120,044	75,070
- tax effect	(35,982)	(24,765)	(7,284)	(5,240)
- Net of tax	280,450	152,907	112,760	69,830
- Reclassification	2,678	-	-	-
As at end of the financial year	1,511,431	1,228,303	312,002	199,242

(d) Other reserves

Other reserves consist mainly of reserves arising from the scheme of reconstruction, amalgamation, liquidation and merger of certain subsidiaries.

(e) 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

27 RETAINED EARNINGS

The entire retained earnings of the Company as at 31 December 2017 may be distributed as dividends under the single tier system.

28 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	
	2017 RM'000	**2016 RM'000**
Group		
Ultimate holding corporation		
Johor Corporation		
- Agency fees received	**789**	1,218
- Acquisition of land	**(58,914)**	-
- Purchase and sales commission received	**22**	25
- Planting advisory and agronomy fees received	**655**	650
- Computer charges received	**2,284**	2,725
- Sales of goods	**1,943**	1,867
- Sales of cattle	**-**	1,864
- Construction work and maintenance fees received	**95**	-
- Event management fees and replanting services received	**403**	1,508
- Sales of oil palm seedling and bio compost fertilizer	**206**	935
- Rental payable	**(829)**	(834)
- Purchase of oil palm fresh fruit bunches	**(34,747)**	(29,295)
- Insurance charges	**41**	115
- Secretarial and share registration fees paid	**(331)**	(328)
- Dividend	**(48,034)**	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

28 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Sale and purchase of goods and services (continued)

	Transaction value for the year ended 31 December	
	2017 RM'000	**2016 RM'000**
Group (continued)		
Other related companies		
Johor Franchise Development Sdn. Bhd.		
- Agency fees received	**753**	1,124
- Purchase and sales commission received	**28**	36
- Purchase of oil palm fresh fruit bunches	**(67,606)**	(51,698)
- Planting advisory and agronomy fees received	**624**	628
- Computer charges received	**27**	41
- Sales of goods	**869**	1,111
- Construction work and maintenance fees received	**159**	33
- Event management fees, replanting fees and booth rental received	**271**	395
- Sales of oil palm seedling and bio compost fertilizer	**38**	47
Pro Biz Solution Sdn. Bhd.		
- Rental income	**60**	60
Pro Corporate Management Services Sdn. Bhd.		
- Secretarial and share registration fees paid	**-**	(46)
Damansara Assets Sdn. Bhd.		
- Management fees and services payable	**(841)**	(843)
- Rental commission payable	**(616)**	(547)
- Computer charges received	**15**	18
- Construction work and maintenance fees received	**16**	-
Johor Land Berhad		
- Purchase of oil palm fresh fruit bunches	**(3,169)**	(2,270)
- Management fees received	**502**	415
- Rendering of services	**778**	1,202
- Insurance charges	**120**	-
- Rental payable	**(25)**	(25)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

28 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Sale and purchase of goods and services (continued)

	Transaction value for the year ended 31 December	
	2017 RM'000	2016 RM'000
Group (continued)		
Other related companies (continued)		
Tanjung Langsat Port Sdn. Bhd.		
- Computer charges received	84	-
KARA Holdings Sdn. Bhd.		
- Computer charges received	-	587
JCorp Hotels and Resorts Sdn. Bhd.		
- Deposit paid for acquisition of land	1,725	-
JCorp Capital Solution Sdn. Bhd.		
- Dividend	(1,844)	-
Shareholders of subsidiary company, E.A Technique (M) Berhad		
Dato' Ir. Abdul Hak bin Md Amin		
- Shareholder's advances	4,500,000	-
- Interest charged	170,547	-
Datin Hamidah binti Omar		
- Shareholder's advances	2,000,000	-
- Interest charged	155,521	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

28 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Sale and purchase of goods and services (continued)

	Transaction value for the year ended 31 December	
	2017 RM'000	**2016 RM'000**
Company		
Ultimate holding corporation		
Johor Corporation		
- Rental payable	**(629)**	(629)
- Acquisition of land	**(58,914)**	-
- Secretarial Fee	**(36)**	(36)
- Dividend	**(48,034)**	-
Other related companies		
Damansara Assets Sdn. Bhd.		
- Management fees and services payable	**(841)**	(843)
- Rental commission payable	**(616)**	(547)
Johor Land Berhad		
- Purchase of oil palm fresh fruit bunches	**(3,169)**	(2,270)
- Management fees received	**422**	415
- Purchasing and sales commission received	**79**	57
Pro Biz Solution Sdn. Bhd.		
- Rental income	**60**	60
JCorp Capital Solution Sdn. Bhd.		
- Dividend	**(1,844)**	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

28 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Sale and purchase of goods and services (continued)

	Transaction value for the year ended 31 December	
	2017 RM'000	**2016 RM'000**
Company (continued)		
Subsidiaries		
Mahamurni Plantations Sdn. Bhd.		
- Sales of oil palm fresh fruit bunches	**89,887**	76,842
- Interest income	**-**	854
Kulim Plantations (Malaysia) Sdn. Bhd.		
- Sales of oil palm fresh fruit bunches	**46,653**	38,769
- Dividend income	**51,000**	22,000
Selai Sdn. Bhd.		
- Dividend income	**3,000**	975
Ulu Tiram Manufacturing Company (Malaysia) Sdn. Bhd.		
- Dividend income	**4,000**	1,000
Kumpulan Bertam Plantations Berhad		
- Dividend income	**5,000**	2,814
Sindora Berhad		
- Sales of oil palm fresh fruit bunches	**22,131**	18,870
- Dividend income	**5,000**	7,880
Danamin (M) Sdn Bhd		
- Interest Income	**1,276**	-
Kulim Nursery Sdn. Bhd.		
- Purchase of oil palm seedlings and bio compost fertilizers	**(417)**	(1,248)
Edaran Badang Sdn. Bhd.		
- Purchase of goods	**(2,342)**	(1,564)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

28 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Sale and purchase of goods and services (continued)

	Transaction value for the year ended 31 December	
	2017 RM'000	**2016 RM'000**
Company (continued)		
Subsidiaries (continued)		
Perfect Synergy Sdn. Bhd.		
- Purchase of chemicals	**(2,223)**	(1,440)
Extreme Edge Sdn. Bhd.		
- Purchase of computer hardware and software supplies	**(4,096)**	(7,294)
- Services performed on conversion of IT software	**(55)**	(1,858)
- Maintenance of equipments charged	**(2,294)**	(1,800)
- IT hardware and maintenance services	**(10,047)**	(11,742)
Soverign Multimedia Resources Sdn. Bhd.		
- Services performed on software development, implementation and support	**(400)**	(938)
- Purchase of computer software	**–**	(1,565)
Kulim Civilworks Sdn. Bhd.		
- Repair and maintenance charged	**(3,017)**	(2,502)
- Transportation fee charged	**(1,846)**	(1,674)
Pinnacle Platform Sdn. Bhd.		
- Services performed on maintenance of IT application systems	**(2,035)**	(1,299)
- Purchase of IT application systems and software	**(169)**	(5,415)
Special Appearance Sdn. Bhd.		
- Replanting cost payables	**(1,486)**	(1,162)

(b) Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel comprises all the Directors of the Company and their compensation are disclosed in Note 8.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

29 COMMITMENTS

(a) Capital commitments

Committed capital expenditure as at the reporting date is as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 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	30,213	82,389	914	58,513
- Not contracted for	14,258	13,236	1,002	-
	44,471	95,625	1,916	58,513
Authorised capital expenditure in respect of investment in PT Citra Sarana Energi:				
- Contracted for	87,263	127,449	-	-

(b) 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	
	2017 RM'000	2016 RM'000
Minimum lease payments		
Not later than 1 year	3,593	3,361
Later than 1 year but not later than 5 years	6,223	8,810
Total minimum lease payments	9,816	12,171
Less: Amounts representing finance charges	(168)	(167)
Present value of minimum lease payments	9,648	12,004
Present value of payments		
Not later than 1 year	3,499	3,292
Later than 1 year but not later than 5 years	6,149	8,712
Present value of minimum lease payments	9,648	12,004
Less: Amounts due within 12 months	(3,499)	(3,292)
Amount due after 12 months	6,149	8,712

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

30 SIGNIFICANT EVENTS DURING AND SUBSEQUENT TO YEAR END

(a) Acquisition for land of Menara Ansar by the Company

The Company has entered into a sale and purchase agreement ("SPA") dated 30th December 2016 with Johor Corporation ("JCorp") for the acquisition of pieces of commercial lands for a consideration of RM37.10 million including six (6) percent Government Service Tax ("GST"). The details of the commercial lands as described below:-

(i) All that piece of land measuring approximately 4,175 square feet (hereinafter referred to as "Plot 1") which forms part of HSD 475165 PTB 18322 (formerly known as H.S.(D) 159649 PTB 18322) in the Township and District of Johor Bahru, State of Johor (hereinafter referred to as "PTB 18322")

(ii) All that piece of land measuring approximately 29,396 square feet (hereinafter referred to as "Plot 2") which forms part of PTB 18322

(iii) All that piece of land measuring approximately 16,122 square feet (hereinafter referred to as "Plot 3") which forms part of PTB 18322

(iv) Geran 468052 Lot 22414 (formerly known as H.S.(D) 159650 PTB 18320) in the Township and District of Johor Bahru, State of Johor and measuring approximately 41,109 square feet (hereinafter referred to as "Lot 22414" or "Plot 4")

(v) All that piece of land measuring approximately 2,709 square feet (hereinafter referred to as "Plot 5") which forms part of HSD 500384 PTB 23359 (formerly known as 159648 Lot PTB 18319) in the Township and District of Johor Bahru, State of Johor (hereinafter referred to as "PTB 23359") Plot 1, Plot 2, Plot 3, Plot 4 and Plot 5 are collectively referred to as "the said Lands".

The SPA was completed on 22 May 2017 pending transfer of the said Lands from Jcorp to Kulim and/or its nominee. On 1 December 2017, the Parties entered into Supplemental Agreement ("SA") in respect of the SPA whereby the Parties agreed to exclude the sale of the Plot 5 from the SPA. In furtherance to the exclusion of Plot 5 from the sale and purchase transaction, the Parties agree to amend the consideration of RM34.7 million including six (6) percent GST. Jcorp also agreed to refund within sixty (60) days from the of the SA a sum of RM2.0 million being the purchase price of Plot 5 together with RM0.12 million being the GST for the purchase price of Plot 5 to the Purchaser or by other mode of payment agreed by both parties.

(b) Disposal of Menara Ansar by the Company.

The Company had on 22 May 2017 entered into a Sale and Purchase Agreement ("SPA") with Waqaf An Nur Corporation Berhad for the disposal of Menara Ansar together with parcel of lands erected for a total consideration of RM149.1 million of which RM2.13 million is remained in receivables as at year end. All the conditions precedent under the SPA have been fulfilled on 28 December 2017 and the disposal was completed on the same date.

(c) Proposed acquisition for land of Mukim Pantai Timur ("Tanah Mukim Pantai Timur")

The Group via Mahamurni Plantations Sdn Bhd ("MPSB") had on 31 December 2017 entered into a Sale and Purchase Agreement ("SPA") with JCorp Hotel and Resorts Sdn Bhd ("JHR") for the acquisition a piece of land for a total cash consideration of RM3.45 million ("Tanah Mukim Pantai Timur") and paid a deposit of RM1.73 million in accordance with the SPA.

As at the date of the financial statements, the Group is in the midst of completing the various conditions precedent as defined in the SPA.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

30 SIGNIFICANT EVENTS DURING AND SUBSEQUENT TO YEAR END (CONTINUED)

(d) Disposal of PT Sawit Sumber Rejo ("PT SSR"), PT Wahana Semesta Karisma ("PT WSK"), PT Harapan Barito Sejahtera ("PT HBS"). (PT SSR, PT WSK and PT HBS shall collectively be referred to as the "BARUT")

PT Graha Sumber Barakah ("PT GSB") and PT Wisesa Inspirasi Nusantara ("PT WIN") entered into a Share Transfer Agreement ("STA") dated 6 December 2017 for the disposal of PT WIN's 95% of the total issued and paid up shares of BARUT to PT GSB for a consideration of IDR7.13 billion (approximately RM2.23 million) (hereinafter referred to as "Purchase Price") which shall be repaid within 2 years from the date hereof. The disposal was completed on 28 December 2017 and resulted in a loss on disposal of RM75.48 million.

(e) Settlement agreement

On 14 February 2014, the Company completed its acquisition of 74% interest in PT Wisesa Inspirasi Nusantara ("PT WIN") for a consideration of RM58.75 million (approximately USD17.14 million) from PT Graha Sumber Berkah ("PT GSB"). The Company and PT GSB entered into a Shareholders Agreement ("SA") for PT WIN dated 14 February 2014. (the Company and PT GSB shall collectively referred to as the "Parties").

As part of obligations under the SA, the Company undertakes to provide further investment of up to RM86.70 million (approximately USD25.30 million) in PT WIN and/or its subsidiaries namely PT Harapan Barito Sejahtera ("PT HBS"), PT Sawit Sumber Rejo ("PT SSR") and PT Wahana Semesta Kharisma ("PT WSK") in respect of land concessions of oil palm plantation of 40,645 hectares ("the Land") located at Kalimantan Tengah.

In accordance with the SA, PT GSB had agreed to assist PT WIN to procure Hak Guna Usaha ("HGU") for the Land based on terms and conditions as contained in the SA. PT GSB had failed to procure the HGU in respect of the Land as a result of which the Company had issued a Default Notice to PT GSB on 8 June 2017. With the issuance of Default Notice, the Parties desirous to resolve the matter amicably.

The Company and PT GSB entered into a Settlement Agreement dated 6 December 2017 whereas PT GSB agrees and undertakes to refund to Kulim a net sum of RM41.32 million (the fair value after discounting is RM35.54 million) ("Agreed Settlement Sum") as full and final settlement for the PT GSB's failure to procure the HGU which shall be repaid within 2 years from the date hereof. The amount has been recognised as a gain in the statement of comprehensive income.

PT GSB has also agreed to cause its subsidiary PT Wisesa Inspirasi Sumatera ("PT WIS") to pledge its 1,650 shares in PT Citra Sarana Energy ("PT CSE") which is equivalent to 11% equity of the current total issued and paid up shares in PT CSE in favour of Kulim as security for the payment of the Agreed Settlement Sum. The 11% equity interest is valued at RM75.29 million.

(f) Proposed investment in PT Citra Sarana Energy ("PT CSE")

On 10 December 2014, the Group via Kulim Energy Nusantara Sdn Bhd ("KENSB") entered into a Conditional Subscription and Share Purchase Agreement ("CSSPA") with PT CSE and its existing shareholders, namely PT Wisesa Inspirasi Sumatera ("PT WIS") and PT Inti Energi Sejahtera ("PT IES"), to acquire a 60% equity interest in PT CSE to participate in the exploration and development of an oil and gas field in South West Bukit Barisan Block, Central Sumatera, Indonesia for a total cash consideration of approximately USD133.55 million (approximately RM534.86 million).

On 7 February 2016, the Group via KENSB entered into a Supplemental Agreement of CSSPA ("SA CSSPA") to revise the total cash consideration from USD133.55 million (approximately RM534.86 million) to USD80 million (approximately RM318.41 million).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

30 SIGNIFICANT EVENTS DURING AND SUBSEQUENT TO YEAR END (CONTINUED)

(f) Proposed investment in PT Citra Sarana Energy ("PT CSE") (continued)

On 6 December 2017, the Group via KENSB, PT WIS and PT CSE (collectively referred to as the "Parties") have agreed that the SA CSSPA dated 7 February 2016 be varied and amended which affected the mode of payment of the balance purchase price for the Sale Shares of USD11.32 million (approximately RM46.32 million), among others. PT WIS plans to sell its shares in PT CSE to potential investors (hereinafter referred to "PT CSE Divestment"). The Parties agreed that the balance purchase price for the Sale Shares amounting to USD11.32 million (approximately RM46.32 million) shall be paid by KENSB to PT WIS by way of set off from KENSB's entitlement to the proceeds of the PT CSE Divestment. This is by virtue of the CSSPA dated 10 December 2014 and SA CSSPA dated 7 February 2016 entered into between PT WIS, PT IES, PT CSE and KENSB that 60% of the shares in PT CSE is held by PT WIS for the benefit of KENSB. Therefore, KENSB is entitled to the proceeds from the PT CSE Divestment as the beneficial owner of the shares.

As at 31 December 2017, KENSB has paid a total of USD58.67 million (RM231.15 million) representing:

(i) USD12.83 million (RM46.76 million) as deposit for Acquisition of Shares;
(ii) USD40.85 million (RM162.33 million) as Prepayment for Subscription of Shares; and
(iii) USD4.99 million (RM22.06 million) as part of the Further Investment of USD15 million in accordance with the CSSPA and SA CSSPA.

The balance payable in respect of the further investment amounting to USD10.01 million (approximately RM40.94 million) is due to be paid upon settlement of balance purchase price for the Sale Shares of USD11.32 million (approximately RM46.32 million).

The completion date of the CSSPA and SA CSSPA has been further extended to 4 November 2018 due to the pending approval by the Indonesian Government and Special Task Force for Upstream Oil and Gas Activities ("SKK MIGAS") in respect of the change of control ("COC") of the Production Sharing Contract ("PSC") which is anticipated to be obtained by June 2018.

The Directors are of the opinion that the CSSPA and SA CSSPA will be completed by the end of 2018 and are currently evaluating several proposals in relation to this investment.

(g) Proposed disposal for land of Mukim Tebrau ("Tanah Ladang UTE")

The Company had on 2 January 2018 entered into a Sale and Purchase Agreement ("SPA") with Crescendo Development Sdn Bhd ("Crescendo") for the disposal lands for a total cash consideration of RM13.70 million ("Tanah Ladang UTE") and has received a deposit of RM2.70 million in accordance with the SPA.

As at the date of the financial statements, the Group is in the midst of completing the various conditions precedent as defined in the SPA.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

31 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.

(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 Directors does not expect any material losses from non-performance by counterparties.

The Company's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Company trades only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

<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 RM556.04 million (2016: RM576.69 million) 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 Company is not exposed to any significant concentration of credit risk in the form of receivables due from a single debtor or from groups of debtors.

<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 18. 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (continued)

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 18.

(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, which had unutilised balances of RM500 million (2016: RM81 million). E.A Technique (M) Berhad ("EAT") has profitable vessel charter hire operations as disclosed in Note 34 that generates positive operating cash flows and EAT has secured sufficient financing facilities from external financial institutions and from their intermediate holding company to complete its EPCIC project.

Analysis of financial instruments by remaining contractual maturities

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

	On demand or within one year	One to five years	Over five years	Total
	RM'000	RM'000	RM'000	RM'000
Group				
At 31 December 2017				
Financial liabilities:				
Trade and other payables	490,166	-	-	490,166
Borrowings	506,895	583,555	689,990	1,780,440
Total undiscounted financial liabilities	997,061	583,555	689,990	2,270,606
At 31 December 2016				
Financial liabilities:				
Trade and other payables	365,630	-	-	365,630
Borrowings	1,182,151	536,218	353,872	2,072,241
Total undiscounted financial liabilities	1,547,781	536,218	353,872	2,437,871

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

	On demand or within one year RM'000	Total RM'000
Company		
At 31 December 2017		
Financial liabilities:		
Trade and other payables		
Financial guarantees*	556,036	556,036
Borrowings	150,000	150,000
Total undiscounted financial liabilities	706,036	706,036
At 31 December 2016		
Financial liabilities:		
Trade and other payables	105,512	105,512
Financial guarantees*	576,685	576,685
Borrowings	240,000	240,000
Total undiscounted financial liabilities	922,197	922,197

* Based on maximum amount that can be called for under financial guarantee contracts provided to certain subsidiaries.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk whereas those issued at fixed rates expose the Group to fair value interest rate risk. The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings.

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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
50 bp increase in interest rates	(8,236)	(7,457)	(3,734)	(2,400)
50 bp decrease in interest rates	8,236	7,457	3,734	2,400

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group operates internationally and is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group entities. The currency giving rise to this risk is primarily the United States Dollar ("USD").

The Group's exposure to USD foreign currency risk, based on carrying amounts as at the end of the reporting period was:

	2017 RM'000	2016 RM'000
Group		
Trade and other receivables	42,962	206,865
Cash and bank	82,388	302,900
Trade and other payables	(220,755)	(129,277)
Borrowings	(314,765)	(551,904)
Convertible notes	(46,456)	(62,891)
Net exposure	(456,626)	(234,307)

The Company is exposed to significant foreign currency risk that are denominated in a currency other than the functional currency of the Company. The currency giving rise to this risk is primarily the United States Dollar ("USD") and Indonesian Rupiah ("IDR").

The Company exposure to IDR foreign currency risk based on carrying amounts as at the end of the reporting period was:

	2017 RM'000	2016 RM'000
Company		
Investments in subsidiaries	258,416	266,643
Amount due from PT Graha Sumber Barakah	41,320	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Foreign currency risk (continued)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's (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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
USD/RM				
- strengthening of USD 5% (2016: 5%)	(22,831)	(8,571)	1,003	742
- weakening of USD by 5% (2016: 5%)	22,831	8,571	(1,003)	(742)

The following table demonstrates the sensitivity of the Company's (excluding discontinued operations) profit net of tax to a reasonably possible change in the USD and IDR exchange rates against the respective functional currencies of the Company, with all other variables held constant.

	Profit net of tax	
	2017 RM'000	2016 RM'000
USD/RM		
- strengthening of USD by 5% (2016: 5%)	4,263	5,293
- weakening of USD by 5% (2016: 5%)	(4,263)	(5,293)
IDR/RM		
- strengthening of IDR by 5% (2016: 5%)	7,487	10,394
- weakening of IDR by 5% (2016: 5%)	(7,487)	(10,394)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Market price risk

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

The Group and Company is exposed to equity price risk arising from its investments in financial instruments.

Sensitivity analysis for market price risk

At the reporting date, a 5% (2016: 5%) strengthening in the FTSE Bursa Malaysia KLCI would have increased the Group's pre-tax profit and other comprehensive income by RM3.23 million (2016: RM1.68 million) and RM4.45 million (2016: RM3.08 million) 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.

At the reporting date, a 5% (2016: 5%) strengthening in the FTSE Bursa Malaysia KLCI would have increased the Company's pre-tax profit and other comprehensive income by RM2.45 million (2016: RM0.81 million) and RM3.87 million (2016: RM2.26 million) respectively. A 5% weakening in the FTSE Bursa Malaysia KLCI would have an equal but opposite effect on the Company's pre-tax profit and other comprehensive income.

(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	18
Borrowings	22
Trade and other payables	21

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(f) Fair value (continued)

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		------------------>	
	Quoted prices in active market (Level1)	Significant observable inputs (Level 2)	Siginificant unobservable inputs (Level 3)	Total
	RM'000	RM'000	RM'000	RM'000
Assets measured at fair value				
Group				
At 31 December 2017				
Unquoted shares	-	-	25,175	25,175
Quoted shares	75,941	-	-	75,941
Quoted warrants	28,989	-	-	28,989
Derivative financial instruments	-	(1,932)	-	(1,932)
Investment properties	-	-	28,231	28,231
Property, plant and equipment	-	-	3,907,968	3,907,968
At 31 December 2016				
Unquoted shares	-	-	24,194	24,194
Quoted shares	60,818	-	-	60,818
Quoted warrants	8,584	-	-	8,584
Fund investments	-	1,644	-	1,644
Derivative financial instruments	-	27	-	27
Investment properties	-	-	116,218	116,218
Property, plant and equipment	-	-	3,681,155	3,681,155

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(f) Fair value (continued)

Fair value hierarchy (continued)

	<------------------ Fair value measurement using ------------------->			
	Quoted prices in active market (Level1)	Significant observable inputs (Level 2)	Siginificant unobservable inputs (Level 3)	Total
	RM'000	RM'000	RM'000	RM'000
Company				
At 31 December 2017				
Unquoted shares	-	-	16,136	16,136
Quoted shares	58,139	-	-	58,139
Quoted warrants	26,733	-	-	26,733
Investment properties	-	-	26,631	26,631
Property, plant and equipment	-	-	1,312,289	1,312,289
At 31 December 2016				
Unquoted shares	-	-	17,257	17,257
Quoted shares	44,702	-	-	44,702
Quoted warrants	8,584	-	-	8,584
Investment properties	-	-	114,880	114,880
Property, plant and equipment	-	-	1,193,406	1,193,406

(i) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily equity investments listed in Bursa Malaysia Securities Berhad or foreign stock exchanges classified as trading securities or available for sale.

(ii) Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. Instruments included in Level 2 comprise interest rate swap and available-for-sales financial assets invested in certain unit trusts. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(f) Fair value (continued)

Fair value hierarchy (continued)

(iii) Financial instruments in Level 3

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs).

Fair value of financial instruments

Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value.

	Group Carrying amount		Group Fair value	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Available-for-sale financial assets	**173,360**	173,360	*	*

* Investments (Note 16)

Fair value information has not been disclosed for the Company's investments in an available for sale financial asset of World Logistics Council Limited, that is carried at cost because fair value cannot be measured reliably.

32 FINANCIAL INSTRUMENTS

The financial instruments of the Group and the Company as at 31 December are categorised into the following classes:

	Note	**2017 RM'000**	**2016 RM'000**
Group			
(a) Loans and receivables			
Trade and other receivables	18	**596,642**	635,287
Cash and bank balances	20	**325,470**	530,783
		922,112	1,166,070
(b) Financial assets at fair value through profit or loss			
Available-for-sale financial assets	16	**104,414**	79,096
Investment held for trading	16	**25,691**	16,144
Derivatives	19	**(1,932)**	27
		128,173	95,267

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

32 FINANCIAL INSTRUMENTS (CONTINUED)

The financial instruments of the Group and the Company as at 31 December are categorised into the following classes (continued):

	Note	2017 RM'000	2016 RM'000
Group (continued)			
(c) Financial liabilities measured at amortised cost			
Trade and other payables	21	**490,166**	365,630
Borrowings	22	**1,760,148**	2,040,896
		2,250,314	2,406,526
Company			
(a) Loans and receivables			
Trade and other receivables	18	**216,275**	182,051
Cash and bank balances	20	**203,449**	203,670
		419,724	385,721
(b) Financial assets at fair value			
Available-for-sale financial assets	16	**75,316**	54,399
Investment held for trading	16	**25,692**	16,144
		101,008	70,543
(c) Financial liabilities measured at amortised cost			
Trade and other payables	21	**125,774**	109,836
Borrowings	22	**743,005**	732,787
		868,779	842,623

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

33 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong capital base and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using the debt-to-equity ratio. The debt-to-equity ratios at 31 December 2017 and at 31 December 2016 were as follows:

	Group	
	2017 RM'000	**2016 RM'000**
Total borrowings (Note 22)	**1,760,148**	2,040,896
Convertible Note (Note 23)	**46,456**	62,891
Less: Cash and bank balances (Note 20)	**(325,470)**	(530,783)
Net debt	**1,481,134**	1,573,004
Total equity	**4,342,284**	4,178,627
Debt-to-equity ratios	**0.34**	0.37

The Group and Company has met its externally imposed financial covenants as described in Note 22 during the financial year.

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 RM0.6 million 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 2017 and 2016.

34 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 Executive Director ("Group ED") reviews internal management reports for each of the strategic business units on a monthly basis. The operations of each of the Group's reportable segments are summarised below:

- Plantation operations — Oil palm planting, crude palm oil processing and plantation management services and consultancy.
- 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 ED. Management believes that segment profits are the most relevant measure by which it can assess the results of the segments against those of other entities operating in the same industries.

Other operations of the Group mainly comprise investment holding, tourism, training, and other miscellaneous activities which are not of sufficient size to be reported separately and consolidation adjustments.

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and (a) represents a separate major line of business or geographical area of operations, (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or (c) is a subsidiary acquired exclusively with a view to resale and refer to the discontinued operations of BARUT (Note 30(d)).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

34 SEGMENT INFORMATION (CONTINUED)

	Plantation	Intrapreneur Ventures	O&G support services	Agrofood	Property Investment	Other operations	Total continuing operations	Total discontinuing operations	Consolidated total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2017									
Segment revenue	1,027,431	56,234	419,714	12,936	8,995	16,702	1,542,012	371	1,542,383
Results									
Interest income	132	147	509	-	-	3,083	3,871	-	3,871
Finance costs	35,872	360	21,800	5	-	30,160	88,197	-	88,197
Depreciation of property, plant and equipment	88,773	2,926	65,617	2,714	-	6,142	166,172	–	166,172
Amortisation of intangible assets	-	-	4,776	-	-	95	4,871	-	4,871
Share of result of associate	-	-	-	-	-	552	552	-	552
Segment profit/(loss)	245,679	(1,652)	(108,989)	(16,886)	4,500	4,565	127,217	(79,072)	48,145
Profit/(loss) before tax	209,939	(1,865)	(130,280)	(16,891)	4,500	(21,960)	43,443	(79,072)	(35,629)
Earning before interest, tax, depreciation and amortisation	334,584	1,421	(42,863)	(14,172)	4,500	14,342	297,812	(79,072)	218,740
Assets									
Investments in associates	-	-	-	-	-	3,042	3,042	-	3,042
Intangible assets	-	1,642	21,484	-	-	3,779	26,905	-	26,905
Additions to non-current assets	71,867	1,781	167,988	4,384	-	16,902	262,922	-	262,922
Segment assets	5,794,864	43,145	923,787	22,587	26,631	298,575	7,109,589	-	7,109,589
Segment liabilities	1,830,428	42,260	749,093	26,243	-	119,281	2,767,305	-	2,767,305

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

34 SEGMENT INFORMATION (CONTINUED)

	Plantations	Intrapreneur Ventures	O & G support services	Agrofood	Property investment	Other operations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2016							
Segment revenue	899,521	57,609	626,167	9,945	8,810	10,686	1,612,738
Results							
Interest income	325	119	2,857	-	-	30,629	33,930
Finance costs	17,935	446	18,159	8	-	22,929	59,477
Depreciation of property, plant and equipment	80,171	3,121	60,246	5,154	-	6,149	154,841
Amortisation of intangible assets	-	-	556	-	-	832	1,388
Share of result of associate	-	-	-	-	-	(258)	(258)
Segment profit/(loss)	116,590	1,032	36,335	(5,067)	4,088	(67,256)	85,722
Profit/(loss) before tax	98,980	705	21,033	(5,075)	4,088	(59,814)	59,917
Earning before interest, tax, depreciation and amortisation	197,086	4,272	99,438	87	4,088	(30,736)	274,235
Assets							
Investments in associates	-	-	-	-	-	2,490	2,490
Intangible assets	-	4,229	26,260	-	-	2,285	32,774
Additions to non-current assets	96,829	2,829	129,750	4,883	-	10,650	244,941
Segment assets	5,374,510	82,751	1,186,451	25,274	114,880	292,650	7,076,516
Segment liabilities	1,760,201	77,567	901,282	31,676	-	127,163	2,897,889

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

34 SEGMENT INFORMATION (CONTINUED)

Geographical information

Revenue and total assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Total assets	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Continuing operations:				
- Malaysia	1,542,012	1,612,738	7,054,783	6,944,602
- Indonesia	-	-	54,806	131,914
	1,542,012	1,612,738	7,109,589	7,076,516
Discontinued operations:				
- Malaysia	371	-	-	-
- Indonesia	-	-	-	-
	371	-	-	-
Total	1,542,383	1,612,738	7,109,589	7,076,516

35 DIVIDEND

	2017 RM'000	2016 RM'000
In respect of the financial year ended 31 December 2017: Dividend of 12.50 sen per share, totalling approximately RM50,000,000, declared on 1 December 2017 and paid on 21 December 2017	50,000	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

36 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1.1.2017	Proceeds from borrowings, net of transaction fees	Repayment of borrowing	Foreign exchange	31.12.2017
	RM'000	RM'000	RM'000	RM'000	RM'000
Group					
Islamic financing facilities	767,701	500,000	(6,542)	-	1,261,159
Islamic financing facility					
- EPCIC	291,356	-	(274,903)	(16,453)	-
Conventional financing facilities	218,835	-	(38,716)	-	180,119
Revolving credit	743,284	69,960	(500,000)	(14,878)	298,366
Others	19,720	784	-	-	20,504
Total liabilities from financing activities	2,040,896	570,744	(820,161)	(31,331)	1,760,148

	1.1.2017	Proceeds from borrowings, net of transaction fees	Repayment of borrowing	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Company				
Revolving credit	240,000	10,000	(140,000)	110,000
Term loan	492,787	139,649	569	633,005
Total liabilities from financing activities	732,787	149,649	139,431	743,005

37 AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 2 March 2018.

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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 2017 up to 28 February 2018, 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 130 to 259. The financial statements comply with all applicable Financial Reporting Standards in Malaysia.

APPROVALS

Our independent auditors, PricewaterhouseCoopers ("PWC"), 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 136 to 138 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**

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